



# **ATTACHMENT B**

# **SPECIAL RATE VARIATION**

## **APPLICATION AND DETERMINATION 2011/12**

# **Maitland City Council's application for a special variation**

**Local Government — Determination**  
June 2011



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# 1 Determination and executive summary

The Independent Pricing and Regulatory Tribunal (IPART) is responsible for setting the amount by which councils can increase their general income each year. We set a rate peg amount each year that applies to all councils. In addition, councils can apply to us for a special variation, which allows councils to increase their general income by more than the rate peg amount.

We have assessed and made a determination regarding Maitland City Council's application for a special variation to its general income for the period from 2011/12 to 2012/13.

We have decided to approve the special variation requested by the council, by allowing a special variation to its general income of 9.8% in 2011/12 and 10.0% in 2012/13. This amounts to an average increase of 7.0% per year above the assumed rate peg increase over the 2 years.

We assessed the application against criteria included in the *Guidelines for the preparation of an application for a special variation to general income in 2011/2012*<sup>1</sup> (the Guidelines) issued by the Division of Local Government (DLG), Department of Premier and Cabinet.

The determination was made under section 508A of the *Local Government Act 1993* (the Act). By the operation of the Act and the Guidelines, any increases in income determined by us under section 508A of the Act are permanently incorporated into the council's general income.<sup>2</sup>

This report sets out our determination and the conditions we have attached to it, and explains the council's application and our assessment of it.

## 1.1 Summary of Maitland City Council's application

Maitland City Council applied to increase its general income by:

- ▼ 9.8% in 2011/12
- ▼ 10.0% in 2012/13.

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<sup>1</sup> Division of Local Government (DLG), Department of Premier and Cabinet, December 2010.

<sup>2</sup> Sections 509(1) and (2) of the Act.



These increases represent a cumulative increase of 20.78% for these 2 years including the allowable rate peg increases, resulting in a level of general income 14.1% above what it otherwise would have been with only the rate peg increase.

The special variation reflects the total percentage by which the council has requested to increase its general income and incorporates the rate peg increases that would otherwise be available to council. IPART has set a rate peg for 2011/12 at 2.8%. We will set the rate peg for 2012/13 in December 2011. For the purpose of this application, both IPART and the council have assumed the rate peg increase will be 3.0% in 2012/13. If it is higher or lower than assumed, this will have no impact on the council's future general income over the period that the special variation is determined and adopted.

Table 1.1 summarises the council's application.

**Table 1.1 Summary of Maitland City Council's application for a special variation**

Component	2011/12	2012/13
Rate peg increase %	2.8	3.0
Additional increase %	7.0	7.0
<b>Total increase %</b>	<b>9.8</b>	<b>10.0</b>

**Note:** IPART has set the rate peg increase for 2011/12 at 2.8%. For the purpose of this application, both IPART and the council have assumed the rate peg will be 3.0% in 2012/13.

**Source:** Maitland City Council, *Section 508A Special Variation Application Form – Part A*, 25 March 2011 (Maitland Application Part A), Worksheets 1 and 4.

Maitland City Council sought the increase to maintain and enhance current services while using the additional funds to invest in a series of infrastructure works aimed at maintenance and renewals. This strategy is intended to address community priorities expressed in the 10-year *Maitland 2021* plan, and move the council toward sustainability in its finances and asset management (see Appendix A for more details on Maitland City Council's program of works).

Table 1.2 includes the council's estimate<sup>3</sup> of the total allowable increase in the council's permissible general income in the period 2011/12 to 2012/13. This estimate has been verified by the DLG.

<sup>3</sup> It is not possible to determine the council's future general income with precision. A council's actual general income is affected by many factors, including the number of rateable properties and adjustments for previous under-collection or over-collection of rates made by councils. The DLG is responsible for monitoring and ensuring compliance.

**Table 1.2 Special variation sought by Maitland City Council, including the rate peg**

Year	Annual increase in general income (%)	Cumulative increase in general income (%)	Annual increase in general income (\$)	Cumulative increase in general income (\$)	Permissible general income (\$) <sup>a</sup>
2011/12	9.8	9.8	2,983,618	2,983,618	33,281,387
2012/13	10.0	20.78	3,328,139	6,311,757	36,609,525

**a** Permissible general income refers to the maximum general income that the council can generate in the year. It equals the previous year's (2010/11) notional general income level plus the annual dollar increase permitted by the special variation percentage.

**Source:** Maitland Application Part A, Worksheet 1.

## 1.2 IPART's determination

IPART has decided to approve the special variation percentages shown in Table 1.3 below, subject to the conditions listed in Box 1.1. This is based on our assessment of Maitland City Council's application in line with the requirements of the *Local Government Act 1993* and the Guidelines.

The approved special variation percentage includes the rate peg.<sup>4</sup> These increases represent a cumulative increase of 20.8% for these 2 years, or 14.1% above the assumed rate peg.

**Table 1.3 Approved special variation for Maitland City Council, including rate peg**

Year	Increase in general income (%)	Cumulative increase in general income (%)
2011/12	9.80	9.80
2012/13	10.00	20.78

**Source:** Maitland Application Part A, Worksheet 1.

<sup>4</sup> Our determination includes the value of the rate peg that would otherwise be available to councils, as well as the value of any time-limited special rate variations that are expiring just prior to or during the special variation period.

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**Box 1.1 Conditions attached to approved special variation for Maitland City Council**

IPART's approval of Maitland City Council's application for a special variation over the period 2011/12 to 2012/13 is subject to the following conditions:

- ▼ The council uses the additional income from the special variation for the purposes of funding the expenditures on infrastructure works outlined in the council's application as listed in Appendix A.
  - ▼ The council reports in its annual report for each rating year over the period from 2011/12 to 2014/15 on:
    - expenditure on the infrastructure works listed in Appendix A
    - the outcomes achieved as a result of the special variation over the period
    - asset renewal and maintenance expenditure
    - actual productivity savings achieved, and
    - any significant variations from its financial results as forecast in its Long Term Financial Plan and any corrective action taken or to be taken.
- 

Our decision means that the council's general income is estimated to increase to about \$36.6m in 2012/13.<sup>5</sup>

Average residential rates are estimated to increase by:

- ▼ 9.5% (or \$75) in 2011/12
- ▼ 10.0% (or \$86) in 2012/13.<sup>6</sup>

The council proposes to allocate the increase differently among its residential, business, mining and farmland rate categories.

### 1.3 Summary of IPART's assessment

In making our decision, we found that the application met the criteria in the Guidelines:

- ▼ there was a demonstrated need for the variation to address the deterioration of assets and return them to good condition
- ▼ there was a demonstrated link between the proposed works program and community priorities identified in the community strategic plan
- ▼ the council conducted adequate community consultation and demonstrated support for the variation
- ▼ the impact of the proposed increase upon ratepayers did not appear to be unreasonable

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<sup>5</sup> Maitland Application Part A, Worksheet 1.

<sup>6</sup> Maitland Application Part A, Worksheet 5 and IPART calculations.

- ▼ broad savings and productivity initiatives were demonstrated by the council
- ▼ alternative revenue options were explored before applying for the variation
- ▼ the council demonstrated a reasonable funding strategy to address its capital needs.

A summary of IPART's assessment of Maitland City Council's application against each of the relevant criteria is provided in Table 1.4.

**Table 1.4 Summary of our assessment of Maitland City Council's application against the 6 criteria in the Guidelines**

Criteria	IPART findings
1. Demonstrated need for the rate increase derived from the council's IPRF	<p>The application adequately demonstrates the need for the special variation:</p> <ul style="list-style-type: none"> <li>▼ it reflects priorities identified in the community strategic plan</li> <li>▼ it is a result of long-term planning</li> <li>▼ it incorporates consideration of alternative funding sources.</li> </ul>
2. Demonstrated community support for the special variation	The results of an independent survey indicate support for the special variation. A letter of support was received from the Maitland Chamber of Commerce.
3. Reasonable impact on ratepayers	<p>The special variation is not expected to have an unreasonable impact on ratepayers, given that:</p> <ul style="list-style-type: none"> <li>▼ there is a low level of residential rates compared with the group average</li> <li>▼ there is a low level of outstanding council rates (&lt;3%)</li> <li>▼ a hardship policy is available for those requiring assistance to meet payments.</li> </ul>
4. Sustainable financing strategy consistent with the principles of intergenerational equity	<p>The council will supplement the additional rates revenue with a 10-year borrowing program to support the works program. In future, increased debt may be used to fund new capital works.</p>
5. An explanation of the productivity improvements the council has realised in past years, and plans to realise over the proposed special variation period	The council has achieved broad productivity savings in the past and intends to do so in future. We encourage the council to continue exploring opportunities for further productivity improvements. We suggest that the council clearly communicate to its community the nature and value of productivity improvements being made.
6. Implementation of the Integrated Planning and Reporting Framework (IPRF)	The council satisfactorily meets the legislative requirements of the IPRF.

## 1.4 Structure of this report

The remainder of this report explains the council's application and our assessment of it in more detail:

- ▼ Chapter 2 provides some background information, including the council's profile, revenue and expenditure trends and previous applications for special variations.
- ▼ Chapter 3 summarises the council's 2011/12 application for a special variation.
- ▼ Chapter 4 discusses in detail our assessment of the application against the 6 criteria included in the Guidelines.

## 2 Background

### 2.1 Maitland City Council's profile

Maitland City Council is located in the Lower Hunter Valley, close to Newcastle. It is one of the regional councils in the Hunter Valley, and grouped by DLG with other, comparable regional towns in NSW as a Group 4 council.<sup>7</sup>

The council area has close to 70,000 residents, which is projected to rise to a population of 90,000 by 2021.<sup>8</sup> The council's application states it is one of the fastest growing inland cities in Australia, with a current growth rate of 2.5% per annum.<sup>9</sup>

Compared with other councils in NSW, Maitland City Council is not among the most disadvantaged, with a SEIFA rank of 98.<sup>10</sup>

Table 2.1 provides an overview of the council's profile. The sections below provide further background information on the council's application for a special variation, including its sources of revenue, recent expenditure and revenue trends, and previous applications for special variations.

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<sup>7</sup> DLG, *Snapshot of NSW Councils: Comparative Information on NSW Local Government Councils 2008/09*, p 11. The Australian Classification of Local Governments (ACLG) classifies councils into 22 categories according to their socio-economic characteristics and their capacity to deliver a range of services to the community. The DLG has reduced this to 11 groups because some of the ACLG categories contained few or no councils in NSW. The DLG Group 4 councils are: Albury, Armidale Dumaresq, Ballina, Bathurst Regional, Bega Valley, Broken Hill, Byron, Cessnock, Clarence Valley, Deniliquin, Dubbo, Eurobodalla, Goulburn, Great Lakes, Greater Taree, Griffith, Kempsey, Kiama, Lismore, Lithgow, Maitland, Mid-Western Regional, Orange, Port Macquarie-Hastings, Port Stephens, Queanbeyan, Richmond Valley, Shellharbour, Singleton, Tamworth Regional, Wagga Wagga and Wingecarribee.

<sup>8</sup> Maitland City Council, *Section 508A Special Variation Application Form – Part B*, p 2.

<sup>9</sup> Maitland City Council, *Section 508A Special Variation Application Form – Part B*, p 25.

<sup>10</sup> SEIFA is the Socio-Economic Index for Areas published by the Australian Bureau of Statistics and incorporates a number of individual indexes and can be used to determine the level of social and economic well-being in regions relative to one another. One of the indexes is the Index of Relative Socio-economic Advantage & Disadvantage for NSW in 2006. The SEIFA used in this report ranks Local Government Areas from 1 to 153 (includes 1 ranking for "unincorporated NSW"). A rank of 1 means the council is least advantaged relative to all the other councils in NSW. A ranking of 153 means it is least disadvantaged relative to all the other councils in NSW.

**Table 2.1 Maitland City Council's profile, 2009/10**

Area (km <sup>2</sup> )	392
Population	69,154
Average annual income, 2008 (\$)	42,604
Growth in average annual income 2005 to 2008 (%)	4.7
Ratio of average residential rate (2009/10) to average annual income, 2008 (%)	1.8
SEIFA (NSW rank) <sup>a</sup> , 2006	98
No of annual rate assessments	26,734
Average rate level – residential (\$)	1,014
Annual operating expenditure (\$m)	53.63
Staff – full-time equivalents (FTEs)	332
DLG Grouping <sup>b</sup>	4 (urban, small to medium regional town/city, population < 70,000)
IPRF Grouping <sup>c</sup>	2

**a** See footnote 10.

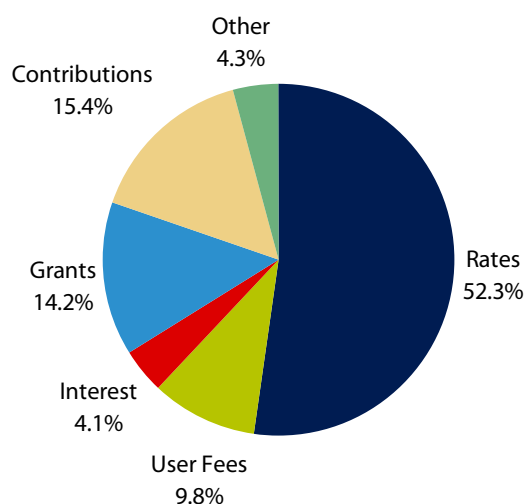
**b** See footnote 7.

**c** The Integrated Planning and Reporting Framework (IPRF) is currently being delivered in phases over a 3-year period. The timeframe for implementation by a council depends on the group it nominated to join as follows: Group 1 councils – from 1 July 2010; Group 2 councils – from July 2011; and Group 3 councils – from 1 July 2012.

**Source:** ABS, National Regional Profiles, NSW councils, November 2010 and DLG, unpublished comparative data, 2009/10.

## 2.2 Sources of revenue

In 2009/10, rates and annual charges revenue accounted for 52.3% of total revenue for the council, compared with the DLG Group 4 average of 42% (Figure 2.1). User fees and charges contributed 9.8%, compared with the Group 4 average of 21.6%. Grants revenue contributed 14.2%, a lower share than the Group 4 average of 19.4%.

**Figure 2.1 Maitland City Council's revenue sources, 2009/10**

**Note:** Rates revenue includes revenue from ordinary rates, special rates and annual charges.

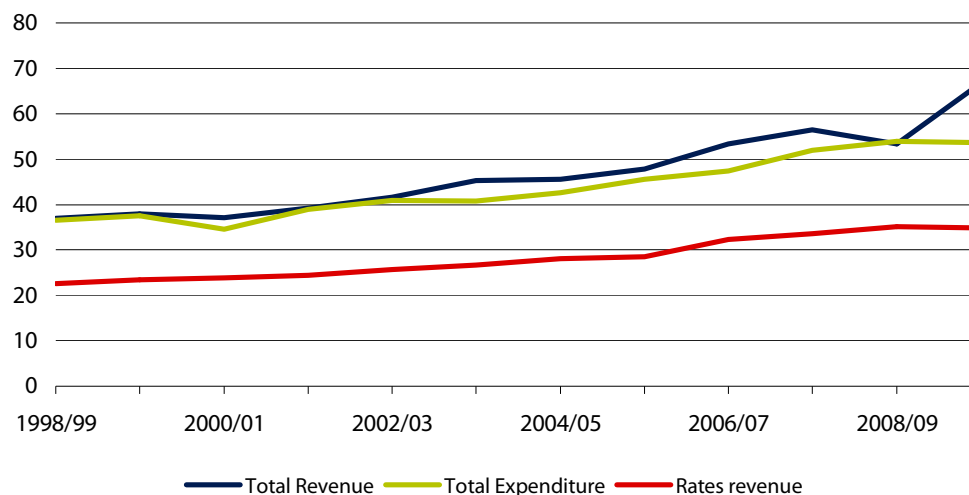
**Data source:** DLG, unpublished comparative data, 2009/10.

