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| Special Variation Application Form – Part B  Council application for 2015/16 |
| Coffs Harbour City Council  13 February 2015  Jay Kirkman  (02) 6648 4330  Jay.kirkman@chcc.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 Q290  
QVB Post Office 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'S RESPONSE***

***The Key Aspects***

Council in February 2014, through an application to IPART, sought a multi-year Special Rate Variation (SRV) under Section 508A of the Local Government Act. Council had requested annual rate increases over three years of 7.9% (2014/2015), 8.14% (2015/2016) and 7.75% (2016/2017), a cumulative increase of 25.73%, and to permanently incorporate this increase into its general rate income base.

In June 2014, IPART formally advised Council that it had approved only a one-year permanent rate increase to general income of 7.9% for 2014/2015. In dollar terms this ‘rate rise’ represents an increase in Council’s general income of approximately $2 million per annum (above the rate pegging allowance).

The determination provided to not approve years 2 and 3 of Council’s multi-year rate variation was based on the assessment of Council’s previous community engagement process, suggesting that the extent of the ‘rate rise’ in percentage terms was communicated ambiguously.

While the approved ‘rate rise’ for 2014/2015 was a positive step towards Council closing its annual infrastructure ‘funding gap’ and in becoming financially sustainable – an annual infrastructure ‘funding gap’ of approximately $4.2 million per annum remains unfunded.

This ‘funding gap’ means Council still cannot continue to deliver the levels of service from its General Fund infrastructure assets desired by the community within its current revenues.

While opportunities to improve efficiency (reducing expenditure) and/or generate additional revenues (from sources other than rates) will continue to be pursued through Council’s Transformation to Sustainability (T2S) project, this funding option is set to address Council’s ongoing operating deficient position and will not bridge the remaining infrastructure ‘funding gap’.

Therefore in October 2014, Council initiated a new community engagement program to seek feedback on a proposal to pursue the year 2 and year 3 components of the original SRV package initiated in 2014/2015.

As a result this application seeks proposed rate increases of 8.14% in ‘General Income’ for 2015/2016 and 7.75% for 2016/2017 with these permanent increases including the rate pegging increase of 2.4% for 2015/2016 and a projected rate pegging increase of 3% for 2016/2017.

The compounding effect of these two year permanent rate increases will yield an approximate additional $4.2 million (above the rate pegging allowances) in rate revenue in the second year – to address Council’s infrastructure ‘funding gap’.

## 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 |
| **Pease note: A CAPAX review will be required for the renewal works for the Woolgoolga Swimming Pool. These works are not likely to commence until 2017/18.** | | |

# 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.

***COUNCIL'S RESPONSE***

***The Need and Purpose for the SRV***

The Road to Financial Sustainability

Council requires additional funding to achieve a sustainable level of service in terms of its infrastructure. To maintain current infrastructure condition and avoid continued deterioration over time – Council must spend an estimated $4.2 million over and above current funds for asset maintenance and renewal per annum.

Modeling of Council's long-term financial position demonstrates that Council's costs have, and will continue to, increase faster than our revenues (known as an “underlying operating deficit”). To address this issue, Council must generate additional cash funding (estimated at $1.8 million) per annum.

Therefore with these short-falls in funding combined Council remains to have an estimated $6 million cash funding gap annually that must be bridged between what Council generates in revenues and what must be spent to maintain current infrastructure condition and levels of service for the community – a ‘Sustainable Position’. Overall, Council’s underlying accrual accounting loss is approximately $12 million.

Council since 2011 has been focused on developing, adopting and now implementing several Financial Sustainability Strategies to become operational and financially sustainable for the longer term.

Key strategies include:

* A three-year SRV, of which one year has been approved and implemented (2014/2015), with the further two years of this original SRV proposed via this application - to generate the further required $4.2 million to close the annual infrastructure maintenance and renewal gap.
* A Transformation to Sustainability (T2S) Program to produce efficiencies and cost reductions in service delivery, currently estimated at $3.2 million per annum after three years.
* Identifying additional revenue or growth revenue opportunities, such as the returns from Council’s commercial business units and the commercialisation of private works.
* Further improving Council’s asset management to ensure accurate information is used to optimise maintenance costs, asset renewals (useful lives) and depreciation.

It is important to emphasise that not one strategy can close Council’s financial sustainability ‘gap’ on its own. These strategies represent a package of measures that together can achieve a financially sustainable Council to deliver the community the services and outcomes identified through the Community Strategic Plan.

This proposed SRV is a key element of Council’s funding strategy (as identified through Council’s IPR documents) to ensure the sustainable management of Council’s infrastructure assets.

***The Need and Purpose of the SRV identified through the IPR Framework***

Connection to the Community Strategic Plan – Coffs Harbour 2030

The sustainable management of Council’s infrastructure assets, works towards achieving a number of the outcomes identified within the Coffs Harbour 2030 CSP and is directly connected to the 2030 themes “Looking after our Community”, “Moving Around” and "Places for Living”.

Relevant strategies within these themes include:

* Build pride and identity in Coffs Harbour as a community and a place;
* Ensure adequate maintenance and renewal of roads, footpaths and cycle-ways;
* Provide infrastructure that supports sustainable living and is resilient to climatic events;
* Provide public spaces and facilities that are accessible and safe for all;
* Provide safe and accessible play spaces for our children within each community;
* Improve the effectiveness of the existing transport system.

Identification through 2014/2018 Delivery Program

Council’s 2014/2018 Delivery Program is based on Council delivering sustainable levels of service to the community and the funding options (including a proposed three-year SRV from 2014/2015) for this delivery over the long term.

Please refer to Attachment 13A\_B being excerpts from Council’s 2014/2018 Delivery Program which identify the annual infrastructure maintenance and renewal gap and the funding strategy to ‘bridge this gap’.

Identification through 2015/2025 Resourcing Strategy

Council’s 2015/2025 Resourcing Strategy (refer to excerpt - Attachment 13C) describes Council's unsustainable position and the fact that Council cannot continue to deliver existing services at current levels without its financial position being addressed.

Options to address the issue include:

* Productivity improvements (changing the way services are delivered)
* New revenue opportunities (e.g. commercialisation of council services)
* Review of current levels of service delivery
* Additional rate income.
* Asset management improvements, including the review of useful lives/depreciation and review of the infrastructure backlog.

The Resourcing Strategy identifies two core features to pursue these options:

* Transformation to Sustainability (T2S)
* Special Rate Variation

The 2015/2025 Resourcing Strategy contains the means by which Council will provide the financial, workforce and asset resources required to implement the strategies established by the Community Strategic Plan.

Impacts on Council’s Long Term Financial Plans

The ‘Sustainable Model’ of Council’s Long Term Financial Plan (LTFP) includes additional funding to that available in the ‘Base-Line Model’. This additional funding comes from the proposed SRV - and if approved will be dedicated to fund further necessary asset maintenance and renewal works – this allocation of proposed additional funding is detailed in ‘Part A’ (Worksheet 6) of Council’s application.

The ‘Sustainable Model’ demonstrates improved financial resources to deliver current services to current standards into the future. This improvement is evident through various projected financial ratios which are detailed in Section 3.3 of this application.

This Financial Model, which previously formed the basis of Council’s 2014-2018 Delivery Program and will again be used to develop Council’s 2015-2019 Delivery Program, contains the following key assumptions.

* No General Fund budget deficits for the next 10 years
* The value of the General Fund infrastructure backlog will not continue to increase
* No significant increases in unfunded new capital works
* Potential change to service levels upon further review of current service levels
* Increase in General Fund asset maintenance spends
* Increase in General Fund asset renewal spends
* Additional rate funding through a community wide permanent Special Rate Variation over a two-year period

Council’s Asset Management Strategy and associated planning documents have been prepared in accordance with funding levels projected within Council’s ‘Sustainable’ Financial Model.

Council’s Asset Management Plans contain the following elements:

* The assets covered by each plan in terms of quantity, age, condition, value, etc.
* The levels of service provided by these assets now and the level of service forecast to be required in future, based on an analysis of future demand.
* Lifecycle management plans detailing how these assets will be maintained and renewed (and, where necessary, new assets acquired) so as to minimise the long-term costs of service provision.
* Funding projections to undertake these works that integrate with the ‘Sustainable Model’ in the LTFP.
* An improvement plan detailing actions to improve the way Council manages its assets.

Asset Management Plans for Transport, Building and Recreational Assets have been included as Attachment 10 to this application – being the asset classes directly impacted by the proposed SRV.

## 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.

***COUNCIL'S RESPONSE***

***Council’s Unsustainable Financial Position***

Council’s Resourcing Strategy has been driven by the need to address “Council’s unsustainable position.” Put simply, Council cannot continue to deliver its existing services to the current standards, let alone achieve new objectives over and above these.

As noted in Council’s 2015-2025 Resourcing Strategy, two key factors, not uncommon to local government authorities, were the main contributors to this unsustainable position:

* A widening gap between expenditure and revenues, and
* The deterioration of community infrastructure

The ‘widening gap’ between expenditure and revenues arises from:

* State Government ‘Rate Pegging’: legislation that has, for over more than 30 years, meant increases in revenue have not always kept pace with inflation or costs for construction.
* Cost Shifting: the latest report commissioned by LGNSW found that as at 2010/2011 Council was responsible for a number of extra services that were previously the responsibility of State or Federal Government and that these cost Coffs Harbour City Council approximately over $4 million each year to deliver.
* Community Expectations: Council now delivers a wider range of services than it did in the past.

With regards to deterioration of infrastructure, Council is the ‘custodian and trustee’ of public assets including transport, water, sewerage, stormwater drainage, buildings and recreation assets with a replacement value of around $2 billion.

The competing financial pressures noted above have led to a gradual reduction in funding for infrastructure maintenance and renewal over a number of years to the point where Council cannot continue to deliver the services it currently does to the current standards, let alone achieve new objectives over and above these.

Council’s Long Term Financial Plan

Council’s ten-year ‘Base-Line’ LTFP budget projections show ongoing General Fund deficit positions. Without the proposed SRV, Council does not have the funding capacity to undertake the required works to stop the further deterioration of community infrastructure.

In simple terms, if the proposed SRV is approved, Council will be able to reduce further asset deterioration through a significant increase in its annual asset maintenance and renewal expenditure.

The Financial Position of General Fund

Council’s ‘General Fund’ continues to be in a poor financial position, having minimal untied revenues to allocate to new or expanded operational programs and to capital works.

Council’s more recent revenue and expenditure trends (Operating Result) for the General Fund are summarised in the following table:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **$’000** | **2009/10** | **2010/11** | **2011/12** | **2012/13** | **2013/14** |
| Revenue | 86.394 | 102.611 | 88.475 | 103,401 | 101,957 |
| Revenue (ex-Capital Revenue) | 71.335 | 82.744 | 76.512 | 96,183 | 94,601 |
| Expenditure | 83.690 | 93.588 | 91.119 | 108,699 | 112,095 |
| **Operating Result** | **2.704** | **9.023** | **(2.644)** | **(5,298)** | **(10,138)** |
| **Operating Result before Capital** | **(12.355)** | **(10.844)** | **(14.607)** | **(12,516)** | **(17,494)** |

The Financial Position of Water and Sewer Funds

Water supply and sewerage infrastructure makes up approximately $1 billion (around half) of the replacement value of Council assets. Under the NSW Local Government legislation these services are funded by specific charges and accounted for distinct from “general” activities funded by ordinary rates.

Over the past decade, Council has made substantial investments in the provision of new water and sewerage infrastructure including the construction of a $60 million Water Treatment Plant at Karangi, a $90 million Water Reclamation Plant at Coffs Harbour and (with our neighbours, Clarence Valley Council) the $180 million Shannon Creek Dam and Regional Water Supply Scheme.

These investment decisions will underpin the social, environmental and economic future of the Coffs Harbour Local Government Area (LGA), ensuring the expected level of service can be delivered. The decisions were supported by 30 year financial plans demonstrating that Council could repay the substantial loans required via water and sewerage charges.

The same approach is clearly required for General Fund to address the ‘other half’ of Council’s infrastructure portfolio – transport, drainage, buildings and recreation assets together valued at around $1 billion – which similarly underpin the future of the Coffs Harbour LGA, ensuring that current services can be provided into the future.

The Sewerage Fund for 2013/2014 had an operating deficit of $4.513 million and the Water Fund had an operational deficit $3.195 million after deducting capital grants and contributions.

Both Water and Sewer funds in-line with the Council’s Long Term Financial Plans are expected to incur deficits over the next two to three years as cash reserves are eroded to meet loan repayments related to major augmentation works, which have been completed for both Water and Sewer Funds.

The operational results of the Water and Sewer Funds will improve significantly over the next few years, primarily due to reducing loan repayments. The use of cash reserves to meet these deficits has enabled the annual water and sewer charge increases to be held at reasonable levels.

T-Corp’s Financial Assessment & Benchmarking Report

In support of the previous Independent Review of Local Government, NSW Treasury Corporation (T-Corp) was engaged by the State Government to undertake a financial assessment of NSW councils to evaluate:

* The financial capacity of the Council to undertake additional borrowings, and
* The financial performance of the Council in comparison to a range of similar councils and measured against prudent benchmarks.

An external assessment of Coffs Harbour City Council’s financial position was undertaken by the T-Corp in 2012.

T-Corp assessed Coffs Harbour City Council as follows:

* Financial Sustainability Rating (FSR): **Weak**
* Outlook: **Negative**

A ‘Weak’ FSR rating was given to councils with the following characteristics:

* A local government with an acceptable capacity to meet its financial commitments in the short to medium term and a limited capacity in the long term.
* It has a record of reporting moderate to significant operating deficits with a recent operating deficit being significant. It is unlikely to be able to address its operating deficits, manage unforeseen financial shocks and any adverse changes in its business, without the need for significant revenue and/or expense adjustments.
* The expense adjustments would result in significant changes to the range of and/or quality of services offered.
* It may experience difficulty in managing core business risks.

This assessment further highlights the inability of Council’s ‘General Fund’ to afford any new capital works. Council is currently undertaking a number of measures to improve the sustainably of the General Fund (see Section 7 - Productivity Improvements and Cost Containment Strategies).

The following statement is from Council’s ‘Financial Assessment Report’ produced by T-Corp in October 2012 (Executive Summary – page 4):

*“The key observations from our review of Council’s 10 year forecasts for its General Fund are:*

* *The General Fund is likely to be unsustainable in the long term. Projected expenses outstrip revenue, which leads to an increasing deficit each year*
* *The General Fund will not generate sufficient funds for capital expenditure to match depreciation of its assets. It is likely that Council will need to review current service levels, or raise additional revenues to generate funds to keep infrastructure to their current standards”.*

The following statement on Benchmarking was also made by T-Corp in the same report (Executive Summary – page 5):

*“In respect of the Benchmarking analysis T-Corp has compared the Council’s key ratios with other councils in DLG Group 5. The key observations are:*

* *Council’s financial flexibility as indicated by the Operating Ratio and Own Source Operating Revenue Ratio are generally below the group’s average*
* *Council currently is more heavily geared than its peers with its DSCR and Interest Cover Ratio below the group average though in the medium term Council is forecasting marginally improving ratios to be close to benchmark*
* *Council was in a sufficient liquidity position though this is expected to marginally deteriorate in the medium term*
* *Council’s performance in terms of its Asset Maintenance Ratio and Infrastructure Backlog are stronger than its peers though they are weaker than the benchmarks”.*

Please see Attachment 4A\_B for the complete Financial Assessment and Benchmarking Reports from T-Corp.

DLG Infrastructure Management Assessment

One of the actions of the NSW 2021 State Plan was to undertake an Infrastructure Audit of NSW councils.

The key objectives of the audit were to:

* Provide information in relation to the infrastructure backlog in NSW
* Assess the reliability of the information provided by councils to determine the backlog
* Identify trends in infrastructure needs by area and asset type
* Identify current infrastructure risk exposure.

This audit classified Coffs Harbour City Council as **‘Weak’** in terms of Infrastructure Asset Management and identifies the cost to bring our infrastructure to a satisfactory standard as over $70 million.

Council’s Infrastructure Backlog

Council's preference at the present time is to reduce unfunded borrowing liabilities in the General Fund, which will have a positive impact on its long-term financial sustainability and thereby places Council in a better position to be able to selectively use borrowings for major infrastructure renewal projects. This will have the added advantage of reducing Council’s current level of infrastructure backlog.

## 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'S RESPONSE***

***Key Financial Indicators (KFIs) – General Fund***

Please see Attachment 13D which shows the above mentioned Key Financial Indicators (for General Fund) projected for the next ten-years under both Council’s ‘Sustainable’ and ‘Base-Line’ Financial Models.

Operating Balance Ratio (excluding capital items)

If the proposed SRV is approved, this ratio will increase as revenue will increase by the proposed additional rate income - thereby increasing both the operating revenue and net operating result.

Unrestricted Current Ratio

If the proposed SRV is approved, this will have little impact on this ratio under both Financial Models. The proposed increase in rate revenue will be spent of asset renewal and maintenance and not on new assets.

Rates and Annual Charges Ratio Percentage

If the proposed SRV is approved, this percentage will increase slightly as the rate revenue base will be increased.

Debt Service Ratio

If the proposed SRV is approved, this ratio will show a favourable decrease, as the revenue from continuing operations will increase due to the additional rate income.