### 2.3 Expenditure and revenue trends

Maitland City Council's total expenditure has grown less than total revenue since 1998/99 (Figure 2.2). In real terms, total revenue increased by 80% from 1998/99 to 2009/10 while total expenditure increased by 46%. Rates revenue has increased by 59% over this time to reach \$35m in 2009/10.



**Figure 2.2 Maitland City Council's ordinary expenditure and revenue growth (\$m) 1998/99 to 2009/10**



**Note:** Total revenue includes revenue from ordinary and special rates, annual charges, interest, grants, contributions and other revenue. It does not include water and sewerage charges. Total expenditure also excludes water and sewerage expenditures.

**Data source:** DLG, unpublished comparative data, 2009/10. IPART has converted revenue and expenditure figures into real terms using the Sydney CPI as a deflator.

## 2.4 Previous special variations to general income

Maitland City Council has received 2 previous section 508(2) special variations since 2000/01:<sup>11</sup>

- ▼ In 2000/01 the Minister for Local Government approved a 4.47% increase for CBD capital works, which was removed from the general income base after 5 years.
- ▼ In 2006/07 the Minister for Local Government approved a 9.73% increase for infrastructure renewal and environment programs, with the additional income permanently incorporated into the revenue base.

<sup>11</sup> DLG, *Special Variation Master Record*, copy provided to IPART, October 2010.

## 3 Maitland City Council's 2011/12 application

Maitland City Council applied to IPART for a special variation to its permissible general income under section 508A of the Act. The sections below summarise the council's application, then explain how Maitland City Council proposes to allocate the rate increase implied in its application among ratepayers, and why it considers these increases are necessary.

### 3.1 Summary of Maitland City Council's application

Maitland City Council applied to increase its permissible general income by:

- ▼ 9.8 % in 2011/12
- ▼ 10.0% in 2012/13.

The increases represent a cumulative increase of 20.78% over 2 years (14.5% above the rate cap) and include the rate peg increase of 2.8% for 2011/12 and an assumed rate peg increase of 3% for 2012/13.<sup>12</sup>

### 3.2 How does Maitland City Council propose to allocate the rate increases among ratepayers?

Maitland City has 4 ordinary categories within its rating structure: a 'residential' category, a 'business' category, a 'farmland' category and a 'mining' category. The council also has various sub-categories of rates for the residential, farmland and business categories. In the residential categories, the council levies different rate levels on 'non urban' versus 'urban' properties.<sup>13</sup> In the farmland category, the council levies different rate levels on 'high intensity' versus 'low intensity' categories. In the business category, the council levies 4 sub-categories of rates based on property location: 'Thornton', 'Rutherford', 'Metford/East Maitland' and 'Green St, Telarah', in addition to the ordinary business category. The council also levies

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<sup>12</sup> IPART has set the rate peg increase for 2011/12 at 2.8%. We will set the rate peg increases for 2012/13 and 2013/14 in December 2011 and 2012 respectively. For the purpose of this application, both IPART and the council have assumed it will be 3.0%. If it is higher or lower than assumed, this will have no impact on the council's future permissible general income, as the special variation amount has been determined and will apply in future years.

<sup>13</sup> The urban category is the 'ordinary' residential rate.

2 special rates – a 'Mall' rate and a 'CBD' rate. Maitland City Council does not levy minimum rates in any of its rating categories.

Most of the council's assessments are in the urban residential category, which account for 88% of assessments in 2011/12.<sup>14</sup> There are 2 assessments in the mining category.

Table 3.2 shows the impact of the council's requested increase on the average rates for each ordinary rating category. These averages include the assessments in the relevant rating sub-categories (ie, the ordinary business category and 4 business sub-categories are included in the business rate averages).

**Table 3.1 Maitland City Council's requested rate increases**

	2010/11 <sup>a</sup>	2011/12	2012/13
<b>Average residential rate (\$)</b>	<b>782</b>	<b>856</b>	<b>942</b>
Increase (\$)		74	86
Increase (%)		10	10
<b>Average business rate (\$)</b>	<b>4,219</b>	<b>4,475</b>	<b>4,919</b>
Increase (\$)		256	444
Increase (%)		6	10
<b>Average farmland rate (\$)</b>	<b>2,031</b>	<b>2,301</b>	<b>2,530</b>
Increase (\$)		270	229
Increase (%)		13	10
<b>Average mining rate (\$)</b>	<b>107,000</b>	<b>127,500</b>	<b>140,500</b>
Increase (\$)		20,500	13,000
Increase (%)		19	10

<sup>a</sup> 2010/11 does not apply to the variation but is included for comparative purposes. Average rates for each category have been calculated as a weighted average of all sub-categories based upon the number of assessments.

**Source:** Maitland Application Part A, Worksheet 5.

The council proposes to allocate the rate increases similarly for residential and farmland ratepayers. For business ratepayers, the council proposes to allocate the increases differently across its ratepayers to address its comparatively high ordinary business rate. The council submitted that, historically, its ordinary business rate has been higher than the other business sub-categories and that it aims to convert its business sub-categories into 1 ordinary business category by 2012/13.<sup>15</sup>

In the first year, the council proposes to decrease the average ordinary business rate by 3.16%, and then increase it by 3.99% in 2012/13. For the other business sub-categories, the rate increases range from 15.69 to 18.48% in 2011/12 and from 15.25% to 16.08% in 2012/13.<sup>16</sup>

<sup>14</sup> Maitland Application Part A, Worksheet 3.

<sup>15</sup> Maitland Application Part B, p 63.

<sup>16</sup> Maitland Application Part A, Worksheet 5.

### **3.3 Why does Maitland City Council consider the requested increases are necessary?**

The council sought the increase to maintain and enhance current services while using the additional funds to invest in a series of infrastructure works. This strategy is intended to address community priorities expressed in the 10-year *Maitland 2021* plan and move the council toward sustainability in its finances and asset management.

Detail on the individual components of the proposed program of expenditure is shown later in this report in Table 4.2.

Maitland City Council's resourcing strategy identifies the costs of infrastructure improvement works at \$67m. The council's asset management strategy in 2006 established that it would need to place \$1m per year in reserves to address asset renewal and rehabilitation. The council states this is not possible within its current budget without significant cuts to services.

The council's financial projections indicate a need for additional revenue even with the special variation funding. The decision to apply for a special variation is considered a step towards generating the revenue required to address shortfalls in infrastructure funding and enhance services. The decision for a 2-year variation would enable the council to meet immediate infrastructure priorities and may be followed by a future application for another special variation, after further financial analysis and community consultation.

## 4 | IPART's assessment of the council's application

We have assessed and made a determination on Maitland City Council's application for a special variation to its general income for the period from 2011/12 to 2012/13.

We have decided to approve the special variation requested by the council by allowing a special variation to its general income of 9.8% in 2011/12 and 10.0% in 2012/13. This amounts to an average increase of 7.0% per year above the assumed rate peg over the 2 years.

We have assessed the Maitland City Council's application for a special variation as a whole, and against the 6 criteria in the Guidelines. These are:

1. Demonstrated need for the rate increase derived from the council's IPRF.
2. Demonstrated community support for the special variation.
3. Reasonable impact on ratepayers.
4. Sustainable financing strategy consistent with the principles of intergenerational equity.
5. An explanation of the productivity improvements the council has realised in past years, and plans to realise over the special variation period.
6. Implementation of the IPRF.

The sections below give an overall summary and then present our findings against each of the criteria.

### 4.1 Summary of findings against the 6 criteria

We are satisfied that Maitland City Council's application for a special variation meets the criteria for a special variation.

The council has demonstrated a need for the special variation and through community consultation has engaged with ratepayers to determine expenditure priorities and their support for the requested rate increases. With the exception of the business ordinary category (where rates will fall in the first year), ratepayers in all categories will incur increases in rates. This is supported by a positive survey result in favour of the requested variation and a letter of support from the business community. The council has put forward a strategy consistent with intergenerational

equity that will improve financial sustainability and has demonstrated savings through productivity improvements over the past 2 years. It has also shown it is likely to achieve further productivity improvements in future.

## 4.2 Criterion 1 – Demonstrated need for the special variation

Councils seeking special variations must demonstrate that their requested increase in general income is necessary. This includes supporting their application with relevant strategic and financial planning information, and providing evidence that the income raised by the special variation will be used to fund an efficient and feasible program of expenditure and (if possible) that the special variation will improve their financial sustainability.

We are satisfied that Maitland City Council has demonstrated the need for the special variation on the basis of:

- ▼ a clear link between the proposed works and community priorities identified in the community strategic plan
- ▼ detailed assessments of infrastructure standards and cost estimates
- ▼ the impact of the variation upon financial sustainability indicators, which are reasonable and
- ▼ the proposed use of debt to partially fund works, with future capacity for more debt reserved for additional new capital works.

### 4.2.1 Relevant strategic and financial planning information

Maitland City Council submitted that the special variation was needed to maintain and enhance current services while investing in a series of infrastructure works. The variation is also intended to address further community priorities expressed in the 10-year *Maitland 2021* plan and move the council toward sustainability in its finances and asset management.

In its application Maitland City Council linked infrastructure investment to priorities identified in the community strategic plan, explained why the variation was necessary and considered a number of revenue options for the variation. The council provided reports assessing the standards of current infrastructure that indicated current investment in infrastructure renewal was unsatisfactory.

Maitland City Council provided a statement indicating that it had considered other options for funding, including the following examples of how it has implemented strategies for alternative funding:

- ▼ Reviewing fees and charges and levels of cost recovery. The council has a level of user fees and charges which is significantly lower than other Group 4 councils.<sup>17</sup> The council's application included an assumption that user fees and charges would increase by the CPI, subject to this review.
- ▼ Seeking additional grant funding.
- ▼ Reviewing annual borrowing policy.
- ▼ Reviewing investment policy and cash flow processes.
- ▼ Reviewing and monitoring section 94 plans and policies.
- ▼ Identifying opportunities to rationalise the asset base.
- ▼ Canvassing community support to undertake entrepreneurial activities
- ▼ Reviewing service levels and methods of delivery.
- ▼ Reserving capacity for increased borrowings to address potential new infrastructure works in relation to Central Maitland. Its current debt service ratio of 5% is within the DLG recommended benchmark.

The council's resourcing strategy identifies \$67m of infrastructure improvement works. In 2006, the council's asset management strategy established that it would need \$1m per year in reserves to address asset renewals and rehabilitation. The council states this expenditure has not been possible with a discretionary budget of \$9m as it would have meant significant cuts to services.

The council's financial projections indicate a need for additional revenue, even with the special variation funding. Without the special variation funds, the projected shortfall in revenue over 10 years is \$131.9m. With special variation funds, the projected shortfall is \$92.6m.

The council has a policy of adopting a balanced annual cash budget. The application for a special variation is considered a means of generating the revenue required to address shortfalls in infrastructure funding and enhance services. A 2-year variation would enable the council to meet immediate infrastructure priorities and may be followed by a future application for a special variation, after further financial analysis and community consultation.

The application from Maitland City Council is aligned to the council's strategic and operational planning and reflects community priorities. The council's operational plan highlights the need to increase spending on infrastructure renewals.

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<sup>17</sup> Unlike many Group 4 councils, Maitland Council does not have water supply functions.

### 4.2.2 Is the proposed program of expenditure efficient and feasible?

While the variation is sought for 2 years, the additional revenue generated by the variation has been allocated over the next 4 years. Table 4.1 sets out Maitland City Council's proposed program of expenditure (by item) over the period 2011/12 to 2014/15, and the percentage of the council's total proposed expenditure for a given year that the additional expenditure represents.

The full program of expenditure is included in Appendix A.

**Table 4.1 Maitland City Council's program of special variation expenditure (\$000)**

Expenditure item	2011/12	2012/13	2013/14	2014/15
Building	350	750	400	1,250
Carpark refurbishment	–	250	250	–
Footpath refurbishment	1,150	200	300	–
Recreation/community	100	250	300	700
Road construction	–	1,750	2,500	1,500
Road rehabilitation	–	250	350	250
Rural road reconstruction	–	–	–	500
City appearance	500	500	500	500
Total works expenditure (\$)	2,100	4,450	4,600	4,800
Total expenditure (%)	4.0	6.7	6.6	6.5
Total special variation funds (\$)	2,100	4,450	4,600	4,800

**Source:** Maitland Application Part B, Attachment 25 - Schedule of Works, Combined and pp 6, 19-22.

The expenditure items are considered feasible because:

- ▼ the magnitude of the expenditure increase is relatively small (under 7% of Maitland City Council's estimated total expenditure for any given year)
- ▼ expenditure under the proposed program of works is broadly consistent the council's Long Term Financial Plan (LTFP) projections
- ▼ cost estimates for works items are based on a combination of:
  - expert in-house knowledge
  - comparison with internal and external benchmarks such as tender prices, industry building cost guides and quotations
  - the council's construction cost unit rates
  - historic costs for projects of a similar nature.<sup>18</sup>

The requested special variation would provide the council with a total of \$6.55m additional funds over 2011/12 and 2012/13. The variation would be retained in the base after 2012/13, indexed by the annual rate peg percentage from that year.

<sup>18</sup> Maitland Application Part B, p 32.



#### 4.2.3 Will the special variation have a positive effect on the council's sustainability?

The council projected 2 budget scenarios in its LTFP:

1. Baseline scenario — the special variation is not approved and a limited program of expenditure proceeds.
2. Special variation scenario — the special variation is approved and the proposed program of expenditure proceeds.

Maitland City Council advised that a limited amount of infrastructure renewals would take place if the special variation was not approved.

Maitland City Council's projected operating results - with and without the special variation - indicate that the council will have an operating balance deficit by 2012/13 under both scenarios. In the absence of the variation, Maitland City Council would find it difficult to maintain capital sustainability.

We have not undertaken a detailed assessment of the financial sustainability of the council. However, we have assessed the council's projected recurrent sustainability indicators:

- ▼ Operating balance ratio — both scenarios show an operating deficit developing by 2012/13. The special variation scenario reduces the deficit and therefore the ratio from 7.34% to 1.16% in 2012/13 and from 8.99% to 2.83% in 2013/14.
- ▼ Unrestricted current ratio — this ratio assesses the degree to which current obligations of the council are covered by unrestricted current assets. The DLG considers a ratio less than 150% to be unsatisfactory as it may indicate an inability to meet short-term commitments. Under both scenarios, the council's ratio falls to around 50% in 2013/14, indicating that the council will need to explore ways to generate additional revenue in 2013/14 and beyond.
- ▼ Rate and annual charges ratio — with the special variation, the ratio remains constant around 68%. Without the special variation, the ratio reduces to 62% in 2013/14.
- ▼ Debt service ratio — under both scenarios, the ratio remains around 5.5%.
- ▼ Broad liabilities ratio — this ratio compares the sum of total debt and the cost to clear infrastructure backlogs, to operating revenue. With the special variation, the ratio decreases over time and by 2013/14, the difference between both scenarios is considerable, being 96.22% with the special variation compared with 112.84% without.
- ▼ Asset renewals ratio — this ratio assesses the council's ability to renew its building and infrastructure assets compared with the consumption (depreciation) of those assets. Under both scenarios the ratio increases significantly, but is higher with the special variation. By 2013/14, the ratio is 293.4% with the special variation and 243.39% without. Both ratios include infrastructure backlog works, which is a major reason for projected annual deficits and cash shortages.