Broad Liabilities Ratio

If the proposed SRV is approved, this ratio shows a favourable decrease as renewal works reduce the annual infrastructure ‘gap’ and additional rate income has a positive impact on net financial liabilities.

Asset Renewals Ratio

If approved, the proposed SRV will fund an additional asset renewal works program - resulting in significant increases to this ratio when compared to ratios under the ‘Base-Line’ Financial Model.

Other Key Financial Indicators (KFIs) Reported by Council

Council in April 2012 adopted 13 key KFIs which are monitored and reported to Council on an annual basis.

These indicators are used as financial health checks to monitor the operational liquidity (short term focus), fiscal responsibility (elected term focus) and financial sustainability (long term / intergenerational focus) of the Council. The indicator targets have been derived through a combination of management policy, DLG recommendations and industry benchmarking.

These ratios (detailed in the following table) are monitored on a consolidated and individual fund basis. Some of these KFIs are in addition to the Financial Indicators projected by Council’s LTFP models.

|  |  |
| --- | --- |
| **Key Financial Indicator** | **Council Target** |
| Unrestricted Current Ratio | 2:1 |
| Working Capital (excluding Internal Restrictions) | > $1,000,000 |
| Cash Flow Adequacy Ratio (measures the ability of cash from operations to pay for asset purchases & loan repayments) | > 1 |
| Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage | < 7% |
| Operating Result adjusted for Renewal Costs | Break even over 5 years |
| Own Source Revenue Ratio (Income excluding grants & contributions as a % of total income) | 65% |
| Employee Costs as a % of Rates, Annual Charges & United Grants | Between 55% - 75% |
| Rates & Annual Charges Coverage Ratio | > 40% |
| Debt Service Ratio (General Fund) | < 10% |
| ELE Funding Ratio | 20% |
| Building & Infrastructure Renewal Ratio | > 100% |
| Operating Balance Ratio | > 0% |
| Broad Liabilities Ratio | < 100% |

## 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).

|  |
| --- |
| ***COUNCIL'S RESPONSE***  Not Applicable |

# 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.

|  |
| --- |
| 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'S RESPONSE***

***The Community Consultation Process***

Council’s recent SRV community engagement process was undertaken in accordance with the ‘Proposed SRV Application – 2015/16 Community Engagement Strategy’ adopted on 23 October 2014 (please refer to Attachment 13E for this Strategy).

This engagement was an extension to broad consultation (initiated in 2013) regarding Council’s proposed steps to secure a financially sustainable position. Previous community consultation has included a ‘Level of Service’ community engagement process and the previous proposed SRV over a three-year period for 2014/2015.

Level of Service Community Engagement (October 2013)

Council at its meeting of 26 September 2013 endorsed a ‘Level of Service – Community Engagement Process’ which included a Community Engagement Strategy for levels of service. The objective of this consultation was to seek community feedback on preferred levels of service and proposed funding solutions to meet that service level.

This community engagement process, which commenced in October 2013, was undertaken in a two-phase process with the first phase assessing preferred levels of service and a willingness to pay more rates via submissions made through Council’s ‘Budget Allocator’ survey. Feedback from this first-phase of engagement, reported to Council on 28 November 2013, made clear that the community values the services Council currently delivers and was willing to pay more to maintain these rather than see levels of service reduced.

Proposed 3-Year SRV for 2014/15 - Community Engagement (December 2013)

The second phase of the engagement process, which commenced in December 2013 sought community feedback on proposed steps to be taken to adopt a financially sustainable position, including the proposal for a three-year SRV and further funding options to close the remainder of the 'gap' to financial sustainability. Council in phase two engaged the community through various channels – all of which had a focus on seeking feedback via a ‘proposed rate rise’ survey.

The survey (in both on-line and hard copy formats) was made available to the open public as well as council’s online community reference group.

The survey asked if the community would support Council applying for a rate increase over a three-year period to help pay for ongoing renewal and maintenance of the assets needed to deliver services to the community.

Proposed 2-Year SRV Community Engagement (November 2014)

Council’s most recent Community Engagement Program, which commenced in November 2014, sought community feedback on a proposed SRV which incorporates a permanent multiple year rate increase over a two year period (commencing 2015/2016) – being the period previously not approved by IPART.

Council engaged the community through various channels including a 20-page community brochure ‘Funding Our Future’ (please see Attachment 5A for a copy of this brochure) which was sent to over 25,000 households, e-newsletters, various media releases, four information stalls (Growers Market and Harbour-side Market) and Council’s page in The Coffs Coast Advocate – all of which had a focus on seeking feedback via Council’s ‘Funding Our Future’ proposed rate rise survey.

As this latest engagement process is an extension to Council’s previous community engagement (initiated in 2013) on the proposed steps to secure a financially sustainable position – the recent survey had a simple approach whereby the community were asked to select one of two alternatives – ‘Option A’ or ‘Option B’ – which are described as follows:

* **Option A** - Approximate 3% rate peg increase - for general ordinary rate income
* **Option B** - Approximate 8.14% rate increase for 2015/16 and a 7.75% increase for 2016/17 (including rate peg) – for general ordinary rate income.

The survey was open to all Coffs Harbour ratepayers and the wider community. It could be accessed online or through the completion of a postage-paid questionnaire ‘postcard’ (refer to Attachment 5B) that was included with printed copies of the ‘Funding Our Future’ community brochure.

The survey was open to the community from 21 November 2014 and closed on 31 January 2015, a period of more than ten weeks.

***Media Releases & Other Publicity***

Please refer to the links and attachments below with regards to related media releases and other publicity on the proposed SRV.

**23 October 2014 – Council Seeks Feedback on SRV** <http://www.coffsharbour.nsw.gov.au/coffs-and-council/media-centre/Pages/2014/MR-Council-Seeks-Community-Feedback-on-SRV.aspx>

**21 November 2014 – Funding Our Future**

<http://www.coffsharbour.nsw.gov.au/coffs-and-council/media-centre/Pages/2014/MR-Funding-Our-Future.aspx>

**1 December 2014 - Council News e-newsletter**  
<http://www.coffsharbour.nsw.gov.au/coffs-and-council/media-centre/Documents/Council%20Newsletter%20-%20November%202014.pdf>

**7 January 2015 - Council Page in Coffs Coast Advocate**

(Please see Attachment 5)

**21 November 2014 - 2CS/Star FM radio news - Phone interview with General Manager about SRV proposal.**

**24 November 2014 - Coffs Coast Advocate story**  
<http://www.coffscoastadvocate.com.au/news/your-views-sought-on-funding-our-future-rate-rises/2460684/>

**25 November 2014 ABC Coffs Coast Breakfast Show - Live interview with GM.**

**25 November 2014 NBN Television - Interview with General Manager**  
<http://www.nbnnews.com.au/index.php/2014/11/25/rates-rise-on-the-cards-for-coffs-harbour/>

**28 January 2015 - NBN Television -Interview with Business Services Director Andrew Beswick**

<http://www.nbnnews.com.au/index.php/2015/01/28/locals-say-no-to-another-rate-rise/>

**11 February 2015 - Coffs Coast Advocate story**

http://www.coffscoastadvocate.com.au/news/charges-under-review/2539026/

**Editorial on same day**

http://www.coffscoastadvocate.com.au/news/between-a-rock-and-a-hard-place/2539013/

**The Mayor has a weekly spot on local commercial radio station 2CS. She talked about the SRV regularly.**

## 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.

***COUNCIL'S RESPONSE***

***Community Feedback***

The ‘Funding Our Future‘ survey was open to all Coffs Harbour ratepayers and the wider community. It could be accessed online or through the completion of a postage-paid questionnaire ‘postcard’ that was included with printed copies of the ‘Funding Our Future’ community brochure.

Online Survey Results – Open Public

The online ‘open public’ survey was open to the community from 21 November 2014 and closed on 31 January 2015, a period of more than ten weeks.

In total, 428 people completed the online ‘open public’ survey. Of these, 423 (98.8%) identified themselves as Coffs Harbour ratepayers while 5 (1.2%) were non-ratepayers. A total of 383 respondents (89.5%) selected Option A (No SRV), while the remaining 45 (10.5%) supported Option B (Yes to the SRV).

Online Survey - Community Reference Panel

In addition to the ‘open public’ survey, Council separately engaged its Online Survey Panel (a randomly-selected, Coffs Harbour community reference group first established in 2012) with the same survey to provide Council with added confidence that the feedback received was representative of the community as a whole. Importantly, the Online Survey Panel provides statistically valid results.

Online survey panelists were contacted on 21 November 2014 and invited to participate in the ‘Funding Our Future’ survey. An email reminder was sent to non-respondents on 10 December 2014 and a final reminder was emailed on 21 January 2015. The survey closed on 31 January 2015.

Out of a total of 773 panel members, 381 (or 49.3%) completed the ‘Funding Our Future’ survey. Of these, 354 (92.9%) identified themselves as Coffs Harbour ratepayers while 27 (7.1%) were non-ratepayers. A total of 272 respondents (71.4%) selected Option A (No SRV), while the remaining 109 (28.6%) supported Option B (Yes to the SRV).

Based on an approximate LGA population of 71,000, the reference panel survey results have a margin for error of approximately +/- 5% at the 95% confidence level.

Postage-paid Questionnaire ‘postcard’ Survey Results

The ‘Funding Our Future’ community brochure sent to all 25,121 ratepayer properties included a postage-paid postcard. Returned postcard responses totalled 5,226 (or 20.8%). Of these, a total of 4,589 respondents (88%) selected Option A (No SRV), while 600 (11%) supported Option B (Yes to the SRV). The remaining 37 postcards received (1%) did not indicate a selection from the 2 options.

It is important to note that the ‘open public’ survey and postcard results represent a ‘self-selecting’ sample – that is, the respondents have elected to seek out and complete the survey, rather than being selected at random to participate.

***Additional Community Feedback***

Written Submissions

In addition to the feedback received via the survey, Council received 66 written submissions on the funding proposals put forward. All of these submissions included comments opposing the SRV proposal – these comments mostly focused on one or more of the following concerns:

* Rate funds not being spend in the Northern Beaches area
* Ratepayer affordability
* Requests to cut Council staffing and expenditure
* Reallocation of current expenditure
* Previous bad investments made by Council

Ratepayer Petition

A ratepayer’s petition was also received by Council opposing the rate raise proposal. There were approximately 1,440 signatures representing roughly 1,321 households.

The petitioners raised the following concerns with Council's SRV proposal:

* Ratepayer affordability (particularly for pensioners)
* Request to cut expenditure or services
* Changing the spread of rate burden
* Consideration of amalgamation or resource sharing
* Deferral of major infrastructure projects such as a new library, entertainment centre and art gallery

***Responses to Concerns Raised***

The community consultation process has been extensive and the level of feedback has shown a relatively high level of engagement. Specific concerns identified from submissions, a ratepayers petition and feedback at information sessions are considered below with responses.

Rate funds not being spent in the Northern Beaches area

The focus of the SRV proposal is on maintenance and renewal of existing infrastructure. This concern stems from long term service levels such as the absence of kerb and guttering, footpaths and other expected base infrastructure. It is reasonable that the community expects a consistent level of service in similar urban areas; however, the improvements desired represent upgrades which will need to be funded in addition to fundamental asset renewals proposed under the SRV proposal.

Ratepayer affordability

Affordability is a key balancing factor in Council's assessment of an SRV proposal. This matter is discussed further in Section 5 of this application.

Request to cut Council staffing, expenditure or services

The ‘Funding Our Future’ brochure explained that injunction with the SRV proposal Council was implementing significant cost reduction and efficiencies through its Transformation to Sustainability (T2S) Program. These cost reductions are an essential component of Council's Financial Sustainability Strategies in relation to expenditure; however, the proposed SRV is also an essential initiative on the revenue side. Previous community consultations have also indicated that current service levels should generally be maintained. The view that Council's multi-million financial sustainability gap can be bridged from expenditure cuts alone is unrealistic, particularly if service levels are to be maintained. A full reliance on expenditure cuts would necessitate significant service reductions over a broader range of services and is therefore not considered a viable or community preferred alternative.

Reallocation of current expenditure

Unfortunately any reallocation of expenditure creates winners and losers where they is little consensus amongst the broader community. For instance, should Council reallocate a lifeguard or library expenditure to fund road or playground renewals? The lack of a consensus is part of the picture that informs the more general desire by the community to maintain current service levels. Reallocation is therefore not considered a community supported alternative.

Previous bad investments made by Council

Council's investment losses as a consequence of the Global Financial Crisis through investment in State Government approved Collateral Debt Obligations (CDOs) have largely been recovered. Council's investment portfolio performance has had no impact on Council's financial sustainability challenge and the proposal for a SRV.

Changing the spread of the rate burden

This concern was specifically raised by the ratepayers’ petition. A large majority of the signatories of the petition are residents of the areas of Sawtell and Sapphire Beach who have an ongoing concern with property revaluation and rate burden rebalancing that occurred in Sawtell in 2003 and the higher than average land values of these areas. The concern is more about 'who pays' rather than 'how much we pay in total'. Council's total rate revenue does not benefit from land valuation changes and Council already provides a ‘base’ ordinary general rate under legislation to limit rate burden shift from land revaluations. In relation to the proposed SRV the allocation of rate burden is not specifically relevant.

Consideration of amalgamation or resource sharing

The Independent Local Government Review Panel Final Report in 2014 has not recommended Coffs Harbour City Council for immediate merger. It is also noted that all of Council's neighbours have financial sustainability issues to address themselves. Council is willing to pursue cooperative initiates such as a proposed Joint Organisation; however, there is no indications that this model will deliver anywhere near the level of savings to negate the requirement for the proposed SRV.

Deferral of major infrastructure projects such as a new library, entertainment centre and art gallery

Following a community consultation process, Council at its December 2014 meeting resolved to defer any further consideration of the above until its financial sustainability issues had been satisfactory addressed. Council has duly recognised the requirement to address existing infrastructure asset renewal challenges before pursuing community desired but significant aspirational new asset projects.