### 4.3 Criterion 2 – Demonstrated community support

Councils seeking special variations must demonstrate that they have undertaken extensive community consultation and obtained community support for the special variation and the associated program of expenditure. The consultation material should be clear and accurate and explain what the special variation will be used for and the impact on ratepayers.

Maitland City Council has provided the following evidence of their community consultation:

- ▼ a strong link between the proposed works and community preferences in the community strategic plan
- ▼ wide advertisement and distribution of information on the variation to all households and businesses
- ▼ identification of the key stakeholders affected by the variation and effective engagement with these stakeholders
- ▼ media coverage indicating a lack of community opposition to the proposal
- ▼ community workshops and forums
- ▼ an independent telephone survey that indicated support for the variation
- ▼ provision of information to the community describing the variation in a clear and accurate manner, including the impact upon ratepayers.

#### 4.3.1 Extensive community consultation on the special variation and proposed expenditure program

Overall, the council undertook extensive consultation with the community regarding the variation. Whilst attendance at public workshops for the residential community was low, an independent survey to obtain a statistically significant sample of responses indicated 59% of respondents supported the proposal. The consultation process also included public workshops separately targeting the residential and business community. Participation numbers for the business community were high and the council received a letter of support for the requested variation from the Maitland Chamber of Commerce. The consultation is summarised in Table 4.2.

Maitland City Council extensively publicised the variation and proposed works through mail-outs and the media, and invited comment. The timing of much of this consultation was close to or past the due date for special variation applications, which may have affected the level of response. A small number of submissions opposing the variation had been received by the council as of 21 April 2011.

Consultation during the community strategic plan period focused on desired levels and standards of service, while the impact of the variation on rates was available through advertising and the cost of the programs was discussed at public forums, through the Have Your Say website and in the surveys.

**Table 4.2 Maitland City Council's consultation on the special variation**

<b>Form of consultation/ engagement</b>	<b>Stakeholder focus</b>	<b>Timing</b>	<b>Participation</b>	<b>Outcome</b>
Telephone survey	Residents	Feb 2011	400 random residents, aged 18+	59% in favour of a special rate variation; 73% feel it is at least 'somewhat important' to 'very important' that the council is allowed to introduce this special variation
Community information sessions	Residential community	March 2011	Low attendance: 14 in total	Informing, inviting comment
Business leaders lunch	Business community	March 2011	70+ attended	Informing, inviting comment
Community newsletter	All	April 2011	30,000 individuals/ groups	Informing/comprehensive outline of plans
3 presentations to community	All	April 2011	80 business members; 20 community group members; 5 residents	Informing, inviting comment; letter of support received from Maitland Chamber of Commerce
Media coverage	All	Jan - April 2011		Two letters were critical of past planning; 1 article was concerned about sale of land; 1 letter concerned about impact on pensioners; 1 letter concerned about ability to pay along with other price increases; 1 submission suggesting an audit of the council's cars.
Have your Say website/ Facebook	All	Early 2011		Informing/updating community
Web survey	All	Early 2011	9 responses	Of respondents, 44% support variation, 56% against; 1 comment in support, 4 comments against, including criticism of the council's efficiency, the size of the increase and infrastructure standards.

**Source:** Maitland Application Part B, pp 41-49.

#### **4.3.2 Community support for the special variation and the associated proposed program of expenditure**

We consider that Maitland City Council has demonstrated community support for the variation via an independent survey indicating 59% of respondents were in support.

Evidence of opposition to the special variation was limited to less than 10 negative submissions and there was little negative media coverage of the variation.

Opposition to the variation included the following points:

- ▼ concerns about the impact of the increases on ratepayers
- ▼ concerns over the council's efficiency
- ▼ concerns over how the money would be spent
- ▼ suggestions for alternative sources of revenue
- ▼ concerns about the level of development in the LGA.

The council responded to opposition to the variation in its application as follows:

- ▼ There is capacity in the community to afford the increase based on a comparatively low residential rating base and comparative rates with other Lower Hunter and Group 4 councils. The council's outstanding rates are also low, at 3.01% in 2009/10.
- ▼ The council has made active efforts to make productivity improvements. The council's annual independent community survey reported a score of 8.9/10 for the council's financial management.
- ▼ An effort was made to select projects of maximum benefit to the city as a whole and ensure a geographic spread of works.<sup>19</sup>

The council's community consultation process was completed in April 2011, past the due date for lodgement of special variation applications. We suggest that, in future, the council commence its consultation process earlier in order to clearly communicate to the community its responses to any opposition to its proposals before submitting its application.

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<sup>19</sup> Maitland Application Part B, p 56.

### **4.3.3 Representations from the public on the requested special variation**

IPART received 1 letter opposing the variation from a private resident. The letter raised the following concerns:

- ▼ the impact on pensioners' ability to pay
- ▼ the proposed use of funds to enhance services
- ▼ the uneven allocation of the proposed increase between assessments.

In response to the opposition, Maitland City Council has indicated it has a hardship policy available to pensioners. The council has also noted that its proposed program of works reflects community priorities in the community strategic plan.

## **4.4 Criterion 3 – Reasonable impact on ratepayers**

This criterion is important, given that the primary purpose of regulating council revenues is to protect ratepayers from unreasonable increases in rates. To assess whether a council's application meets the criterion, we considered the magnitude of the impact of rate rises resulting from the requested special variation, the ratepayers' capacity to pay the increased rates, and evidence of community support for the requested special variation (as discussed in section 4.3 above.)

We consider that the variation is not expected to have an unreasonable impact on ratepayers, given:

- ▼ the benefits of the variation apply to most residents and business stakeholders
- ▼ the council is seeking to reduce its comparatively high level of ordinary business rates relative to its other rates
- ▼ the council has a low level of average residential rates compared with the DLG group average
- ▼ there is demonstrated support from the community for the requested rate increase
- ▼ most residents appear to have the capacity to pay for the increases based on socio-economic indicators.

The capacity of ratepayers to pay the requested increases is further supported by the low level of outstanding council rates and the council's hardship policy to assist those ratepayers requiring assistance in meeting rate payments.

### **4.4.1 The magnitude of the rate increase is moderate**

We consider that the magnitude of the council's proposed rate increases is moderate overall. We also note that the council is seeking to address its relatively high current business rate levels by shifting some of the burden payable by these ratepayers, and lowering business rates relative to its other business sub-category rates.

In 2009/10 Maitland City Council's average residential rate was 3% below the corresponding average DLG Group 4 level and 19% above the NSW council average. The average business rate was 58% above the corresponding average Group 4 level and 85% above the NSW average. The average farmland rate was 35% above the corresponding average Group 4 level and 1% higher than the NSW average.<sup>20</sup>

The proposed increases in rates over the next 2 years will increase business and farmland rates so that they are further above the estimated Group 4 and state averages. However, residential rates are estimated to remain below the comparable group average level in 2012/13.<sup>21</sup>

The impact of the requested variation on average rates is summarised in Table 4.3.

**Table 4.3 Impact of the requested special variation on average rate levels for each ordinary category of rates**

	2010/11 <sup>a</sup>	2011/12	2012/13
<b>Average residential rate (\$)</b>	<b>782</b>	<b>856</b>	<b>942</b>
Increase (\$)		74	86
Increase (%)		10	10
<b>Average business rate (\$)</b>	<b>4,219</b>	<b>4,475</b>	<b>4,919</b>
Increase (\$)		256	444
Increase (%)		6	10
<b>Average farmland rate (\$)</b>	<b>2,031</b>	<b>2,301</b>	<b>2,530</b>
Increase (\$)		270	229
Increase (%)		13	10
<b>Average mining rate (\$)</b>	<b>107,000</b>	<b>127,500</b>	<b>140,500</b>
Increase (\$)		20,500	13,000
Increase (%)		19	10

<sup>a</sup> 2010/11 does not apply to the variation but is included for comparative purposes. Average rates for each category have been calculated as a weighted average of all sub-categories based upon the number of assessments.

**Note:** These averages exclude special rates. The 'Mall' special rate is proposed to increase by 10.36% in 2011/12 and 9.86% in 2012/13, and the 'CBD' special rate is proposed to increase by 8.89% in 2011/12 and 10.20% in 2012/13.

**Source:** Maitland Application Part A, Worksheet 5.

As stated in section 3.2, Maitland City Council has 4 ordinary rating categories in addition to a number of rating sub-categories and 2 special rates.

We note that the increase in average farmland and mining rates in 2011/12 is above the increase in average residential rates. We also note that whilst the weighted average rate of all business categories would increase by 6% in 2011/12 and by 10% in 2012/13, the impact of the proposed increase on the individual business sub-categories varies.

<sup>20</sup> DLG, unpublished comparative data, 2009/10.

<sup>21</sup> DLG, unpublished comparative data, 2009/10 and IPART calculations.

In 2011/12, the council has sought to shift the rating burden away from the ordinary business ratepayers by decreasing these rates by 3.16%, on average. The average rate increases for other business sub-categories range from 15.69% to 18.48% in this year. The council's aim is to have only 1 business rate category by 2012/13.

The DLG has advised IPART there are no compliance issues identified with the proposed rating structure for the first year of the special variation.

#### 4.4.2 Most residents appear to have the capacity to pay

The council provided the following supporting information to indicate that the community has the capacity pay for the requested rate increases:

- ▼ To address comparatively high business rates, the council has reduced the total amount of rates paid by the business community by 1% in 2011/12 (with the additional rate burden levied on residential ratepayers). The council is also proposing relatively lower increases in ordinary business rates across the special variation period to converge the business sub-categories into 1 category by 2012/13.
- ▼ The average annual wage for Maitland LGA residents was the highest of the 5 Lower Hunter councils as at end June 2007.<sup>22</sup>
- ▼ On a per capita basis, the council's rate revenue is the second lowest of the 5 Lower Hunter council areas (including Port Stephens, Cessnock, and Newcastle).

In considering the residents' capacity to pay the increased rates we also examined several socio-economic indicators, as well as the council's hardship policies.

According to ABS data, average income levels in the Maitland LGA are 13% above DLG Group 4 averages and 5% above the NSW average. Average incomes in Maitland have also grown at a faster pace than the average across all Group 4 councils in recent years and in NSW generally. Over the period 2005 to 2008, the average income level in Maitland increased by 4.7% compared with 3.9% and 4.0% for Group 4 councils and NSW respectively. The ratio of average residential rates to average income is also lower in Maitland compared with the Group 4 average. Maitland has a SEIFA rank of 98, which places it near the top one third of councils in NSW in terms of relative advantage.

Table 4.4 summarises the income and socio-economic indicators for Maitland City Council.

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<sup>22</sup> Maitland Application Part B, p 65.

**Table 4.4 Maitland City Council – Income and socio-economic indicators**

	<b>Maitland City Council</b>	<b>DLG Group 4 councils</b>	<b>NSW</b>
Average annual income, 2008 (\$)	42,604	37,031	40,193
Growth in average annual income 2005 to 2008 (%)	4.7	3.9	4.0
Ratio of average residential rate (2009/10) to average income, 2008 (%)	1.8	2.1	1.6
SEIFA, 2006 (NSW rank)	98		

**Source:** ABS National Regional Profiles, NSW councils, November 2010 and DLG, unpublished comparative data, 2009/10.

#### **4.4.2 The council has hardship policies to assist those with less capacity to pay**

Maitland City Council has in place a Debt Recovery and Hardship Policy which enables ratepayers to make arrangements to pay off outstanding rates and annual charges.<sup>23</sup> The policy recognises that some ratepayers may experience financial difficulties in meeting their rate commitments, and assistance by way of arrangements to pay is tailored to ratepayers' capacity to make regular payments. The council also observes its legislative requirement to deliver mandatory concessions to eligible pensioners.

### **4.5 Criterion 4 – Sustainable financing strategy consistent with intergenerational equity principles**

Councils seeking special variations must demonstrate that they have considered the use of all available financing options to address their capital expenditure requirements. Their financing strategy must be sustainable and ensure intergenerational equity. The concept of intergenerational equity means that the costs of long-lived assets (like infrastructure) are shared between current and future users, based on their share of the use of these assets over their life. For example, this may be achieved by council borrowings, which spread the financing costs of infrastructure over a long period, rather than meeting these costs through large rate increases in the short to medium term.

Maitland City Council submits that the special variation is consistent with a sustainable financing strategy that would deliver intergenerational equity because:

- ▼ it had considered other available funding options (including developer contributions and grants) before submitting the application
- ▼ the proposed funding strategy incorporates debt to assist funding capital works.

<sup>23</sup> Maitland Application Part B, p 68.



We consider Maitland's financial strategy to be sustainable in that the council will supplement the additional rates revenue with a 10-year borrowing program to support the works program, and, in future, increased debt may be used to fund new capital works.

#### 4.5.1 Maitland City Council's financing strategy for its program of works

Councils are required to clearly state in their strategy for funding new capital works whether funding is from rates revenue, debt, user charges or a combination of these. They are also required to show the expected impact of this strategy over the course of the variation.

Maitland City Council's proposed funding strategy includes the following principles:

- ▼ Any new capital works will be funded by developer contributions, grant funds, asset sales and borrowings.
- ▼ During the course of the variation, the council will not be undertaking any new major capital works.
- ▼ The council currently has 2 Section 94 contributions plans and a Section 94A contributions plan, which apply to new residential development across the whole of the LGA.
- ▼ All other new developments are levied 1% of development costs under the *Citywide 94A Levy Development Contributions Plan 2006*.
- ▼ Where developer contributions do not fully fund public amenities and services identified in the plans as necessary, funding is supplied from other council sources.
- ▼ The council will undertake reviews of its land and building holdings to identify opportunities to dispose of assets no longer needed for service delivery.<sup>24</sup>

#### 4.5.2 Sustainability of financing strategy

In its application, Maitland City Council indicated that:

- ▼ Its annual loan drawdown is \$1m, which maintains its debt service ratio at 5%. Total borrowings will be \$13.7m by 2011/12.
- ▼ Additional debt servicing costs of \$157,000 are incurred for every \$1m borrowed over 10 years. The council could borrow an additional \$15m and maintain its debt servicing ratio between 5% and 10%.
- ▼ While some components of the council's infrastructure backlog policy can and will be funded through debt, the council's policy is to use its capacity for increased borrowings to deliver major new capital works.

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<sup>24</sup> Maitland Application Part B, pp 70-71.

- ▼ Two projects which will drive the need for new capital works includes:
  - *Central Maitland Structure Plan*, adopted 2009, and further actions in the *Draft Delivery Plan 2011-15*
  - *Citywide Aquatic Strategy*, to be presented to the council in 2011/12 under the *Delivery Plan 2011-15*.<sup>25</sup>

Increased borrowings have therefore not been included in the LTFF until the council's adoption of a formal position on the need, nature, cost and scope of projects arising from these actions.

#### **4.5.3 Consistency of financing strategy with principles of intergenerational equity**

Maitland City Council submitted that its financing strategy is consistent with the principles of intergenerational equity because:

- ▼ it proposes to reserve additional debt capacity for new capital works, not recurrent costs or maintenance
- ▼ it has the view that intergenerational equity issues involving capital works are best addressed through borrowings, with costs spread out over a number of years.