# 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.

***COUNCIL'S RESPONSE***

***Rating Structures with and without proposed SRV***

The following tables show Council’s current rating structure (2014/2015) and the proposed rating structure (for Ordinary and Special Rates) for the next 2 years ‘With’ and ‘Without’ proposed SRV.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **2014/2015 Rate Structure - Current** | | | |  |  |  |  |  |
| **Rating Category / Sub-Category** | **Number of Properties** | **Ad Valorem Rate ($)** | **Base Amount ($)** | **Minimum Amount ($)** | **Properties on Minimum** | **Land Value** | **Land Value on Minimum** | **Estimated Yield ($)** |
| Residential | 28,696.98 | 0.0036801 | 330.00 |  |  | 5,263,648,058 |  | 28,840,755 |
| Farmland | 717.00 | 0.0036801 | 330.00 |  |  | 294,092,800 |  | 1,318,901 |
| Business | 1,436.42 | 0.0085745 |  | 555.50 | 254 | 588,238,700 | 8,458,204 | 5,112,425 |
| Business (Business City Centre) | 322.60 | 0.0118235 |  | 539.50 | 4 | 214,084,338 | 56,240 | 2,532,719 |
| **Totals** | **31,173** |  |  |  | **258** | **6,360,063,896** | **8,514,444** | **37,804,800** |
|  |  |  |  |  |  |  |  |  |
| **Special Rate** | **Number of Properties** | **Ad Valorem Rate ($)** | **Base Amount ($)** | **Minimum Amount ($)** | **Properties on Minimum** | **Land Value** | **Land Value on Minimum** | **Estimated Yield ($)** |
| Environmental Levy | 31,173 | 0.0001038 | 20.15 |  |  | 6,360,063,896 |  | 1,288,311 |
|  |  |  |  |  |  |  |  |  |
| **2015/2016 Rate Structure - WITHOUT Proposed SRV (Year 1)** | | | | | | | |  |
| **Rating Category / Sub-Category** | **Number of Properties** | **Ad Valorem Rate ($)** | **Base Amount ($)** | **Minimum Amount ($)** | **Properties on Minimum** | **Land Value** | **Land Value on Minimum** | **Estimated Yield ($)** |
| Residential | 28,696.98 | 0.0037709 | 338.00 |  |  | 5,285,921,824 |  | 29,632,262 |
| Farmland | 717.00 | 0.0037709 | 338.00 |  |  | 299,521,600 |  | 1,371,812 |
| Business | 1,436.42 | 0.0090080 |  | 568.00 | 246 | 573,682,978 | 8,014,892 | 5,235,266 |
| Business (Business City Centre) | 322.60 | 0.0127485 |  | 552.00 | 4 | 193,836,961 | 50,860 | 2,472,690 |
| **Totals** | **31,173** |  |  |  | **250** | **6,352,963,363** | **8,065,752** | **38,712,030** |
|  |  |  |  |  |  |  |  |  |
| **Special Rate** | **Number of Properties** | **Ad Valorem Rate ($)** | **Base Amount ($)** | **Minimum Amount ($)** | **Properties on Minimum** | **Land Value** | **Land Value on Minimum** | **Estimated Yield ($)** |
| Environmental Levy | 31,173 | 0.0001063 | 20.65 |  |  | 6,352,963,363 |  | 1,319,042 |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
| **2016/2017 Rate Structure - WITHOUT Proposed SRV (Year 2)** | | | | | | | |  |
| **Rating Category / Sub-Category** | **Number of Properties** | **Ad Valorem Rate ($)** | **Base Amount ($)** | **Minimum Amount ($)** | **Properties on Minimum** | **Land Value** | **Land Value on Minimum** | **Estimated Yield ($)** |
| Residential | 28,696.98 | 0.0038848 | 348.00 |  |  | 5,285,921,824 |  | 30,521,298 |
| Farmland | 717.00 | 0.0038848 | 348.00 |  |  | 299,521,600 |  | 1,413,098 |
| Business | 1,436.42 | 0.0092782 |  | 585.00 | 246 | 573,682,978 | 8,014,892 | 5,392,292 |
| Business (Business City Centre) | 322.60 | 0.0131305 |  | 568.50 | 4 | 193,836,961 | 50,860 | 2,546,782 |
| **Totals** | **31,173** |  |  |  | **250** | **6,352,963,363** | **8,065,752** | **39,873,470** |
|  |  |  |  |  |  |  |  |  |
| **Special Rate** | **Number of Properties** | **Ad Valorem Rate ($)** | **Base Amount ($)** | **Minimum Amount ($)** | **Properties on Minimum** | **Land Value** | **Land Value on Minimum** | **Estimated Yield ($)** |
| Environmental Levy | 31,173 | 0.0001096 | 21.25 |  |  | 6,352,963,363 |  | 1,358,711 |
|  |  |  |  |  |  |  |  |  |
| **2015/2016 Rate Structure - WITH Proposed SRV (Year 1)** | | | | | | |  |  |
| **Rating Category / Sub-Category** | **Number of Properties** | **Ad Valorem Rate ($)** | **Base Amount ($)** | **Minimum Amount ($)** | **Properties on Minimum** | **Land Value** | **Land Value on Minimum** | **Estimated Yield ($)** |
| Residential | 28,696.98 | 0.0039821 | 357.00 |  |  | 5,285,921,824 |  | 31,293,891 |
| Farmland | 717.00 | 0.0039821 | 357.00 |  |  | 299,521,600 |  | 1,448,694 |
| Business | 1,436.42 | 0.0095125 |  | 600.00 | 246 | 573,682,978 | 8,014,892 | 5,528,518 |
| Business (Business City Centre) | 322.60 | 0.0134626 |  | 583.00 | 4 | 193,836,961 | 50,860 | 2,611,197 |
| **Totals** | **31,173** |  |  |  | **250** | **6,352,963,363** | **8,065,752** | **40,882,300** |
|  |  |  |  |  |  |  |  |  |
| **Special Rate** |  | **Ad Valorem Rate ($)** | **Base Amount ($)** | **Minimum Amount ($)** | **Properties on Minimum** | **Land Value** | **Land Value on Minimum** | **Estimated Yield ($)** |
| Environmental Levy | 31,173 | 0.0001063 | 20.65 |  |  | 6,352,963,363 |  | 1,319,042 |
|  |  |  |  |  |  |  |  |  |
| **2016/2017 Rate Structure - WITH Proposed SRV (Year 2)** | | | | | | |  |  |
| **Rating Category / Sub-Category** | **Number of Properties** | **Ad Valorem Rate ($)** | **Base Amount ($)** | **Minimum Amount ($)** | **Properties on Minimum** | **Land Value** | **Land Value on Minimum** | **Estimated Yield ($)** |
| Residential | 28,696.98 | 0.0042916 | 384.50 |  |  | 5,285,921,824 |  | 33,719,051 |
| Farmland | 717.00 | 0.0042916 | 384.50 |  |  | 299,521,600 |  | 1,561,113 |
| Business | 1,436.42 | 0.0102497 |  | 646.00 | 246 | 573,682,978 | 8,014,892 | 5,956,844 |
| Business (Business City Centre) | 322.60 | 0.0145065 |  | 628.00 | 4 | 193,836,961 | 50,860 | 2,813,670 |
| **Totals** | **31,173** |  |  |  | **250** | **6,352,963,363** | **8,065,752** | **44,050,679** |
|  |  |  |  |  |  |  |  |  |
| **Special Rate** | **Number of Properties** | **Ad Valorem Rate ($)** | **Base Amount ($)** | **Minimum Amount ($)** | **Properties on Minimum** | **Land Value** | **Land Value on Minimum** | **Estimated Yield ($)** |
| Environmental Levy | 31,173 | 0.0001096 | 21.25 |  |  | 6,352,963,363 |  | 1,358,711 |

The Impact of New Land Valuations

The proposed rating structures for 2015/2016 and 2016/2017 (while similar in structure to the current year) have been impacted by new land valuations (base date 1 July 2014) which are required be used to levy ordinary rates across all rating categories for 2015/2016.

Council’s current rating structure for 2014/2015 was based on land valuations having a base date of 1 July 2011.

Council’s total rateable land valuation base has decreased by approximately $70 million from approximately $6.360 billion (2011 valuations) to approximately $6.353 billion (2014 valuations).

It should be noted the new valuations do not have an effect on the amount of rate income able to be generated by Council - they do however have an effect on the distribution of the total rate burden.

Council’s proposed rating structures from 2015/2016 (both with and without the proposed SRV) have been impacted by movements in land valuations which have resulted in some redistribution of the total rate burden across the rating categories.

The movement in land valuations (from 2011 to 2014 base dates) across the different rating categories is shown in the following graph.

The higher increase in land valuations for both the residential and farmland categories (in comparison to business categories) has resulted in these categories (on average) experiencing an ordinary rate increase slightly above the rate peg and proposed SRV for 2015/2016.

Please Note: Worksheet 5 in Part A of this application shows the impact of these land valuation movements on the ordinary rate for each rating category.

### Minimum Rates

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

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

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.

***COUNCIL'S RESPONSE***

***Minimum Rates – Business Properties***

As detailed in Section 5.1, the proposed rating structures for two-years from 2015/2016 ‘Without’ the SRV indicate some 246 Business properties and 4 City Centre Business properties will be levied a minimum rate.

The proposed rating structures ‘With’ the SRV for two-years from 2015/2016 indicate the same number of business properties being levied a minimum ordinary rate – therefore the proposed SRV will not have an impact on the proportion of business properties paying a minimum rate.

## 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'S RESPONSE***

Delivery Program 2014/2018

The Delivery Program shows how Council’s ‘principal activities’ respond to the Community Strategic Plan. All of Council’s plans, projects, actions and funding allocations are directly linked to the Delivery Program.

One of the central features of Council’s 2014/2018 Delivery Program is a long term budget strategy that relies on a proposed three-year SRV from 2014/2015.

Therefore in 2014, Council applied for a permanent SRV to be phased in over three years to generate revenue to address a $6.2 million shortfall in funding for infrastructure maintenance and renewal across Coffs Harbour.

While IPART acknowledged the merit of the application only the first year of the SRV (2014/2015) was approved.

In October 2014, Council initiated a new community engagement program to seek feedback on a proposal to pursue the year 2 and year 3 components of the original SRV package in line with the financial strategies mapped out in the 2014/2018 Delivery Program.

2015/2025 Resourcing Strategy

Council’s has recently adopted its 2015/2025 Resourcing Strategy which continues to support outcomes of ‘actions’ identified in Council’s 2014/2024 Resourcing Strategy - taken in pursuit of the funding options identified in the 2013/2023 Resourcing Strategy.

The complete 2015/25 Resourcing Strategy can be found at:

<https://www.coffsharbour.nsw.gov.au/coffs-and-council/running-council/Documents/Corporate%20Planning%20and%20Reporting/2015-2025-Resourcing-Strategy.pdf>

In summary, the first ‘action’ (development of a continuous improvement program) was effected by Council’s resolution of 14 November 2013 to undertake a ‘Transformation to Sustainability’ (T2S) project. Further details on this project are supplied in Section 7 of this application.

The remainder of the actions have been progressed through Council’s community engagement regarding ‘Levels of Service’ that was undertaken in the latter part of 2013 and into 2014, the last step of which being the application for a proposed SRV over a three year period.

An extensive community engagement process was undertaken to identify community priorities in regard to Council service levels and to see if the community was willing to pay more to maintain those programs. Consequently, the proposal for a SRV was included among a number of funding initiatives that inform the reviewed 2014/2024 Resourcing Strategy. As only one year of the previous proposed three-year SRV was approved – Council’s 2015/2025 Resourcing Strategy includes a proposed two-year SRV as part of the funding solution in Council becoming financially sustainable.

Consideration of Ratepayer Affordability

Ratepayer affordability is an important consideration before any decision is made to make an application to IPART to increase rates. Council through its IPR documents has always acknowledged that increasing rates is only part of the solution to becoming financially sustainable.

Recent community feedback from the latest SRV consultation process has again highlighted some concerns around ratepayer affordability.