We consider that Maitland City Council's financing strategy is consistent with the principles of intergenerational equity because it ensures that new assets are funded in a manner that carries a recognised share to future generations and that this cost allocation does not exceed the asset life.

#### **4.6 Criterion 5 – Productivity improvements**

Councils seeking special variations must demonstrate that they have implemented a program of productivity or efficiency improvements to ease expenditure pressures before considering an increase in rates. In particular, they need to provide details of the productivity improvement they have realised over the past 2 or more years, and the efficiencies and productivity improvements they propose to realise over the period of the special variation.

We consider that Maitland City Council has demonstrated a continuing commitment to reducing operational costs and achieving efficiencies and productivity improvements. The council has achieved broad productivity savings in the past and intends to do so in future.

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<sup>25</sup> Maitland Application Part B, p 72.

We note that Maitland City Council has demonstrated the following:

- ▼ implementation of a program of productivity and efficiency improvements and delivery of material dollar savings over the past 2 years
- ▼ evidence of a strong commitment to achieving efficiencies and productivity improvements throughout its operations
- ▼ plans to deliver efficiencies and productivity improvements over the special variation period.

#### **4.6.1 Maitland City Council's past productivity improvements**

Maitland City Council states that it has made efficiency savings of up to \$3.5m in recent years. These include:

- ▼ \$2m saved on workers compensation premiums
- ▼ \$90,000 on corporate advertising
- ▼ \$165,000 on telecommunications and IT systems
- ▼ \$114,000 on electricity for street lights
- ▼ energy saving action plans for 10 council buildings
- ▼ electronic data reports for subdivision compliance
- ▼ purpose-built mowers
- ▼ customer service request review
- ▼ improved pavement management system
- ▼ road and drainage construction software and digital-terrain model
- ▼ use of recycled materials
- ▼ amalgamation of concreting teams
- ▼ outsourcing of non-core activities, including security, design and architecture
- ▼ shared record storage and facility management, training, tendering, and other benefits through membership of Hunter Councils Ltd
- ▼ efficiency reviews over 20 areas of activity, including recreational and cultural facilities, waste management, events management, construction and maintenance.<sup>26</sup>

We have considered the significance of these efficiencies in the context of the council's overall operating costs.

Maitland City Council advises that, over the course of the variation, it expects to identify productivity gains through a process of full service reviews of all operational areas. Two full reviews have been completed so far (information services and parks

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<sup>26</sup> Maitland Application Part B, pp 75-81.

maintenance). The council expects that process improvement will be the main area of improvement, rather than financial savings.

#### 4.6.2 Performance against indicators of productivity

We have also examined other indicators to further gauge performance on productivity. Table 4.5 provides a comparison of Maitland City Council's performance against Group 4 and NSW averages for selected indicators during 2008/09.

**Table 4.5 Maitland City Council's comparative performance against productivity indicators, 2009/10**

	<b>Maitland City Council</b>	<b>DLG Group 4 average</b>	<b>NSW average</b>
FTE staff	332	313	293
Average cost per FTEs (\$)	63,208	70,875	68,973
Ratio of population to FTEs <sup>a</sup>	208	127	126
Employee costs as a share of ordinary expenditure (%)	39.1	36.4	38.6
Consultancy/contractor expenses (\$)	2,770,000	4,389,094	5,948,248
Consultancy/contractor expenses as a share of ordinary expenditure (%)	5.2	6.4	8.6

**a** This ratio indicates the number of residents in the population per council FTE. A higher ratio indicates that there are fewer council staff for each person in the community where as a lower ratio indicates that there are more council staff for each person in the community.

**Source:** DLG, unpublished comparative data, 2009/10.

While Maitland employs a higher number of full-time equivalent (FTE) staff than the Group 4 and state averages, its cost per FTE is significantly lower. In addition, its ratio of population to FTEs is also significantly higher than the Group 4 and state averages. The council's employee costs comprise a slightly higher proportion of ordinary expenditure than Group 4 and state averages, while contract costs are below these averages.

In its application, the council highlighted:

- ▼ In the past 3 years, its workforce has increased by 4.6 FTEs (1.4%), while the LGA population has grown by 2.5% per year.
- ▼ The council has made significant changes to the budgeting process. In the past councillors had discretionary funding available for allocation to special projects or ward-based initiatives, but this option has been removed.
- ▼ The council has borne significant increases in a range of NSW Government fees and charges, including street lighting, waste and emergency services levies and valuer general fees.<sup>27</sup>

<sup>27</sup> Maitland Application Part B, p 79.

We encourage the council to continue exploring opportunities for further productivity improvements. We suggest that the council clearly communicate to its community the nature and value of productivity improvements being made.

#### **4.7 Criterion 6 — Implementation of the Integrated Planning and Reporting Framework**

To apply for a special variation under section 508A of the Act, councils must have implemented the Integrated Planning and Reporting Framework, including developing a 10-year community strategic plan, a 4-year delivery program, an annual operational plan and a detailed resourcing strategy.

IPART has received advice from DLG indicating that the council satisfactorily meets the legislative requirements of the Integrated Planning and Reporting Framework.



## Appendices



## A Maitland City Council - Schedule of works

**Table A.1 Maitland City Council's proposed 4-year capital works program 2011-2015, works subject to special rate variation**

Year	Suburb	Segment description	Allocation vote
<b>Building works</b>			
2011 - 2012	Various	Storage - recreation & community	\$50,000
2011 - 2012	Maitland	Disabled toilets Maitland Library	\$150,000
2011 - 2012	Various	Replace kitchens in community buildings at Metford, Tenambit and Rutherford	\$150,000
2012 - 2013	Various	Refurbish and repaint recreation buildings across the city	\$50,000
2012 - 2013	Maitland	Town Hall refurbishments such as floor coverings, internal paintwork, window sills and roof	\$500,000
2012 - 2013		Disabled toilets - No 1 Sportsground	\$150,000
2012 - 2013		Storage - rec & community	\$50,000
2013 - 2014	Various	Refurbish and repaint recreation buildings across the city	\$200,000
2013 - 2014	Various	Storage - rec & community	\$50,000
2013 - 2014	Various	Disabled toilets	\$150,000
2014 - 2015	Various	Refurbish and repaint recreation buildings across the city	\$50,000
	Various	Storage - rec & community	\$50,000
	Maitland	Maitland Park amenities building	\$1,000,000
	Maitland	Disabled toilets	\$150,000
<b>Carpark Refurbishment</b>			
2012 - 2013	Maitland	Riverside Walk carpark reconstruction	\$250,000
2013 - 2014	East Maitland	East Maitland library carpark/fencing Greenhills gardens	\$250,000
<b>Cycleway Construction</b>			
2012 - 2013	Maitland	Cycle/walkway at Maitland Park and associated fencing	\$500,000
2014 - 2015	Maitland	Cycle/walkway at Maitland Park progressive	\$100,000
<b>Footpath Paving Refurbishment</b>			
2011 - 2012	East Maitland	Lawes Street, East Maitland Shopping Centre - Reconstruct Footpath	\$500,000



Year	Suburb	Segment description	Allocation vote
2011 - 2012	Morpeth	Swan Street Morpeth - Kerb And Gutter And Footpaths	\$300,000
2011 - 2012	Telarah	Improve the appearance of the Telarah Shopping Centre	\$100,000
2011 - 2012	Maitland	Central Maitland Footpath Refurbishments	\$250,000
2012 - 2013	Morpeth	Swan Street Morpeth - Kerb And Gutter And Footpaths	\$200,000
2013 - 2014	Lorn	Improve the appearance of the Lorn shopping area	\$100,000
2013 - 2014	Maitland	Central Maitland Footpath Refurbishments	\$200,000
<b>Major Construction - Roads To Recovery</b>			
2013 - 2014 <sup>a</sup>	Millers Forest	Progressive Reconstruction	\$568,622
2012 - 2013	East Maitland	Lawes Street, East Maitland Shopping Centre - Reconstruct Road	\$250,000
2012 - 2013	Rutherford	Rutherford Shopping Precinct - Arthur, Weblands And Hillview Streets	\$1,000,000
2012 - 2013	Telarah	Green Street Telarah -Reconstruction	\$500,000
2013 - 2014 <sup>a</sup>	Allandale	Allandale Road New England Highway To Rail Bridge Progressive	\$800,000
2013 - 2014	Rutherford	Rutherford Shopping Precinct - Arthur, Weblands And Hillview Streets	\$1,000,000
2013 - 2014	Metford	Metford Road Metford -Reconstruction	\$1,000,000
2013 - 2014	Rutherford	Green Street Telarah -Reconstruction	\$500,000
2014 - 2015 <sup>a</sup>	Bishops Bridge	Wollombi Road Bridge To City Boundary	\$800,000
2014 - 2015 <sup>a</sup>	Allandale	Allandale Road New England Highway To Rail Bridge Progressive	\$800,000
2014 - 2015	Telarah	Green Street Telarah -Reconstruction	\$1,000,000
2014 - 2015	Metford	Metford Road Metford -Reconstruction	\$500,000
<b>New Works – Urban Roads</b>			
2013 - 2014 <sup>a</sup>	East Maitland	Lawes Street Melbourne To William	\$319,000
<b>Recreation - Facilities Improvements</b>			
2011 - 2012	Various	Shade at various sports and playgrounds citywide	\$100,000
2011 - 2012	Various	Increase service levels to address issues of city appearance, including street cleaning, litter collection and park/open space maintenance	\$500,000
2012 - 2013	Citywide	Increase service level to address issues of city appearance, including street cleaning, litter collection and park/open space maintenance	\$500,000
2012 - 2013	Citywide	Replace older playground equipment	\$50,000
2012 - 2013	Maitland	Maitland park fencing	\$100,000
2012 - 2013	Various	Shade at various sports and playgrounds citywide	\$100,000
2013 - 2014	Citywide	Increase service levels to address issues of city	\$500,000

Year	Suburb	Segment description	Allocation vote
		appearance, including street cleaning, litter collection and park/open space maintenance	
2013 - 2014	Citywide	Floodlighting	\$150,000
2013 - 2014	Various	Replace older playground equipment	\$50,000
2013 - 2014	Various	Shade at various sports and playgrounds citywide	\$100,000
2014 - 2015	Citywide	Increase service levels to address issues of city appearance, including street cleaning, litter collection and park/open space maintenance	\$500,000
2014 - 2015	Citywide	Recreation carparks & access	\$200,000
2014 - 2015	Various	Floodlighting	\$150,000
2014 - 2015	Various	Shade at various sports and playgrounds citywide	\$100,000
2014 - 2015	Various	Replace older playground equipment	\$250,000
<b>Rehabilitation</b>			
2012 - 2013	Various	Increase Heavy Patching Of Roads (Citywide)	\$250,000
2013 - 2014	Various	Increase Heavy Patching Of Roads (Citywide)	\$350,000
2014 - 2015	Various	Increase Heavy Patching Of Roads (Citywide)	\$250,000
<b>Rural Reconstruct/Widen - Sealed Roads</b>			
2014 - 2015		McKimms Road Largs, roadworks	\$500,000

<sup>a</sup> Works which the council indicated would be delayed without a special rate variation.

**Source:** Maitland Application Part B, Attachment 10 - Proposed Four Year Capital Works Program 2011-2015.

## B Long Term Financial Plan assumptions

Maitland City Council has indicated its Long Term Financial Plan includes the following assumptions:

- ▼ inflation (CPI) to continue at 3% pa for the next 10 years
- ▼ CPI changes are applied to a number of the council's expense and income streams, including general user fees and charges, regulatory services, grants and subsidies
- ▼ salary increases have been determined based on award changes, established at 3.2% for 2011/12 and 2012/13, 3.5% in 2013/14 and projected at 3.5% per year thereafter
- ▼ competency increase for progression through the council's salary system (of 2% each year)
- ▼ construction cost increases of 5% plus a 1% growth factor
- ▼ street lighting cost increases of 40% in 2011/12, 14% in 2012/13 and 10% for subsequent years
- ▼ NSW Government Waste Levy increases of CPI plus \$11.50/tonne for the first 3 years and \$10/tonne for subsequent years
- ▼ interest on investments of 5.5% in 2011/12, increasing progressively to reach 6.7% in 2017/18, remaining constant thereafter
- ▼ maintaining the council's annual loan drawdown at \$1m over the next 10 years
- ▼ operating expenses modelled on CPI increases of 3% over the next 10 years
- ▼ Staffing increases at 3 FTEs each year, based on population and service provision projections.<sup>28</sup>

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<sup>28</sup> Maitland Application Part B, p 26.

## Glossary

ABS	Australian Bureau of Statistics
ACLG Grouping	The Australian Classification of Local Governments system which classifies councils into 22 categories according to their socio-economic characteristics and their capacity to deliver a range of services to the community
Asset renewal ratio	Net change in asset value (infrastructure, property, plant and equipment) over previous year divided by depreciation expense
Assumed rate peg	The rate peg for 2011/12 is known. IPART set the rate peg for 2011/12 in December 2010 at 2.8%. The rate peg has not yet been set for future years. IPART has assumed the rate peg will be 3.0% in all future years
Broad liabilities ratio	Total debt plus cost to clear infrastructure backlogs (Special Schedule 7) divided by operating revenue
Business rate	Category of ordinary rate for an area of land that has not been categorised as residential, farmland or mining and at which a complex of "business" activities are carried on in a fairly concentrated manner and with a high degree of congruity and homogeneity
Capital expenditure	Funds spent to acquire or upgrade physical assets such as buildings and machinery
Catch-up	Section 511 of the <i>Local Government Act 1993</i> allows a council to increase rates and charges for the next 2 years where the council did not apply the maximum general increase in the previous year permitted under the Act. Approval of the Minister is not required for a catch-up increase (unless the council contravenes section 511)

Contribution plan	A plan which authorises the levy that a council may impose on new development to help fund the cost of providing new public infrastructure and services in accordance with section 94A of the <i>Environmental Planning and Assessment Act 1979</i>
CPI	Consumer Price Index
Debt service ratio	Net debt service cost divided by revenue from continuing operations
DLG	Division of Local Government, Department of Premier and Cabinet (NSW)
Farmland rate	Category of ordinary rate for an area of land that has not been categorised as rural residential land and for which the dominant use is for farming
FTE	Full-time equivalent
General income	Income from ordinary rates, special rates and annual charges other than: water supply and sewerage special rates and charges; (domestic) waste management services charges; and annual charges referred to in section 611 of the <i>Local Government Act 1993</i>
Infrastructure backlog	Cumulative value of a council's past annual expenditure requirements for renewing/replacing existing infrastructure that has not been met from its annual capital expenditure
Intergenerational equity	The costs of long lived assets (like infrastructure) being shared between current and future users, based on their share of the use of the asset over its life
IPRF	Integrated Planning and Reporting Framework
LGA	Local Government Area
LGSA	Local Government and Shires Associations of NSW
Minimum rate	Discretionary rate level set by a council (in accordance with section 548 of the <i>Local Government Act 1993</i> ) to represent the lowest possible rate (ordinary or special) payable by a ratepayer in an ad valorem rating system where a base amount is not applied
Net debt position	Financial liabilities less financial assets

Net operating position	Total operating revenue less total operating expenditure
Operating balance ratio	Net operating result (excluding capital items) as a percentage of operating revenue (excluding capital items)
Operating expenditure	Expenditure for the normal day to day operation of council services (excluding costs relating to the capital expenditure of assets or repayment of loans)
Operating revenue	Revenue for the normal day to day operation of council services (excluding costs relating to the capital expenditure of assets or repayment of loans)
Ordinary rate	A levy on land that a council is required to make each year in accordance with section 494 of the <i>Local Government Act 1993</i> and for which there are 4 categories: farmland, residential, mining and business
Permissible general income	The maximum level of general income that council can generate in the financial year based upon the previous year's notional general income level plus the annual dollar increase permitted by the special variation or rate peg percentage
Productivity	An increase in output (eg, council service) per unit of input (eg, council FTE)
Program of expenditure	Sum of all additional expenditure (eg, for a capital works project) for which council is seeking the special variation
Rate peg	Percentage by which a council may increase their maximum general income in a financial year compared with the previous financial year, when it has not been granted a special variation for a higher percentage increase
Rates and annual charges ratio	Rates and annual charges divided by operating expenses
Residential rate	Category of ordinary rate for an area of land which: the dominant use is for residential accommodation (other than a hotel, motel, guest-house, backpacker hostel or nursing home or for any other form of residential accommodation, not being a boarding house or lodging house); is zoned vacant land for residential purposes; or is rural residential land

Special rate	Levy for works or services provided or proposed to be provided by a council which should benefit the ratepayers who must pay the levy
Special variation	The percentage amount by which a council is granted approval to increase its maximum general income in a single year (under section 508(2) of the <i>Local Government Act 1993</i> ) and for 2 to 7 years (under section 508A of the <i>Local Government Act 1993</i> )
Unrestricted current ratio	Unrestricted current assets divided by unrestricted current liabilities

## **Section 508A Special Variation Application Form – Part B**

### **Maitland City Council**

Date Submitted to IPART: 25 March 2011

Council Contact Person: Graeme Tolhurst

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The Tribunal members for this special variation assessment are:

Mr Rod Sims, Chairman

Mr James Cox, Chief Executive Officer and Full Time Member

Ms Sibylle Krieger, Part Time Member

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## 1 Introduction

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

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

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

This part of the application consists of the following sections:

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

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

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

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

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

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

## 2 Special variation application overview

This section should provide IPART with sufficient information to form a general understanding of the purpose and reasons behind the application.

Include a brief commentary on:

- ▼ The reasons for the application.
- ▼ Period covered by the application.
- ▼ Financial impact of the proposed increases, including the total cumulative percentage increase (refer to Part A of the application).
- ▼ How the community will benefit.
- ▼ How the application reflects the Community Strategic Plan or Management Plan if applicable.

### RESPONSE:

#### Background

The Maitland Local Government Area (LGA) is one of the fastest growing inland cities in Australia, with our current high growth rates of 2.5 % projected to continue. Today, we have 70,000 residents located across an LGA of 396 square kilometres - projected to increase to a population of 90,000 residents in 2021. As can be seen from the table below, Maitland is expected to have the highest percentage increase of all non-metropolitan cities in NSW (with a population greater than 45,000), during the period to 2036.

#### NSW Department of Planning - Population Projections, 2006-2036

Non-metropolitan LGAs (pop > 45000)	Pop est. 2021	Growth % (from 2006)
<b>Maitland</b>	<b>89,600</b>	<b>39.0</b>
Tweed	108,700	31.0
Port Macquarie	90,800	27.0
Coffs Harbour	85,900	26.0
Port Stephens	78,700	24.0
Shoalhaven	111,700	21.0
Wingecarribee	53,400	20.0
Cessnock	56,500	17.0
Shellharbour	72,300	14.0

Wagga Wagga	66,600	12.0
Wollongong	215,700	11.0
Newcastle	165,600	11.0
Albury	53,700	11.0
Lake Macquarie	210,100	9.0
Clarence Valley	54,500	9.0
Tamworth	60,600	8.0
Greater Taree	50,800	8.0

With such a sustained influx of new residents, the challenge for Maitland City Council has been, and will continue to be, to plan and provide new infrastructure for a growing City whilst maintaining and enhancing existing, aging infrastructure to meet contemporary community standards. This needs to occur without compromising the long term financial sustainability of Council.

Council's attention has been on the long term management of its assets and finances over the past ten years, with Council being aware of the significant backlog of work required to bring road and drainage assets, in particular, up to contemporary 'fit for purpose' state.

Council has evolved systems and processes that have placed the organisation in the position of having an accurate inventory and understanding of works required across all asset classes. Council has a long term asset management strategy and asset management plans for all significant asset classes.

Maitland's infrastructure challenges can be linked to both its history and geography. The township was established on the banks of the Hunter River in the 1820s. Many of the infrastructure challenges we face today can be traced to this colonial history and early development of the townships, public buildings and facilities, roads and bridges, as well as the location of much of our major population centres on river banks and floodplains.

### **Reason for the application**

Council has been focused on its long term asset management and financial sustainability for the past ten years. Adopting its Asset Management Strategy (v1) in 2006 established Council's path, albeit within a constrained financial environment. The Strategy established that Council would need to place \$1 million/year in reserves to address the renewal and revitalisation of its assets. With a discretionary budget of \$9 million, placing such funding in reserves has not been possible. To do so would have meant significant cuts to services and jeopardised Council's ability to provide efficient and effective services to the community.

Council has continued to evolve its Asset Management Strategy and long term financial plan to explore ways of tackling the works required. Most recently, this has seen asset, financial and workforce strategies further aligned and combined into a single Resourcing Strategy to support the implementation of IP&R. Many steps have been taken, outlined further into this application, as part of an ongoing review of Council's revenue.

In 2010, building on recent strategic planning efforts across a range of functional areas, Council commenced engagement with the Maitland community about its future. The discussion was to determine what the community wanted our City to look, feel and function like in 2021 and beyond. This process, extending over eight months, revealed strong and wide held views in the community about priority areas.

Roads, transport, the Central Business District, recreation facilities and the appearance of the City emerged as issues the community would like to see addressed, under the leadership of Council.

Our Resourcing Strategy identifies costs of infrastructure improvement works at \$67 million. However, Council determined a revenue increase funded entirely by an increase in rates is not appropriate at this time. Council is cognisant of external factors financially impacting on the City's ratepayers such as rising utility costs, insurance premiums and general living costs.

Thus, after due consideration of all options available, Council determined to apply for a variation to:

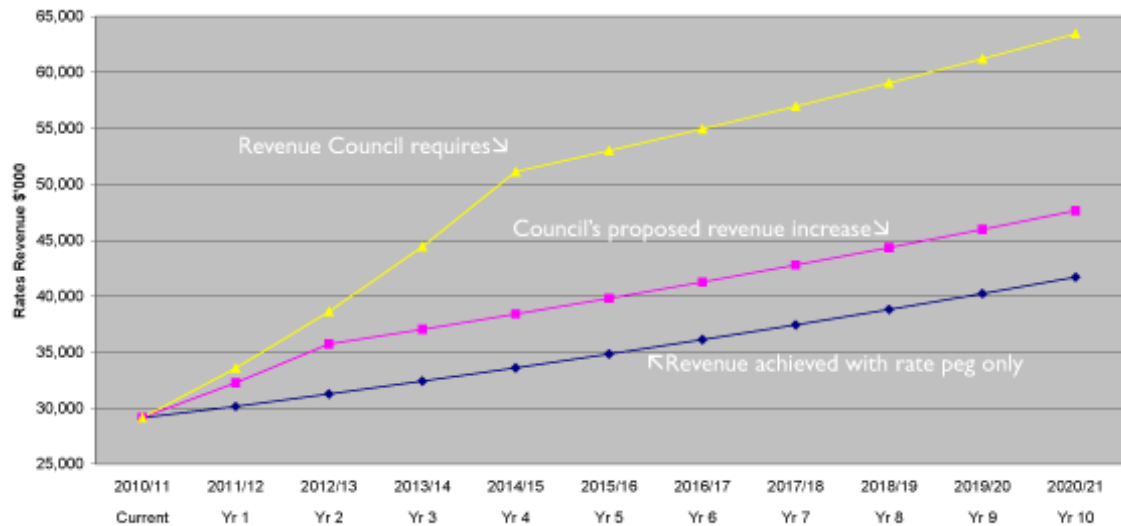
- Maintain and enhance current services
- Tackle a series of identified infrastructure works, in line with the strategic asset management priorities and those of the community
- Address further community priorities expressed during the development of the ten year community strategic plan, 'Maitland 2021'
- Move Council toward sustainability in its finances and asset management.

The clearly defined program of works to be delivered with the additional revenue has been widely promoted across the community, aligned with the community strategic plan 'Maitland 2021' and incorporated into Council's draft Delivery Program 2011-15 and Operational Plan 2011/12.

The decision to proceed with an application is also recognised as a step in generating the revenue required to address shortfalls in funding for infrastructure renewal and enhanced services. The decision to apply for a two year variation has been taken to enable the subsequent Council to determine a path forward, which could include a further application for a special variation.

The gap between projected revenue and required revenue to address infrastructure works is shown below.

#### Required revenue to 2021



#### **Period covered by the application and purpose**

Maitland City Council is seeking a Special Rate Variation to rates for a period of two years, commencing in 2011/12, with the key purpose of renewing and revitalising its aging infrastructure assets and enhancing the appearance of the City.

#### **Percentage sought and cumulative impact**

The variation sought for Year 1 is 9.8% (including the 2.8% 'rate peg') and 10% in Year 2 (including the rate peg to be determine by IPART, although estimated at 3% by Council for the purpose of the variation). The cumulative percentage increase for the period of the variation is 20.78%.



### Use of additional revenue

While the variation is sought for two years, the additional revenue generated by the variation has been allocated over the next four years is as follows:

Year	Additional revenue
2011/12	\$2, 100, 000
2012/13	\$4, 450, 000
2013/14	\$4, 600, 000
2014/15	\$4, 800, 000
<b>TOTAL</b>	<b>\$15, 950, 000</b>

Council has developed a four year program of works, in line with its draft Delivery Program 2011-15, to be delivered using the additional SRV revenue.

The additional funds will be used to bring a number of asset classes, in particular roads and community facilities, to a contemporary 'fit-for-purpose' state. It will also be used to address issues surrounding the appearance of the City, from street cleaning, rubbish and graffiti removal to streetscape improvements and increased park maintenance.

The additional income is projected to be \$16 million over the next four years. This additional amount has been allocated to a number of specific projects over the period, with the selection based on Council's Asset Management Strategy priorities, as well as addressing community priorities to emerge during recent engagement processes for the 'Maitland 2021' community strategic plan.

The income will be directed toward meeting a backlog of infrastructure related works worth over \$67 million and will include works on highly travelled roads such as Metford Road, Metford, and McKimms Road, Largs.

A full list of proposed works can be seen on page 17 of this application.

The community of Maitland will greatly benefit from these works through:

- Improved community safety through higher standard roads, footpaths and drainage;
- Reduced travel times through better standard roads on key routes across the City
- Improved parking in the Central Business District

- Improved accessibility and appearance of local activity centres including Lorn, Telarah, East Maitland and Rutherford
- Community building improvements at local community halls including Metford, Tenambit and Rutherford
- Upgraded facilities at the high profile, high visitation Maitland Park
- Improved appearance of the City through increased litter collection, street sweeping, graffiti removal and maintenance of parks and open space
- Enhanced feelings of pride and safety through improving the appearance of the City
- Renewing and revitalising a range of asset classes to current community standards and expressed community desires for our infrastructure
- Mitigating exponentially greater cost increases associated with delays to works
- Take a vital step towards ensuring longer-term asset sustainability for the City.

#### **Impact on ratepayers**

Council has considered a range of factors in determining this potential increase is affordable for Maitland's ratepayers, including the average household income of our residents and comparative rates in both neighbouring LGAs and in cities with a similar demographic and local government profile.

Maitland City Council's rating base is comparatively low. Thus, while the percentage increases may at first appear high, on a dollar basis they are considered affordable for the City's ratepayers.

For the average ratepayer, the increase in Year 1 would be \$57, and in Year 2 it would be \$118.

The impact on average rates can be seen on the table below.

	<b>2011/12</b>	<b>2012/13</b>
Average residential rate	\$860	\$945
Average business rate	\$4512	\$4963
Average farmland rate	\$2299	\$2529

## **Relationship to community strategic plan**

Over the past year, Council has undertaken an active community engagement process for the development of the community strategic plan 'Maitland 2021 - Ideas and Action'. While Council had anticipated issues of aging infrastructure, traffic congestion and transport as being of concern to the community, the depth and breadth of community feedback specifically on these issues was far greater than anticipated. More comments were received on this on any other issue, perhaps with the exception of the Maitland Central Business District (which also included issues of connectivity and pedestrians, in addition to retail, cultural and social issues).

As a result, 'Maitland 2021 - Ideas and Action' contains a number of outcomes and strategies related to roads and transport infrastructure. These include strategies focused on the design and construction of roads, footpaths and cycleways; solutions to traffic congestion on highways and major roads; maintaining existing infrastructure to stimulate local economic growth and; improving access to homes, jobs and services by walking, cycling and public transport.

It should be noted that Council has been open with the community on the challenges it faces in maintaining aging infrastructure and meeting the needs of a growing community. The need for additional revenue from a potential special variation to rates was included in Council's Management Plan in 2010-2013. This had built on dialogue Council had continued to have with the community on alternative options for revenue and cost savings over years prior.

### 3 Need for the variation

In this section, councils must present a persuasive case for the proposed revenue increases by showing why the special variation is needed.

Firstly, indicate the key purpose of the variation by marking the appropriate box with an “x”.

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

Address community priorities identified during the development of the community strategic plan, 'Maitland 2021', in particular ensuring the appearance of the City is improved.

#### 3.1 Strategic planning information

In the section below, provide commentary on how the special variation is reflected in Council's strategic planning outcomes (Community Strategic Plan and Delivery Program).

Also attach a copy of Council's draft or final Community Strategic Plan and Delivery Program.

Box 3.1 outlines the information required for special variations for 'essential works' costs above the developer contributions cap.

---

#### **Box 3.1 Special variations for 'essential works' costs above the developer contributions cap**

For essential works costs above the cap in contributions plans, Council must provide:

- ▼ Any reference to the proposed contributions (which were previously to be funded by developers) in earlier planning documents (eg, Long Term Financial Plan (LTFP) and Asset Management Plan (AMP));
  - ▼ Any necessary revisions to financial projections contained in the LTFP and AMP to reflect the special variation.
-

## RESPONSE

The case for a special variation is reflected in the outcomes of the community strategic plan 'Maitland 2021', associated objectives in Council's Delivery Program 2011-15 and actions detailed the annual Operational Plan 2011/12.

### Community Strategic Plan 'Maitland 2021'

'Maitland 2021 - Ideas and Action' is the City's ten year community strategic plan. The plan was evolved during 2010, building from Council's body of strategic planning work undertaken over the past five years.

This work included:

- Maitland Integrated Land Use and Transport Study - identifies how land use and transport can be integrated to improve access to housing, jobs and services across the LGA
- Central Maitland Structure Plan (2009) - a guide for the growth and development of Central Maitland over the next 20 to 30 years
- Maitland Activity Centres and Employment Clusters Strategy (2009) - provides a logical hierarchy and network of activity centres and employment clusters to support the growth of the local economy and employment for the next 20 years
- Maitland Social Plan 2009-2019 - addresses the needs of seven target groups within our community (children, youth, older people, people with a disability, people from culturally and linguistically diverse backgrounds, Aboriginal and Torres Strait Islander people and women).
- Maitland City Council Asset Management Strategy v1 (2006) - presented Council's policy and asset management strategy and plans across all asset classes under Council's management.