In responding to the affordability concerns of residents, Council has adopted a recommendation (in conjunction with its adoption to proceed with a proposed two-year SRV) to ‘freeze’ normal increases in other rates and charges (such as water and sewer annual charges) for the average residential ratepayer so that the total increase in all rates and charges for each of 2015/2016 and 2016/2017 is no greater than approximately 3.9%.

This option provides a mechanism whereby the essential repair of the General Fund revenue base can occur whilst smoothing the overall impact of rates and charges for most residential ratepayers, that is; those who also receive water, sewerage and waste services, during the implementation years of 2015/2016 and 2016/2017. This option demonstrates Council is listening and responding to the community while staying focused on the core objectives Council needs to pursue for the broader benefit of service delivery for the community, now and into the future.

There is of course a cost to Council’s financial position in the short term for the Water and Sewer Funds; however, given the relative recent renewal of many of these assets, there is sufficient time in future years to address this situation. In fact, in terms of inter-generational equity, a further small deferral of the financial burden for funding water and sewer infrastructure to future generations is considered reasonable.

While the majority of properties within the Coffs Harbour LGA are serviced by Council’s water and sewer networks – and will therefore benefit from this ‘freeze’ in water and sewer annual charges – to be equitable to those non-urban properties not having these services available, Council has also resolved to reduce the on-site sewage fee in line with the ‘freeze’ in water and sewer annual charges during the proposed SRV implementation years of 2015/16 and 2016/17.

Council’s commitment to continue to find cost savings through improved efficiencies and additional funding sources to offset future rate increases is also evident by point 3 of Councils Resolution, made on 12 February 2015, to make formal application to IPART for a SRV from 2015/16 for a two year period under Section 508(A).

*“3. Management bring a report back to Council prior to the end of the first year of this proposed Special Rate Variation summarising overall results from the current Special Rate Variation, the Transformation to Sustainability project and other key initiatives such as the commercialisation of City Works, thereby enabling Council to decide, by resolution, whether the SRV in 2016/17 is still warranted.”*

The impact of the proposed SRV (staged over two years) on the average residential property (in terms of both the ordinary general rate and the total annual rate burden – which includes all rates and charges) is shown in the following tables.

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Option A - Rate Peg Only** | |  |  |  |  |  |  |  |  |  |
| Typical Residential Ratepayer - Including Water Usage | | | |  |  | | | | |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  | **CURRENT** | **Year 1** |  |  | **Year 2** |  |  |  | **2 Year Compound Increases from 2014/2015** | |
| **Rates & Charges** | **2014/15** | **2015/16** | **Increase Year 1** | | **2016/2017** | **Increase Year 2** | |  |
|  | **($)** | **($)** | **Amount ($)** | **%** | **($)** | **Amount ($)** | **%** |  | **Amount ($)** | **%** |
| Residential Ordinary Rate | 1,006.03 | 1,036.21 | 30.18 | 3.0% | 1,067.30 | 31.09 | 3.0% |  | 61.27 | 6.1% |
| Environmental Levy | 39.22 | 40.41 | 1.19 | 3.0% | 41.62 | 1.21 | 3.0% |  | 2.40 | 6.1% |
| Sewerage Access Charge | 806.00 | 814.00 | 8.00 | 1.0% | 822.00 | 8.00 | 1.0% |  | 16.00 | 2.0% |
| Water Access Charge | 143.00 | 151.00 | 8.00 | 5.6% | 157.00 | 6.00 | 4.0% |  | 14.00 | 9.8% |
| Water Usage (250 KL pa) | 657.50 | 690.00 | 32.50 | 4.9% | 725.00 | 35.00 | 5.1% |  | 67.50 | 10.3% |
| Domestic Waste Service | 566.00 | 600.00 | 34.00 | 6.0% | 636.00 | 36.00 | 6.0% |  | 70.00 | 12.4% |
| Stormwater Management | 25.00 | 25.00 | 0.00 | 0.0% | 25.00 | 0.00 | 0.0% |  | 0.00 | 0.0% |
| **Totals** | **3,242.75** | **3,356.62** | **113.87** | **3.5%** | **3,473.92** | **117.30** | **3.5%** |  | **231.17** | **7.1%** |
| **Increase per week** |  |  | **2.19** |  |  | **2.26** |  |  | **4.45** |  |
|  |  |  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Option B - SRV for 2 Years** | | |  |  | |  |  |  |  |  |  |  |
| Typical Residential Ratepayer - Including Water Usage | | | | | |  |  | | | | |  |
|  |  |  | |  |  | |  |  |  |  |  |  |
|  | **CURRENT** | **Year 1** | |  |  | | **Year 2** |  |  |  | **2 Year Compound Increases from 2014/2015** | |
| **Rates & Charges** | **2014/15** | **2015/2016** | | **Increase Year 1** | | | **2016/2017** | **Increase Year 2** | |  |
|  | **($)** | **($)** | | **Amount ($)** | **%** | | **($)** | **Amount ($)** | **%** |  | **Amount ($)** | **%** |
| Residential Ordinary Rate | 1,006.03 | 1,087.93 | | 81.90 | 8.1% | | 1,172.25 | 84.32 | 7.8% |  | 166.22 | 16.5% |
| Environmental Levy | 39.22 | 40.41 | | 1.19 | 3.0% | | 41.62 | 1.21 | 3.0% |  | 2.40 | 6.1% |
| Sewerage Access Charge | 806.00 | 806.00 | | 0.00 | 0.0% | | 806.00 | 0.00 | 0.0% |  | 0.00 | 0.0% |
| Water Access Charge | 143.00 | 143.00 | | 0.00 | 0.0% | | 143.00 | 0.00 | 0.0% |  | 0.00 | 0.0% |
| Water Usage (250 KL pa) | 657.50 | 667.50 | | 10.00 | 1.5% | | 677.50 | 10.00 | 1.5% |  | 20.00 | 3.0% |
| Domestic Waste Service | 566.00 | 600.00 | | 34.00 | 6.0% | | 636.00 | 36.00 | 6.0% |  | 70.00 | 12.4% |
| Stormwater Management | 25.00 | 25.00 | | 0.00 | 0.0% | | 25.00 | 0.00 | 0.0% |  | 0.00 | 0.0% |
| **Totals** | **3,242.75** | **3,369.84** | | **127.09** | **3.9%** | | **3,501.37** | **131.53** | **3.9%** |  | **258.62** | **8.0%** |
| **Increase per Week** |  |  | | **2.44** |  | |  | **2.53** |  |  | **4.97** |  |

With rate pegging increases for 2015/2016 and 2016/2017 (Option A), the average residential property can expect a total compounded ordinary rate increase of approximately $61.27 over the two-year period. This combined with increases in other rates and charges equates to an increase of $231.17 over the same period.

With an 8.14% rate variation for 2015/2016 and 7.75% for 2016/2017 (Option B), the average residential property can expect a total compounded ordinary rate increase of approximately $166.22 over the two-year period, including the rate peg increase in Option A. This combined with increases in other rates and charges (including the ‘freeze’ in water and sewer annual charges over the two-year SRV period) equates to an increase of $258.62.

External Assessment of Ratepayer Affordability

Council has also commissioned independent research to assess the impact of the implementation of the proposed rate increase. As part of this impact assessment, Western Research Institute (WRI) considered the following questions:

* Is the proposed rates increase comparable to other price and cost increases in Coffs Harbour City LGA?
* What is the impact of the proposed rates increase on household expenditure and business viability?
* What is the impact of the proposed rates increase on Coffs Harbour City LGA’s ranking relative to its peers in terms of personal income and socio-economic indicators?