Importantly, the plan was evolved following an initial period of research and engagement designed to uncover issues of concern to the community now, and issues of concern to the community in the future. It was also used to gain insight into broadly held community priorities and aspirations. This focused engagement revealed that the 22% of respondents wanted to see Maitland as "easy to get around on foot, public transport or bike" in 2021 - the highest ranked response. It also saw "walking, bike riding and sustainable transport" at the top of the priority list for 2021, closely followed by "the Mall (CBD) and nearby facilities" and "quality parks, sportsgrounds and aquatic facilities".

These results added further to the results of Council's annual community survey from 2009, a telephone survey of 622 randomly selected residents. When asked to rate issues on a ten-point scale, residents give the highest priority to road maintenance, traffic flow, road safety, community safety and security, and employment growth.

The residents surveyed also expressed high levels of dissatisfaction with traffic flow (mean score of 4.84 out of 10); road maintenance (5.16/10); and overall conditions 5.50/10. While ratings on all environmental issues are positive, in particular for environmental protection, disabled access and heritage management, there were many residents dissatisfied with drainage (mean score of 6.67/10).

The community strategic plan 'Maitland 2021' is presented under five themes:

1. Proud Place, Great Lifestyle
2. Our Places and Spaces
3. Our Natural Environment
4. A Prosperous and Vibrant City
5. Connected and Collaborative Community Leaders

The need for a special rate variation is best reflected under Theme One, which includes strategies around recreation facilities, the appearance of the City, and the City Centre and themes Two and Four, which relate specifically to the City's built environment and how we move about it; and the role transport and other infrastructure plays in underpinning local economic growth and connection.

The plan contains nineteen (19) desired community outcomes for 2021 (expressed in the plan as 'What our community would like') within these themes. Those outcomes specifically relevant to this application are as follows:

- |                   |  |
|-------------------|--|
| <u>Outcome 1</u>  | Our growing community retains our sense of place and pride in our City whilst welcoming diversity and change                               |
| <u>Outcome 2</u>  | Our recreation, sporting and leisure facilities will evolve and keep pace with community needs   |
| <u>Outcome 5</u>  | All residents are able to move around our City in safety and in ease - on foot, bicycle, car, bus or train                                 |
| <u>Outcome 6</u>  | Our unique built heritage is maintained and enhanced, coupled with sustainable new developments to meet the needs of our growing community |
| <u>Outcome 11</u> | Our transport and telecommunications infrastructure is progressive and meets the needs of contemporary businesses and our community        |
| <u>Outcome 12</u> | A unique sense of identity and place is found within our villages, suburbs, towns and City centre  |
| <u>Outcome 15</u> | Central Maitland is the vibrant heart of our City, engendering a strong sense of pride within the community.                               |

## **Council's Delivery Program 2011-15**

Following the release of the consultation draft of 'Maitland 2021' in November 2010, Council set to work to develop its response to the community outcomes and strategies contained in the plan.

Council's four year Delivery Program contains 118 four year objectives, aligned to the strategies and outcomes within each theme of the community strategic plan.

A number of these Objectives for 2011-15 (flowing from the community outcomes listed above) are directly linked to the Special Rate Variation including:

- \* To improve the appearance and presentation of the City, fostering a sense of community pride - SRV funded actions for 2011-12 are to increase the frequency of mechanical street sweeping of selected areas; extend litter collection programs across the City, focusing on recreation and roadside areas
- \* To provide and maintain Council's community and recreation asset infrastructure based on sound asset management principles - SRV funded actions for 2011-12 include refurbishment of identified community halls
- \* To maintain and evolve the City's high quality and distinctive facilities including Maitland Park, Walka Water Works and Maitland No 1 sportsground - SRV funded actions for 2011-12 include identified improvements at Maitland Park
- \* To plan and improve our footpath network - SRV funded actions for 2011-12 are reconstruction of the footpath at Lawes Street, East Maitland; Refurbishment of footpaths in Central Maitland; Repair of footpaths, kerb and guttering in Swan Street, Morpeth
- \* To conserve the Town Hall in keeping with its iconic heritage status - SRV funded actions for 2011-12 are completion of identified projects in the Conservation Management Plan
- \* To strengthen activity centres as vibrant areas for residents, workers and visitors - SRV funded actions for 2011-12 undertake streetscape improvements at the Telarah Shopping Centre
- \* To activate centres as nodes for active transport - SRV funded actions for 2011-12 are footpath improvements in Central Maitland, Morpeth and East Maitland.

The final community strategic plan was adopted by Council in 22 February 2011, with consultation drafts of the Delivery Program 2011-15 and Annual Operational Plan 2011/12 adopted on 22 March 2011, supported by a draft Resourcing Strategy. The consultation drafts will be exhibited until 6 May 2011.

Copies of the community strategic plan, draft Delivery Program 2011-15, Operational Plan 2011/12 and Resourcing Strategy are attached to this application.

### 3.2 Financial planning information

Council's application must be supported by a Long Term Financial Plan (LTFP) that has been developed in accordance with the prescribed Integrated Planning and Reporting requirements.

Attach a copy of Council's LTFP, with required scenarios.

In the section below, include:

- ▼ Commentary on how the special variation has been incorporated into the LTFP.
- ▼ Guidance as to how, and where, the special variation has impacted upon the LTFP.
- ▼ Commentary on the range of alternative income sources (eg, borrowings and grants) available and how they have been considered.

## RESPONSE

### Incorporation of the special variation into the LTFP

Council has incorporated the Special Rate Variation proposal into its long term financial plan as its 'Planned' scenario. The implementation of the SRV would allow Council to take a step toward addressing its infrastructure backlog. The additional revenue generated from the variation, over the course of ten years, would see Council's backlog significantly reduced.

In developing our long term financial plan, Council has identified three scenarios to indicate our financial position in ten years. The scenarios have been informed by our Asset Management Strategy, which has identified works required to maintain and enhance Council's assets to contemporary community standards.

The model has also given consideration to future services and service levels, and the staffing and other resources required to deliver it.

The scenarios in the plan are as follows:

Scenario 1 – Conservative, 2.8% rate increase and addressing Council's asset infrastructure backlog

Scenario 2 – Planned, 9.8% rate increase (Year 1), 10% (Year 2), 3% (Years 3-10) and addressing Council's asset infrastructure backlog

Scenario 3 – Optimistic, 9.8% rate increase (Year 1), 10% (Year 2), 9.58% Years 3-6, 3% Years 7-10 and addressing Council's asset infrastructure backlog.

It should be noted that under each of these scenarios, Council's loan drawdown has been modelled at \$1 million per annum, in-line with Council's current adopted



policy. However, the option of increasing Council's debt service ratio from its current 5% to a higher level is a possibility that will be considered in the future, following further active dialogue with the community. Council has reserved this capacity to borrow additional funding as an opportunity to deliver new capital works in the areas of City Centre infrastructure and recreation facilities identified in 'Maitland 2021'.

### **How the SRV revenue has impacted on the LTFP**

The incorporation of the additional revenue and ongoing additional rating base has had an impact on Council's LTFP, but even more importantly on our Asset Management Strategy.

In terms of the LTFP, the ten year projection without the additional revenue from a SRV shows a \$131 million deficit. This progresses from an \$8.6 million deficit in Year 2 of the plan, through to \$13.5 million in Year 5 and \$22.9 million in Year 10. This deficit is primarily the result of the asset maintenance backlog and the inclusion of works (as identified in the Asset Management Strategy) in the forecasts.

The ten year projection incorporating the SRV proposal shows a \$92.6 million deficit – a reduction of over \$38 million. The projected deficits commence with \$8.4 million in Year 2 of the plan, through to \$7.8 million in Year 5 and \$16 million in Year 10. Once again, this is primarily the result of the asset maintenance backlog and the inclusion of works (as identified in the Asset Management Strategy) in the forecasts.

Our LTFP also models a scenario that would enable Council to address the infrastructure backlog. Under this scenario, Council would require further increases in rates beyond Years 1 and 2, modelled at 9.57% in Years 3 to 6. If this scenario was achieved, Council would have a surplus budget at the end of 10 years.

Council sees the additional revenue generated by the two year variation sought as an important first step in addressing the infrastructure backlog and reaching a position of sustainable asset management. During the period of the variation, Council will continue to implement its Revenue Strategy (as outlined below) and other associated measures to maximise efficiencies and leverage all available resources.

It should be noted that Council has an adopted position of maintaining a balanced cash budget. As indicated, the modelling in the LTFP includes tackling 'backlog' works, as well as delivering scheduled capital works and maintaining essential services. Given this position, should Council's application for a special variation to rates be unsuccessful, Council would need to take steps to alter its service mix or service levels significantly, and would be unable to address community priorities identified in the 'Maitland 2021' community strategic plan.

### **Alternative potential sources of revenue**

Council first adopted a Revenue Strategy in 2010. This strategy highlights the increasing financial challenges facing Council, identifies the revenue streams available to Council and recommends the following as a means of increasing our revenue base:

- Review all current fees and charges and levels of cost recovery;
- Identify and seek additional grant funding;
- incorporate discussion of rating, and avenues for special rate variations, into Council's community strategic planning process;
- Review Council's Annual Borrowing Policy;
- Review Council's Investment Policy and cash flow processes;
- Review and monitor Council's Section 94 Plans and Policies;
- Identify opportunities to rationalise Council's asset base;
- Canvass community support to undertake entrepreneurial activities;
- Review Council's service levels and methods of service delivery;

Council has commenced implementation of the strategy as follows:

- Completed review of fees and charges for the use of sportsgrounds and other facilities and commenced implementation over a three year period
- Undertaken active engagement with the community during the evolution of 'Maitland 2021' to better inform the community of the challenges facing Council and the implications for revenue, including rating
- Undertaken core activity reviews for more than 20 activities of Council, in addition to commencing implementation of full operational service reviews across the organisation
- Commenced a review of small landholdings held by Council to inform potential asset rationalisation.
- Is making this application to the Independent Pricing and Regulatory Tribunal to increase its general rate revenue by 9.8% in 2011/12; and 10.0% in 2012/13.

It should be noted that while Council has the capacity for increased borrowings, it is deliberately reserving this capacity to address potential new infrastructure works, in particular for changes to the built structure of Central Maitland. Under the Draft Delivery Program 2011-15 and Operational Plan 2011/12, Council will undertake

investigations into options and costings for reconfiguration and/or refurbishment of the Central Maitland Heritage Mall. Following the adoption of a final position of Council on this issue, it is expected that increased borrowings would be one of the primary funding mechanisms to realise the change. This position would, of course, be subsequently reflected in Council's long term financial modelling.

### **3.3 Efficient and feasible program of expenditure**

Council must attach a detailed program of expenditure to be funded from the special variation for at least every year of the application, and if relevant, for additional forward years.

The program of works included in the application should provide sufficient detail for IPART and the community to know what the funds will be used for, what specific projects are proposed and when they will be undertaken.

Expenditure under the program of works must equal the additional revenue sought and must reconcile with Council's LTFP. The application should clearly identify where in the LTFP the works appear.

In the space below, Council must also provide a commentary regarding the program of expenditure. This should include details of the research and feasibility work undertaken. In particular, state why the cost estimates are based on an efficient allocation of resources eg, due to industry benchmarks, an independent assessment or certain assumptions.

## **RESPONSE**

### **Proposed Program of Works**

Council has prepared a detailed list of works to be funded by the Special Rate Variation that has been incorporated its draft Delivery Program 2011-15 and released to the community for input and comment.

The development of the program was based on Council's Asset Management Strategy and plans, as well as addressing community priorities to emerge during the community strategic planning process.

In developing the SRV works, consideration was given to the time, staff and other resources required to deliver the program. The following list of works has been proposed.

PROJECTS	TOTAL PROJECT COST	2011/12	2012/13	2013/14	2014/15
Increased service levels to address issues of City Appearance, including street cleaning, graffiti removal, litter collection and park/open space maintenance	\$2,000,000	\$500,000	\$500,000	\$500,000	\$500,000
Increase heavy patching of roads (Citywide)	\$850,000		\$250,000	\$350,000	\$250,000
Cycle/walk way at Maitland Park, and associated and fencing	\$600,000		\$500,000		\$100,000
Replace kitchens in community buildings at Metford, Tenambit and Rutherford	\$150,000	\$150,000			
Town Hall refurbishments such as floor coverings, internal paintwork, window	\$500,000		\$500,000		

sills and roof					
Four disabled toilets, including at Maitland Library and No. 1 Sportsground	\$600,000	\$150,000	\$150,000	\$150,000	\$150,000
Rutherford Shopping Precinct - Arthur, Weblands and Hillview Streets – road construction, bus interchange and landscaping	\$2,000,000		\$1,000,000	\$1,000,000	
Lawes St, East Maitland Shopping Centre - Reconstruct footpath	\$500,000	\$500,000			
Lawes St East Maitland Shopping Centre- Reconstruct Road	\$250,000		\$250,000		
Swan Street Morpeth - Kerb and Gutter & Footpaths	\$500,000	\$300,000	\$200,000		
Green Street, Telarah - Reconstruction	\$2,000,000		\$500,000	\$500,000	\$1,000,000

Metford Road, Metford-Reconstruction	\$1,500,000			\$1,000,000	\$500,000
Improved appearance of Lorn Shopping Area	\$100,000			\$100,000	
Improved appearance Telarah Shopping Area	\$100,000	\$100,000			
Central Maitland Footpath Refurbishments	\$450,000	\$250,000		\$200,000	
Riverside Walk Carpark Reconstruction	\$250,000		\$250,000		
Refurbish and Paint recreation buildings across the City	\$300,000		\$50,000	\$200,000	\$50,000
East Maitland Library Car Park/Fencing Greenhill Gardens	\$250,000			\$250,000	
McKimms Road, Largs, Roadworks	\$500,000				\$500,000
Storage - rec & community (4)	\$200,000	\$50,000	\$50,000	\$50,000	\$50,000

Shade at various sports and playgrounds Citywide	\$400,000	\$100,000	\$100,000	\$100,000	\$100,000
Replace older Playground Equipment	\$350,000		\$50,000	\$50,000	\$250,000
Recreation Car Parks & Access	\$200,000				\$200,000
Maitland Park Amenities Building	\$1,000,000				\$1,000,000
Floodlighting	\$300,000			\$150,000	\$150,000
Maitland Park Fencing	\$100,000		\$100,000		
<b>Totals</b>	<b>\$15,950,000</b>	<b>\$2,100,000</b>	<b>\$4,450,000</b>	<b>\$4,600,000</b>	<b>\$4,800,000</b>

### **Construction cost of works**

Construction cost estimates have been prepared for each project. The estimates are for program purposes only and are based on a combination of

- Expert in-house knowledge
- Comparison with internal and external benchmarks such as tender prices, industry building cost guides and quotations
- Council's construction cost unit rates
- Historic costs for projects of a similar nature

The estimates are conservative and include a suitable contingency allowance for risk and uncertainty. The nominated works are typical Council projects where Council's productivity rates, plant, labour and materials are well known.

To ensure the efficient use of resources and the achievement of best value the projects will be delivered using Council's staff or external contracts depending upon the nature of the work. At this stage it is anticipated that between 35% and 65% of the SRV works program will be undertaken by external contract.

Attached to this application are cost estimates for each projected listed. These cost estimates provide a project summary, preliminary costs and plans where appropriate. The summary includes cross references to Council's asset management plans and delivery program.

### **Human Resources**

The provision of sufficient staff resources is an issue at all stages of the project delivery process from design to construction. The lifecycle of a project involves a number of Council areas as it moves from investigation and design through to project management and construction.

#### Current Model Project Delivery

Council has a commitment to retaining in-house design and construction expertise which provides flexibility and an ability to change priorities and deal with the issues that arise in the local government environment.

Council's capital and maintenance programs are generally delivered through the Assets & infrastructure Planning (A&IP) Group and the City Works Services (CWS) Group. These groups work in partnership to ensure the efficient and effective planning, design and delivery of the works program.

The project investigation/ design/ construction cycle generally follows the following sequence:



- Project identification and concept development
- Adoption as part of Four Year Capital works program in the Delivery Program
- Investigation, Survey & Preliminary Design
- Agreement to scope of works type of delivery mechanism and cost
- Project issued for construction
- Construction.

The AI&P Group is responsible for the development and design of the various infrastructure projects and programs (capital and maintenance) across all functional areas. A combination of internal resources and external consultants is used to undertake the work.

The CWS Group delivers works programs (both construction and maintenance) using Council's day labour workforce, contract providers, or by a mix of day labour and subcontractors. Plant and equipment is provided from the pool of Council-owned equipment or it is leased or hired (with or without operators). Responsibility for contract (out sourced) projects and services rests with the Projects & City Services Division, while the majority of works undertaken by day labour, with or without subcontractors, is carried out by the Civil & Recreation Works Division.

#### Four Year Capital Works Program

For the purposes of resource planning, the SRV funding allocations are summarised below:

Asset Categories	2011/12	2012/13	2013/14	2014/15
Building	\$350,000	\$750,000	\$400,000	\$1,250,000
Carpark refurbishment		\$250,000	\$250,000	
Footpath Refurbishment	\$1,150,000	\$200,000	\$300,000	
Recreation/Community	\$100,000	\$250,000	\$300,000	\$700,000
Road Construction		\$1,750,000	\$2,500,000	\$1,500,000
Road Rehabilitation		\$250,000	\$350,000	\$250,000
Rural Road Reconstruction				\$500,000
City Appearance	\$500,000	\$500,000	\$500,000	\$500,000
<b>Totals</b>	<b>\$2,500,000</b>	<b>\$4,450,000</b>	<b>\$4,600,000</b>	<b>\$4,800,000</b>

The increased capital works will require additional resources to deliver. The constraints of programme size, time, resources and achievement of the desired result are interrelated. If one of the parameters is changed then others must change to ensure a balance is maintained and the programme successfully completed.

Should it be approved by IPART, the additional funding from the SRV will be permanent and committed to capital projects and improved services. The size of the works program is not going to decrease and Council's asset strategy has highlighted the importance of undertaking projects at the most appropriate time.

The following table summarises the resourcing requirements for the City Works & Services Assets and Infrastructure Planning Groups to deliver the SRV works program.

Staffing costs have been factored into the funding allocation outlined above.

Human Resources required for SRV project delivery

Resources required	Year
2 Design Officers 1 Project Engineer 0.2 Truck Driver 0.3 Weeds Officer 1 Gardener 0.5 Plant Operator 1 Team Leader 1 Painter 2 Labourers	2011 - 2012
1 Design Engineer 1 Civil Engineer 0.5 Carpenter 0.5 Painter 1 Team Leader 1 Plant Operator 1 Truck Driver 1 Labourer	2012 - 2013
1 Project Supervisor	2013 -2014

### 3.4 Impact on financial sustainability

In this section, Council must show the financial implications for it should the special variation be approved or not approved. Councils need to project either 2 or 3 scenarios over the relevant years of the special variation (including forward years if applicable):

1. *Baseline scenario* – Revenue forecasts excluding the special variation.
2. *Special variation scenario* – Revenue forecasts including the special variation.
3. *Project proceeds without SV scenario* - Where a project or priorities are intended to proceed regardless of the special variation approval, the council should also show the projected financial position if the related expenditure priorities/projects proceed without the special variation.

Also include information on key assumptions that underpin the LTFP and the special variation application.

#### RESPONSE

In developing our long term financial plan, Council has identified three scenarios to indicate our financial position in ten years. The scenarios have been informed by our Asset Management Strategy, which has identified works required to maintain our enhance Council's assets to contemporary community standards, as well as the Delivery Program and Community Strategic Plan.

The two scenarios relevant to this application are discussed below. Council will not proceed with the works outlined without the required increase in revenue.

The model has also given consideration to future services and service levels, and the staffing and other resources required to deliver it.

#### **Baseline Scenario, 2.8% rate increase and addressing Council's asset infrastructure backlog**

This scenario is based on rate growth being limited to rate peg percentages as determined annually by IPART without variation. This scenario indicates the revenue deficiency that Council faces in terms of our infrastructure backlog which essentially remains unaddressed. The projected deficit at end of Year 10 is \$131.9 million. It should be noted that this does not indicate a cash deficit, but rather reflects the revenue that is required by Council over the ten year period to maintain current levels of service and address our infrastructure backlog. The scenario clearly indicates that this is not a suitable position and would see a reduction in levels of service or discontinuation of services in order for Council to maintain a balanced budget.

**Special Variation Scenario, 9.8% rate increase (Year 1), 10% (Year 2), 3% (Years 3-10) and addressing Council's asset infrastructure backlog**

This scenario is proposed as Council's preferred rating option and first step toward addressing the City's infrastructure backlog and acting on community priorities identified in 'Maitland 2021'. The projected deficit at the end of Year 10 is \$92.6 million. It should be noted that this does not indicate a cash deficit, but rather reflects the remaining additional revenue required by Council over the ten year period to maintain current levels of service and address our infrastructure backlog. The scenario is clearly not ideal in that it does resolve the revenue issues facing the Council and over time could still lead to a reduction in service levels or discontinuation of services in order for Council to continue its desire to maintain a balanced budget. It is, however, as stated, a significant step towards resolution of the infrastructure backlog issues. If Council's application is successful, it takes Council part way to addressing the backlog and maintaining services, but clearly leaves the Council and its successors to deliberate on further means by which this deficit might be addressed over the ten year period. The Council's purpose in limiting this scenario to rate variation increases in Years 1 and 2 only is to align the increases with the current term of Council and to allow the Council elected in September 2012 to deliberate on increases or otherwise in subsequent years, or revisit the scheduling of infrastructure backlog works.

**Project proceeds without a Special Variation - N/A**

Council will not undertake the four year works program to be funded under the SRV proposal should the proposal not be approved by IPART.

**Key assumptions**

Our long term financial plan and model is underpinned by the following assumptions:

- Maitland's population continuing to grow at 2000 new residents each year (2.5% growth rate). This assumption is based on annual growth rates experienced over recent years, and knowledge of projected residential developments over the next ten years from both Council's own and the NSW Government's strategic land use planning documents
- Inflation (CPI) has been assumed at 3% per annum for the next 10 years. This is based on the Reserve Bank's monetary policy, which is set to achieve an inflation rate of between 2-3% on average. This rate has been borne out over the past 10 to 15 years
- CPI has been applied to a number of Council's expense and income streams including general user fees and charges, regulatory services, grants and subsidies.

- Salary increases have been determined based on Award changes, already established for the first three years of the plan (3.2% for Years 1 and 2 and 3.5% in Year 3). For subsequent years, our model has projected a 3.5% increase.
- Competency increases for progression through Council's salary system of 2% each year. This has been a consistent figure borne out in our annual budgets over recent years.
- Construction costs have been assumed to increase by 5%, plus an additional growth factor of 1%. This is based on Council's knowledge of actual construction costs as relevant to our business, in addition to published construction industry projections and price index.
- Street lighting costs are anticipated to continue to increase and have been modelled in the plan. In Year 1, the increase has been modelled at 40%. In Year 2, it has been set at 14%, and 10% for subsequent years of the plan. Council has experienced significant increases in network charges for street lighting over recent years and anticipates this will continue.
- NSW State Government Waste Levy increases have been factored into the model. The increases are influenced by annual CPI plus \$11.50/tonne for the first three years, and \$10/tonne over subsequent years.
- Interest on investments has been set at 5.5% in Year 1, increasing progressively to reach 6.7% in Year 6, to remain constant thereafter. This has been modelled on advice from Council's investment advisors.
- Maintaining Council's annual loan drawdown at \$1 million/annum over the next ten years. This is based on Council's current loan borrowing policy.
- Operating expenses, excluding street lighting, have also been modelled on CPI increases of 3% per annum over the next ten years. Operating expenses include items such as telephone expenses, advertising and cleaning services.
- Staffing increases at three full time equivalents each year. This number is based on population and service provision projections.

### 3-5 Variations for capital expenditure

Does the application relate to infrastructure investment, whether for new assets or maintaining existing assets? Yes ☒ No ☐

▼ Does the purpose of the proposed special variation require that a capital expenditure review be undertaken by Council in accordance with Council Circular 10/34? Yes ☐ No ☒

▼ If Yes, has a review by the Council been undertaken? Yes ☐ No ☐

▼ If Yes, has Council submitted this to DLG? Yes ☐ No ☐

(Note: If a capital expenditure review is required but has not been assessed by DLG, IPART will not be able to assess Council's application.)

If the application relates to infrastructure investment, whether for new assets or maintaining existing assets, provide appropriate narrative, together with cross referencing to Council's Asset Management Plans.

Attach relevant sections/pages of the AMP if the application relates to infrastructure investment.

#### RESPONSE

Council manages a large range of infrastructure assets for the people of Maitland. These assets are vital in the provision of a range of services for the community in areas like recreation and leisure, planning and development, roads and transport, waste management, culture and education, and environmental management. The successful delivery of these services relies on providing and managing a broad range of infrastructure assets. Specifically, it is physical infrastructure that assists in the delivery of these services and includes community buildings, roads, drainage, property, parks and sports grounds, and plant and equipment.

Council is faced with an ever increasing demand for services in an environment of reduced funding, ageing infrastructure, increasing maintenance costs and an expanding new assets base as a result of sustained urban expansion.

There are a range of issues facing Council and the community in the management of our assets and infrastructure. These include:

- Population growth
- Funding pressures
- Shifting of State and Federal responsibilities to local government
- Increasing community expectations

- Changing community demographics, for example an increasing number of older residents.

The City has reached a point where a substantial increase in infrastructure expenditure is required.

Additionally, community engagement has revealed the community would like to see a number of other issues addressed by Council, including increasing service levels for parks and playgrounds, and an overall lifting of the appearance of the City, as well as addressing a range of issues with Central Maitland.

In implementing the IP&R framework, Council has reviewed its long term financial plan, asset management strategy, workforce requirements and revenue strategy to inform the required Resourcing Strategy. The development of the Resourcing Strategy, which has also given consideration to community priorities expressed during the IP&R process, provides Council the rationale for seeking a variation to rates. Such a variation would move Council toward sustainability, tackle infrastructure works and address community priorities that have emerged during the development of the ten year community strategic plan, 'Maitland 2021'. The Resourcing Strategy identifies a shortfall in infrastructure funding of \$67 million to maintain or renew assets into the future.

Asset categories and quantities

Asset Category	Type	Qty	Total Replacement Value \$
Roads	Road Pavement	630 km	\$456,588,000
	Kerb & Gutter	718 km	
	Footpath/Cycleway	173 km	
	Signs	5500+	
	Lines	170km	
	Bus Shelters	45	
Drainage	Conduits & Culverts	280.8 km	\$108,767,000
	Pits	11355	
	Headwalls	660	
	Flood Gates	33	
	Detention Basins	71	
	Gross Pollutant Traps	50	
Bridges	Concrete Steel & Timber	44	\$31,833,000
Buildings	District	5	\$88,500,000
	Works Depot	19	
	Waste Depot	5	
	Nursery	2	
	Child Care Centres	4	
	Libraries	4	
	Community Halls	13	
	Amenities Buildings	34	
	Toilet Blocks	23	
	Grandstands	9	
	Kiosks	12	
	Equipment Sheds	23	
	Miscellaneous	14	
Recreation	Playgrounds	70	19,529,000
	Baseball/Hockey Facilities	1/1	
	Tennis/Netball Courts	43/34	
	Skate Parks	5	
	BBQ	20	
	Picnic Tables	120	
	Park Benches	65	
	Mowing	450 Ha	
	Garden Beds	140	
	Floodlighting (Sports)	156	\$
Pools	Pools	4	\$14,800,000



**Summary of Asset Condition represented in dollar value**

<b>Asset Category</b>	<b>Current Written Down Value (09/10)</b>	<b>Current Replacement Value (09/10)</b>	<b>Estimated Cost to Bring to Satisfactory Condition</b>	<b>Estimated Maintenance Required 2010/11</b>	<b>Estimated Capital Required 2010/11</b>
Roads (Pavement)	\$282,402,000	\$357,788,000	\$56,000,000	\$2,550,000	\$4,590,000
Road Inventory	\$51,172,000	\$67,204,000	\$2,600,000	\$1,050,000	\$1,185,000
Buildings	\$35,800,000	\$88,500,000	\$3,219,000	\$644,500	\$693,000
Bridges	\$26,539,000	\$31,833,000	\$1,100,000	\$85,000	\$282,500
Drainage	\$95,288,000	\$108,767,000	\$2,299,000	\$650,000	\$450,000
Footpaths/Cycleways	\$22,460,000	\$31,596,000	\$840,000	\$400,000	\$300,000
Recreation	\$12,581,200	\$19,529,000	\$1,071,000	\$2,900,000	\$467,063
Pools	\$10,300,000	\$14,800,000	\$710,000	\$135,400	\$156,996
<b>TOTAL</b>	<b>\$536,542,200</b>	<b>\$720,017,000</b>	<b>\$67,839,000</b>	<b>\$8,414,900</b>	<b>\$8,124,559</b>

The following table shows where Council is headed with respect to asset condition:

These asset conditions are a summary from the Asset Management Plans for these asset categories.

Condition 5 – Excellent Condition

Condition 4 – Good Condition

Condition 3 – Average Condition

Condition 2 – Poor Condition

Condition 1 – Very Poor Condition

Summary of Asset Condition by Category and Acceptable Standards

Asset Description		Current Standard (% proportion)		Target Standard (% proportion)	
Asset Category		Condition 1 – 2	Condition 3 – 5	Condition 1 – 2	Condition 3 – 5
1	Roads	17	83	15	85
2	Drainage	30	70	15	85
3	Bridges	30	70	15	85
4	Buildings	30	70	30	70
5	Aquatic Facilities	20	80	20	80
6	Recreation	20	80	15	85

*Note: Over the next ten years, Council will be focused on conditions across all asset classes to see a slight improvement in standards across all asset classes, within available resources. This would mean, for example, that assets that are current Condition 3, would be moved to Condition 4.*

## Construction Costs

Council has prepared a detailed list of works to be funded by the Special Rate Variation that has been incorporated in its draft delivery Program 2011 and released to the community for comment. The development of the program was based on Councils Asset Management Strategy and Plans as well as addressing community priorities that emerged during the community strategic planning process.

Construction cost estimates have been prepared for each project. The estimates are for program purposes only and are based on a combination of

- Expert in-house knowledge
- Comparison with internal and external benchmarks such as tender prices, industry building cost guides and quotations
- Councils construction cost unit rates
- Historic costs for projects of a similar nature

The estimates are conservative and include a suitable contingency allowance for risk and uncertainty. The nominated works are typical Council projects where Council's productivity rates, plant, labour and materials are well known.

To ensure the efficient use of resources and the achievement of best value the projects will be delivered using Councils staff or external contracts depending upon the nature of the work. At this stage it is anticipated that between 35% and 65% of the SRV works program will be undertaken by external contract.