Their summary conclusions with respect to each category of ratepayers – households, farmland businesses and non-farm businesses – are as follows:

*The analysis of the proposed rate increase on Coffs Harbour City households indicates that the reasonableness test is only partially satisfied. The following results were found:*

* *The increase is below assumed changes for education, childcare and gas cost categories. However, the rate increase exceeds all other forecasted changes in all other cost categories. The proposed rate increase under the SRV only partially satisfies the reasonableness test as the SRV will achieve some form of “catch up” with only 2 out of 19 categories (gas and education). However, when examining the impact on price changes over the past 5 years the picture is more favourable, with the planned SRV going someway to “catching up” with experienced and forecast changes for 8 out of 19 cost categories.*
* *Rates as a proportion of household expenditure are considered significant as the change is greater than 1%. However, households across all classification categories will be able to pay their rates without unduly compromising their expenditure because the ratio will decline over the SRV implementation period by 0.01 percentage points.*
* *Residential rates in Coffs Harbour City LGA have been steadily rising in line with increases in residential rates of peer LGAs. Under the SRV, the proposed rates will remain below Group 5 LGAs, however will track above the rates of neighbouring LGAs.*
* *Regarding the affordability of the proposed rates’ increase and associated socio-economic standing, Coffs Harbour City was ranked relatively poorly in terms of socio-economic indicators against its peers, as well as NSW LGAs. However, WRI notes that Coffs Harbour City Council has a rates hardship policy in place that provides assistance to ratepayers who are experiencing genuine difficulties with the payment of their rates and charges. Whilst against NSW, the rankings were also below the median, they were not extremely poor being placed in the “middle of the pack” for many indicators. This suggests that the peer groups are not extremely disadvantaged.*

*Farmland businesses in Coffs Harbour City make up 2.30% of rate assessments which constitutes 3.50% of Council’s total rates revenue. The proposed increase in farm rates has produced varied results for farmland businesses, and the reasonableness tests are only partially satisfied.*

* *The proposed rate increase under the SRV will be above changes in all input/output categories and wage costs, therefore the reasonableness test is not satisfied. However, when examining the impact on price changes over the past 5 years the picture is slightly improved with the planned SRV going some way to “catching up” with experienced and forecast changes for 1 out of 14 cost categories.*
* *Coffs Harbour City’s farms rates / value added ratios are expected to increase over the SRV implementation period. However, the ratio is only expected to increase by less than one percentage point following the SRV implementation thereby satisfying the reasonableness test.*
* *Farmland rates have historically been tracking below those of both peer groups, however under the SRV farm business rates will grow in line with Group 5 and neighbouring LGAs with farmland rates slightly below the average of Group 5 and above neighbouring LGAs in 2016/17.*
* *The forecasted rate ranking suggests that Coffs Harbour City farmland rank will deteriorate over the SRV implementation period, from 7th highest in 2013/14 to 3rd highest in 2016/17.*

*The proposed rate increase for non-farm businesses has also produced varied results; however the reasonableness tests are partially satisfied. The analysis found the following results:*

* *The proposed rate increase under the SRV for non-farm businesses is unfavourable as it will be above changes in all input/output cost categories and wage costs. However, when examining the impact on price changes over the past 5 years the picture is slightly improved with the planned SRV going some way to “catching up” with experienced and forecast changes for 3 out of 20 cost categories.*
* *Non-farm business rates/value added ratio will only marginally increase over the SRV implementation period but by less than one percentage point, thereby satisfying the reasonableness test.*
* *Non-farm business rates in Coffs Harbour City have been steadily increasing in line with Group 5 LGAs and under the SRV will remain below Group 5 peers in 2016/17.*
* *For non-farmland businesses, Coffs Harbour City Council is considered to have high rates and is ranks 3rd highest out of the 10 ‘Group 5 and neighbouring’ LGAs. However this ranking remains constant through the SRV period.*

Please refer to Attachment 6 for full copy of this report.

To further understand Council’s relative standing in relation to its peers, the following comparison graph of average residential ordinary general rates is provided in relation to all NSW Regional Towns/Cities (Group 4 and Group 5 Councils) for 2014/2015 (before the proposed SRV) and for 2016/2017 (the last year of the proposed SRV).

The external assessment generally concludes that the reasonableness test on affordability is only partially satisfied. However, comparison of the average residential ordinary general rate level between Council and its peers would indicate that even after the proposed SRV Council’s ordinary rate levels are reasonable.

A key factor in the community’s perception of total rate levels generally is Council higher than average rates and charges in relation to water, sewerage and waste. Council has invested heavily over many years in these other service areas and provides high quality infrastructure and services which meets contemporary standards. Unfortunately, the cost of this pro-action means Coffs Harbour City is ‘ahead of the curve’ compared to many other Councils in these service areas.

The reality is, regardless of the source and reasons for rates and charges, the community perception usually relates to the total impost. Therefore in summary, although the total rates and charges are could be considered high, the ordinary general rate component after the proposed SRV would still be reasonable.

Outstanding Rates and Annual Charges Percentage

The percentage of ‘Outstanding Rates and Annual Charges’ is a ‘reportable’ item within Council’s 2014-2018 Delivery Program.

Delivery Program ‘reportable’ items are structured in Council’s Performance Planning software system, with a requirement that responsible officers provide results/data every six months – which is then included in six-monthly progress reports to Council on the Delivery Program.

Council’s self-imposed target percentage for outstanding rates and annual charges is currently set at 7%.

Council’s 2013/2014 Financial Statements show the ‘Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage’ as at 30 June 2014 to be 6.49%. This result is comparable to the percentage reported at 30 June 2013 which was 6.48%.

These results show that Council is currently meeting its Delivery Program target in this area and that the level of outstanding rates debt has been stable over the past two years.

## 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'S RESPONSE***

Financial Hardship Policy

Council has a ‘Rates, Charges and Fees – Financial Hardship Policy’ which was initially adopted in March 2010 and reviewed and again adopted in August 2013. This policy provides assistance for all ratepayers suffering from financial hardship.

As this policy has been proven sufficient to address financial hardship, no further measures are deemed to be required at this time.

Council’s ‘Rates, Charges and Fees – Financial Hardship Policy’ can be accessed via Council’s website under the following link:

[www.coffsharbour.nsw.gov.au/Coffs-And-Council/Documents/Approved%20Policies/Rates%20Charges%20and%20Fees-Financial%20Hardship%20Policy.pdf](http://www.coffsharbour.nsw.gov.au/Coffs-And-Council/Documents/Approved%20Policies/Rates%20Charges%20and%20Fees-Financial%20Hardship%20Policy.pdf)

Voluntary Pensioner Concessions

Since 2002 Council has granted additional voluntary pensioner concessions (pursuant to Section 582 of the Local Government Act) to eligible pensioners in respect of the Environmental Levy and Domestic Waste Charges. These concessions are provided in addition to the mandatory pensioner concessions allowed under Section 575 of the Local Government Act.

The granting of these additional concessions is resolved by Council on an annual basis.

The level of additional concession in the case of the Environmental Levy is the amount that is the difference between 50% of the ad valorem rate and 50% of the base amount and the mandatory rebate to be applied under Section 575 of the Local Government Act.

The voluntary concession on the Environmental Levy provides, on average, a reduction in the amount payable by eligible pensioners of about $20 per annum.

The level of additional concession in the case of the Domestic Waste Charge is the amount that is the difference between $87.50 and the mandatory rebate to be applied under Section 575 of the Local Government Act.

The voluntary concession on the Domestic Waste Charge provides, on average, a reduction in the amount payable by eligible pensioners of about $87.50 per annum.

It is anticipated that the granting of voluntary pensioner concessions will continue into the future.

# 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)

***COUNCIL'S RESPONSE***

Community Strategic Plan Review – Coffs Harbour 2030

The review of the *Coffs Harbour 2030* Community Strategic Plan (CSP) in 2012/2013 included a range of engagement options providing the community and other stakeholders the opportunity to contribute and provide feedback on the proposed updates to the 2030 Plan.

The reviewed 2030 Plan was placed on public exhibition from 12 April 2013 to 10 May 2013. Council subsequently adopted the reviewed *Coffs Harbour 2030* CSP on 23 May 2013 - taking into consideration the community submissions made during the exhibition period. (Please see Attachment 13I\_J\_K for the Council minute adopting this document).

A full copy of the *Coffs Harbour 2030* CSP (and supporting documentation) can be found using the following link:

[www.coffsharbour.nsw.gov.au/Coffs-And-Council/our-future/Pages/2030\_documents.aspx](http://www.coffsharbour.nsw.gov.au/Coffs-And-Council/our-future/Pages/2030_documents.aspx)

The proposed SRV is a key element of Council’s funding strategy to ensure the sustainable management of Council’s infrastructure assets and works towards achieving a number of the outcomes identified within the Coffs Harbour 2030 CSP. The SRV is directly connected to the 2030 themes “Looking after our Community”, “Moving Around” and "Places for Living”.

Delivery Program 2014/2018

The Delivery Program is a four-year blueprint showing how Council’s 41 Services – its ‘principal activities’ - respond to the Community Strategic Plan. It follows the thematic structure of *Coffs Harbour 2030*. All of the organisation’s plans, projects, actions and funding allocations are directly linked to the Delivery Program.

A central feature of Council’s 2014/2018 Delivery Program was a long term budget strategy that relied on a three-year SRV from 2014/2015.

The proposed SRV for 2014/2015, which was originally identified in Council’s 2013/2017 Delivery Program, was an important element of the funding solution to address Council’s annual infrastructure renewal gap to ensure community expectations on service delivery are met.

Please refer to Attachment 13A\_B, being excerpts from Council’s 2014/2018 Delivery Program, which identify the annual infrastructure renewal gap ($6.2M) and the funding options available (including a SRV) to ‘bridge this gap’.

The draft 2014/2018 Delivery Program was placed on public exhibition from 11 April 2014 to 09 May 2014.

Public consultation during this period included: meetings with management committees of council facilities; consultations with key community groups; public information and website displays, media releases and newspaper advertising. The engagement process encouraged the community to consider the draft document and to make submissions to Council on issues of interest and concern.

The draft 2014/2018 Delivery Program was adopted on 22 May 2014 – again taking into consideration the community submissions made during the exhibition period. (Please see Attachment 13I\_J\_K for the Council minute adopting this document).

2014/2024 Resourcing Strategy

The 2013/2023 Resourcing Strategy foreshadowed the development of a multi-faceted approach to address the critical issue of Council’s financial sustainability in trying to deliver services to the community.

The Strategy went on to identify a number of actions to be taken in order to pursue these options.

The 2014/2024 Resourcing Strategy contained a background reviewing our ‘road to financial sustainability’, including the outcomes of actions taken in pursuit of the options identified in the 2013/2023 Resourcing Strategy.

An extensive community engagement process was undertaken to identify community priorities in regard to Council service levels and to see if the community was willing to pay more to maintain those programs. Consequently, the proposal for a proposed three-year SRV was included among a number of funding initiatives that inform the reviewed 2014/2024 Resourcing Strategy.

The 2014/2024 Resourcing Strategy was adopted by Council on 13 February 2014.

The 2014/2024 Resourcing Strategy – with its associated SRV proposal – represented a sustainable plan to enable Council to help implement the strategies in the Coffs Harbour 2030 CSP.

2015/2025 Resourcing Strategy

As mentioned, the adopted 2014/2024 Resourcing Strategy reflected an application made by Council for a three-year SRV. The SRV was sought as part of a multi-faceted approach to address the critical issue of Council’s financial sustainability in trying to maintain infrastructure and deliver services for the community. IPART clearly acknowledged the need for the increase in revenue was justified but approved only the first year of the SRV, with the reasoning that Council’s community engagement process was ambiguous with respect to the percentage increase in the general rate.

Council has renewed and expanded its community engagement on the organisation’s financial challenges and the need for additional revenue, and with a clearer focus on the increase in the general rate in support of a new application to implement years 2 and 3 of the original SRV proposal, in 2015/2016 and 2016/2017.

A 2015/2025 Resourcing Strategy has now been adopted (refer to Attachment 13I\_J\_K for the minute adopting this document) to support Council’s application to IPART for a two-year SRV and provide a platform for the development of Council’s Draft 2015/2019 Delivery Program. Further, the Strategy will support ongoing work in the preparation of Council’s Fit for the Future Improvement Proposal.

Council’s 2015/2025 Resourcing Strategy can be viewed on Council’s website under the following link:

<https://www.coffsharbour.nsw.gov.au/coffs-and-council/running-council/Documents/Corporate%20Planning%20and%20Reporting/2015-2025-Resourcing-Strategy.pdf>

# 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'S RESPONSE***

***Productivity Improvements and Cost Containment Strategies***

Service Review Process

Council has been very pro-active in finding cost savings and sources of income other than Government funding or rates. This approach to finding cost savings has been a long-standing approach of Council.

Over the past 3 years Council has undertaken a full service review to enable Council to make decisions regarding the allocation of its limited resources.

The process involved clearly identifying each service from three perspectives. These were:

* The reason for the service,
* The resources required for the service, and
* The results the service is delivering.

The service review was focused around identifying the levels of service options - but most importantly - identifying opportunities for improvement in Council efficiency and effectiveness.

The service review process attempts to link the long term financial plan that provides for sustainable service provision, towards achieving the objectives of the Coffs Harbour 2030 Community Strategic Plan.

Across 41 services, a number of ‘Opportunities for Improvement’ (OPI) (approximately 120) were identified that have the potential to better satisfy customers or otherwise meet Council’s objectives, will save money, increase revenues and create efficiencies.

Some of these OPIs also involved the implementation of structural changes within Council to improve efficiency and the effectiveness of service delivery.

The service review process has established a framework for an ongoing continuous improvement program across Council. This program includes the implementation of a ‘Transformation to Sustainability’ project.

Transformation to Sustainability Project

Council’s long-term financial plans make it clear that the cost of continuing to deliver the services the community expects is greater than the amount Council generates in revenues.

Council has acknowledged the need to move to a position of financial sustainability and is undertaking a range of activities aimed at improving operational efficiency and effectiveness as well as increasing revenues from sources other than rates. The independent ‘Transformation to Sustainability’ (T2S) project which is currently underway will help bring many of the current initiatives together in a focused business plan and consider the investment required if Council is to realise the benefits identified.

The T2S project provides a framework to identify opportunities across all Council services to improve operations (productivity and efficiency, increase external revenues), to evaluate these opportunities (including presenting them for Council’s consideration where required) and to ensure they are implemented effectively.

This project will not bridge the entire $6 million cash funding gap to see Council become financially sustainable but is considered an investment opportunity; an opportunity to help Council to achieve a financially sustainable position whilst avoiding the full impact of trying to fund this gap through reducing levels of service and rate increases.

Terms of reference for the project have been developed and an external consulting firm has been appointed with suitable experience in this type of project. This firm has completed an organisational diagnostic, detailed business case and implementation plan.

Further information on these documents can be found at the following links:

<https://www.coffsharbour.nsw.gov.au/coffs-and-council/Documents/T2S/T2S-Indicative-Program-Plan.pdf>

<https://www.coffsharbour.nsw.gov.au/coffs-and-council/Documents/T2S/T2S-Business-Case.pdf>

<https://www.coffsharbour.nsw.gov.au/coffs-and-council/Documents/T2S/T2S-Organisation-Diagnostic.pdf>

The impact of T2S has been factored into the ‘Sustainable’ model within the 2015-2025 Long Term Financial Plan. It has been estimated that following a three-year implementation phase, T2S could realise savings of more than $3 million a year for the organisation.

Previous Productivity Improvement and Cost Saving Measures

Productivity improvements, expenditure reductions and other initiatives in the past two years (or more) include the following:

* Introduction of zero based budgeting for the 2009/2010 budget – resulted in substantial savings for the year plus cumulative efficiency gains in future periods.
* Introduction of VOIP phone system in 2008/2009 saving over $150,000 in the first year with cumulative savings in following years.
* Changes to Council’s external mailing system in 2009/2010 resulting in savings of approximately $30,000 annually.
* Council initiatives to increase the number of four cylinder and diesel vehicles.
* Introduction of new revenue raising projects such as the Local Government IT Conference, profit from this conference is > $100,000 annually.
* Development of business plans for existing and prospective private works operations to generate a profit to the General Fund. Projected annual profits greater than $500,000 is expected into the future.
* A standard set of Financial Performance Indicators have been established drawing on the NSW Local Government Health Check, South Australian Local Government Financial Indicators and Business Indicators.
* Council is participating in the NSW Procurement Roadmap Program (Stage 2) in an effort to improve the procurement process and develop key actions for efficiency and productivity gains. Key achievements to date include the creation of a centre-led procurement model and the development of organisational-wide expenditure category codes to capture more meaningful expenditure data. This gives Council better category management and supplier rationalisation. Council has also shifted all expenditure below $1,000 from a labour intensive purchase order system to credit cards wherever possible – again, to improve operations and gain efficiencies. Further productivity and efficiency gains are expected in the future as we continue on the procurement roadmap.
* Introduction of Efficiency Leaders software system – electronic scanning of creditor invoices to reduce manual data entry.
* Creation of Cultural Fund “Prosper Coffs Harbour” – set up for environmental and cultural donations and bequests (two previous projects have received large private donations of $750,000 and $1,000,000).
* Council has implemented energy-efficient and waste-reducing projects which have had significant financial benefits. These projects include the introduction of solar panels for the generation of electricity for its buildings and landfill gas extraction.

Council has entered into an agreement with Australia Post to delivery rate and water notices in electronic form via the Australia Post Digital Mailbox. This new innovation developed by Australia Post, in simple terms, is a virtual post office box for the receipt and storage of invoices etc. delivered in electronic form. Projections show that this service could save Council approximately $140,000 in the first 4 years in regards to current costs associated with notice printing and postage

# 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) **Included also in the body of this document.** |  |
| 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 | N/A |
| Attachment: 13A\_B: 2014-2018 Delivery Program Excerpts |  |
| Attachment: 13C: 2015-2025 Resourcing Strategy Excerpts |  |
| Attachment: 13D: Financial Models (Base & Sustainable) |  |
| Attachment: 13E: Community Engagement Strategy for SRV |  |
| Attachment: 13I\_J\_K: Adoption of IPR Documents |  |

# Certification

**APPLICATION FOR A SPECIAL RATE VARIATION**

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

**Please Refer to Attachment 9**

Name of council:

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

General Manager (name):

Signature and Date:

Responsible Accounting Officer (name):

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)