Attached to this application are cost estimates for each projected listed. These cost estimates provide a project summary, preliminary costs and plans where appropriate. The summary includes cross references to Council's asset management plans and delivery program.

Council's application does not relate to works that require a capital expenditure review to be undertaken.

### 3.6 Impact of special variation on key performance indicators

Councils must complete Table 3.1 and Table 3.2 below to demonstrate the impact on its key performance indicators for the current year and 3 forward years under 2 possible scenarios – (1) the special variation is approved and (2) the special variation is not approved.

**Table 3.1 Key performance indicators – Scenario 1 special variation is approved  
(Note Long Term Financial Plan Scenario 2)**

Indicator	30/6/10 Actual	30/6/11 Estimate	30/6/12 Forecast	30/6/13 Forecast	30/6/14 Forecast
Operating Balance Ratio %	2.10%	(2.12%)	0.13%	(1.16%)	(2.83%)
Unrestricted Current Ratio %	281.34%	271.86%	245.73%	120.89%	50.79%
Rates & Annual Charges Ratio %	64.35%	66.24%	68.23%	68.24%	67.43%
Debt Service Ratio %	4.92%	5.88%	5.52%	5.25%	5.01%
Broad Liabilities Ratio %	83.42%	127.33%	112.89%	94.73%	96.22%
Asset Renewals Ratio	175.06%	173.52%	190.31%	292.95%	293.41%

**Table 3.2 Key performance indicators - Scenario 2 special variation is not approved (Note Long Term Financial Plan Scenario 1)**

Indicator	30/6/10 Actual	30/6/11 Estimate	30/6/12 Forecast	30/6/13 Forecast	30/6/14 Forecast
Operating Balance Ratio %	2.10%	(2.12%)	(2.68%)	(7.34%)	(8.99%)
Unrestricted Current Ratio %	281.34%	271.86%	248.47%	117.73%	48.74%
Rates & Annual Charges Ratio %	64.35%	66.24%	65.22%	62.20%	61.56%
Debt Service Ratio %	4.92%	5.88%	5.73%	5.65%	5.39%
Broad Liabilities Ratio %	83.42%	127.33%	118.46%	106.90%	112.84%
Asset Renewals Ratio	175.06%	173.52%	164.23%	237.75%	243.39%

**Note:** Operating balance ratio is the net operating result (excluding capital items) as a percentage of operating revenue (excluding capital items).

Unrestricted current ratio is the unrestricted current assets divided by unrestricted current liabilities. "Unrestricted" means there is no restriction on the asset or liability imposed by regulation or some other externally imposed constraint. Eg, restricted assets include developer contributions.

Rates and annual charges ratio is the rates and annual charges divided by operating expenses.

Debt service ratio is the net debt service cost divided by revenue from continuing operations.

Asset renewals ratio is asset renewals expenditure divided by depreciation, amortisation and impairment expenses.

Broad liabilities ratio is the total debt plus cost to clear infrastructure backlogs (Special Schedule 7) divided by operating revenue.

Also provide commentary on the impact of the special variation on Council's key performance indicators. Explain any differences under the 2 scenarios.

Attach a schedule of Council's projected performance indicators, as reflected under the LTFP scenarios and relevant extracts of the AMP if the application relates to infrastructure investment.

## RESPONSE

Under both scenarios, Council's financial projections clearly demonstrate the need for additional revenue in both the short and long term.

Under Scenario 2, with only rate pegging and no rate variations, the projected shortfall over 10 years is \$131.9M. Under Scenario 1, with a 7.0% special variation in 2011/12 and 2012/13 in addition to the rate peg, the shortfall over 10 years is \$92.6M.

In both scenarios, only enough cash and investments are maintained to cover both external (e.g. developer contributions) and internal restrictions (e.g. employee leave entitlements). The cash shortfall is shown separately in the Balance Sheet as "Projected Cash Shortfall" to be clearly identifiable. It is beyond the capacity of Council to service this 'projected cash shortfall' through a credit facility such as a bank overdraft or loan. To do so would negatively impact Council's debt service ratio. It would also increase the negative result in the Operating Balance ratio, as the net operating result would be a higher deficit. Further, the Rates and Annual Charges ratio would be reduced as the operating expenses would be increased.

Council has at all times taken a position of adopting and working to a balanced annual cash budget. As such, the projected cash shortfall could be addressed through one or a combination of the following actions:

- Postponement or curtailment of Council's efforts to address its infrastructure backlog;
- Progressive and significant reduction in the scope and levels of service currently provided by Council; or
- Reducing Council's current annual capital works programs.

Clearly, each of these actions has negative consequences for both Council and the community, given the implications of not acting on Council's infrastructure backlog, and recognising that service demand across all areas of Council activity is increasing, driven by the high level of growth the City is, and will continue to, experience.

It is for these reasons the Council's approach to the issue of the projected cash shortfall is to pursue additional revenue through the means identified in Council's adopted Revenue Strategy, including this first step toward generating additional rate revenue.

### **Specific Commentary**

#### Operating balance ratio

This ratio compares the operating result excluding capital to the operating revenue excluding capital. Apart from 2011/12 in Scenario 1 (with the SRV), which gives an operating surplus, excluding capital, of \$77,000, both scenarios show an operating deficit, excluding capital, which increases each year. Consequently the operating balance ratio provides a negative result, which increases annually. Scenario 1, however, reduces the deficit, thus reducing the operating balance ratio in 2012/13 and 2013/14 from (7.34%) and (8.99%) to (1.16%) and (2.83%) respectively.

#### Unrestricted current ratio

This ratio assesses the degree to which current obligations of Council are covered by unrestricted current assets. The Division of Local Government considers a ratio of less than 150% to be unsatisfactory, as it may indicate an inability to meet short term commitments.

Under both scenarios, Council's unrestricted current ratio falls below 150% in 2012/13 and to approximately 50% in 2013/14 indicating that Council will need to explore ways to generate additional revenue in 2013/14.

#### Rates and annual charges ratio

This ratio compares rates and annual charges to operating expenses, indicating the degree to which operating expenses are funded by rates and annual charges. Under Scenario 1 (with the SRV), the ratio remains constant at around 68%, whilst under Scenario 2 the ratio reduces to approximately 62% in 2013/14. As indicated above, if interest on the projected cash shortfall had been factored in, these ratios would be reduced considerably, indicating that Council's rating revenue is covering less of its operating expenses.

#### Debt service ratio

This ratio assesses the degree to which revenues from continuing operations are committed to the repayment of debt. Under both scenarios, the debt service ratio remains constant at approximately 5.5%. If interest on the projected cash shortfall had been factored in, the debt service ratio under both scenarios would be increased considerably.

The projected cash shortfall at the end of 2013/14 for Scenario 1 (with the SRV) would be \$12.1M whilst for Scenario 2 it would be \$13.0M.

#### Broad liabilities ratio

This ratio compares total debt plus the cost to clear infrastructure backlog, to operating revenue. Under Scenario 1 (with the SRV) this ratio decreases as the additional rates revenue received increases the operating revenue and also decreases the infrastructure backlog works significantly. By 2013/14 the difference between Scenarios 1 and 2 is considerable, being 96.22% in Scenario 1 (with the SRV) compared to 112.84% in Scenario 2.

#### Asset Renewals ratio

This ratio assesses Council's ability to renew its building and infrastructure assets compared with the consumption (depreciation) of those assets. The Division of Local Government considers a ratio in excess of 100% to be satisfactory. Under both scenarios, this ratio increases significantly, with the increase being higher in Scenario 1 than in Scenario 2, due to the amount of infrastructure backlog works that are undertaken in Scenario 1 with the additional rate variation money. By 2013/14 the ratios are 293.41% for Scenario 1 (with the SRV) and 243.39% for Scenario 2. It should be noted that both scenarios include extensive annual infrastructure backlog works in an attempt to clear Council's infrastructure backlog over the next 20 years. This is a major reason for the projected annual deficits and cash shortages.

**Maitland City Council**  
**Long Term Financial Plan**  
**For the period 2011/12 to 2020/21**  
**Scenario 2 with 2.8% Rate Peg & 7.0% Rate Variation in Years 1 & 2 (Note: SRV Scenario 1)**

**Statement of performance measures**

	Year 1 Draft 2011/12 (\$'000)	Year 2 Estimate 2012/13 (\$'000)	Year 3 Estimate 2013/14 (\$'000)	Year 4 Estimate 2014/15 (\$'000)	Year 5 Estimate 2015/16 (\$'000)	Year 6 Estimate 2016/17 (\$'000)	Year 7 Estimate 2017/18 (\$'000)	Year 8 Estimate 2018/19 (\$'000)	Year 9 Estimate 2019/20 (\$'000)	Year 10 Estimate 2020/21 (\$'000)
<b>1. Unrestricted current ratio</b>										
Current assets less all external restrictions	\$ 18,958	11,274	10,759	11,912	10,417	11,387	12,686	5,815	5,887	6,001
Current liabilities less specific purpose liabilities	\$ 7,715	9,326	21,183	30,875	40,302	50,208	61,712	74,013	86,005	92,645
Ratio	2.46	1.21	0.51	0.39	0.26	0.23	0.21	0.08	0.07	0.06

The unrestricted current ratio assesses the degree to which current obligations of Council are covered by unrestricted current assets. It assesses the level of liquidity and ability to satisfy obligations as they fall due in the short term.

The Division of Local Government considers a ratio of less than 1.50 to be unsatisfactory, indicating that council may be unable to meet its short term commitments.

**2. Debt service ratio**

Debt service cost	\$ 3,176	3,336	3,315	3,270	3,088	3,245	3,093	2,878	2,817	2,525
Revenue from continuing operations excluding capital items and specific purpose grants/ contributions	\$ 57,579	63,492	66,120	69,137	72,471	75,261	78,847	82,725	85,132	88,928
Ratio	0.06	0.05	0.05	0.05	0.04	0.04	0.04	0.03	0.03	0.03

The debt service ratio assesses the degree to which revenues from continuing operations are committed to the repayment of debt.

The Division of Local Government's accepted benchmark is that less than 0.10 (10%) is satisfactory, between 0.10 and 0.20 (10% to 20%) is fair and above 0.20 (20%) is of concern.



### 3. Rates coverage ratio

Rates and annual charges	\$	40,505	45,151	47,213	49,341	51,659	53,475	55,893	58,550	60,236	62,805
Revenue from continuing operations	\$	70,923	77,355	80,107	83,250	86,214	89,137	92,859	96,877	99,430	103,374
Ratio		0.57	0.58	0.59	0.59	0.60	0.60	0.60	0.60	0.61	0.61

The rate coverage ratio is a measure of the extent to which Council is dependant upon rates and annual charges as a proportion of its total revenue. This ratio is affected by Council's ability to source grants and contributions and its revenue policy. It is also largely affected by the amount of developer dedications of roads, bridges, footpaths and drainage assets, which are included in capital revenues.

### 4. Rates and annual charges outstanding percentage

Rates and annual charges outstanding	\$	1,273	1,421	1,469	1,531	1,602	1,655	1,731	1,816	1,854	1,933
Rates and annual charges collectable	\$	41,955	46,733	48,952	51,138	53,528	55,425	57,906	60,650	62,432	65,050
Ratio		3.03%	3.04%	3.00%	2.99%	2.99%	2.99%	2.99%	2.99%	2.97%	2.97%

The rates and annual charges outstanding percentage assesses the impact of uncollected rates and annual charges on liquidity and is a measure of the effectiveness of council's debt recovery processes. The lower the percentage, the less income is tied up in receivables and the more revenue there is available for council purposes. The Division of Local Government's accepted benchmark are less than 5.0% for urban and coastal councils and less than 10% for rural councils.

### 5. Asset renewals ratio

Asset renewals (building and infrastructure)	\$	10,581	16,777	17,311	17,382	14,991	15,170	15,871	16,586	17,161	19,916
Depreciation, amortisation and impairment (building & infrastructure)	\$	5,560	5,727	5,900	6,077	6,260	6,449	6,642	6,841	7,047	7,258
Ratio		1.90	2.93	2.93	2.86	2.39	2.35	2.39	2.42	2.44	2.74

The asset renewals ratio assesses a council's ability to renew it's building and infrastructure assets compared with the consumption (depreciation) of those assets. A ration in excess The Division of Local Government considers a ratio of 1.00 or greater to be satisfactory, indicating that the assets are being renewed faster than they are being consumed (depreciated).

**Maitland City Council**  
**Long Term Financial Plan**  
**For the period 2011/12 to 2020/21**  
**Scenario 1 with 2.8% Rate Peg & No Rate Variation (Note SRV Scenario 2)**

**Statement of performance measures**

	Year 1 Draft 2011/12 (\$'000)	Year 2 Estimate 2012/13 (\$'000)	Year 3 Estimate 2013/14 (\$'000)	Year 4 Estimate 2014/15 (\$'000)	Year 5 Estimate 2015/16 (\$'000)	Year 6 Estimate 2016/17 (\$'000)	Year 7 Estimate 2017/18 (\$'000)	Year 8 Estimate 2018/19 (\$'000)	Year 9 Estimate 2019/20 (\$'000)	Year 10 Estimate 2020/21 (\$'000)
<b>1. Unrestricted current ratio</b>										
Current assets less all external restrictions	\$ 18,797	11,140	10,621	11,768	10,268	11,233	12,526	5,648	5,715	5,823
Current liabilities less specific purpose liabilities	\$ 7,565	9,462	21,793	32,201	47,356	63,208	80,882	99,585	118,218	131,744
Ratio	2.48	1.18	0.49	0.37	0.22	0.18	0.15	0.06	0.05	0.04

The unrestricted current ratio assesses the degree to which current obligations of Council are covered by unrestricted current assets. It assesses the level of liquidity and ability to satisfy obligations as they fall due in the short term.

The Division of Local Government considers a ratio of less than 1.50 to be unsatisfactory, indicating that council may be unable to meet its short term commitments.

**2. Debt service ratio**

Debt service cost	\$ 3,176	3,336	3,315	3,270	3,088	3,245	3,093	2,878	2,817	2,525
Revenue from continuing operations excluding capital items and specific purpose grants/contributions	\$ 55,468	59,022	61,491	64,338	67,497	70,106	73,504	77,186	79,392	82,979
Ratio	0.06	0.06	0.05	0.05	0.05	0.05	0.04	0.04	0.04	0.03

The debt service ratio assesses the degree to which revenues from continuing operations are committed to the repayment of debt.

The Division of Local Government's accepted benchmark is that less than 0.10 (10%) is satisfactory, between 0.10 and 0.20 (10% to 20%) is fair and above 0.20 (20%) is of concern.

### 3. Rates coverage ratio

Rates and annual charges	\$	38,394	40,686	42,584	44,542	46,685	48,320	50,550	53,011	54,496	56,856
Revenue from continuing operations	\$	68,812	72,885	75,478	78,451	81,240	83,982	87,516	91,338	93,690	97,425
Ratio		0.56	0.56	0.56	0.57	0.57	0.58	0.58	0.58	0.58	0.58

The rate coverage ratio is a measure of the extent to which Council is dependant upon rates and annual charges as a proportion of its total revenue. This ratio is affected by Council's ability to source grants and contributions and its revenue policy. It is also largely affected by the amount of developer dedications of roads, bridges, footpaths and drainage assets, which are included in capital revenues.

### 4. Rates and annual charges outstanding percentage

Rates and annual charges outstanding	\$	1,210	1,287	1,331	1,387	1,453	1,501	1,571	1,649	1,682	1,755
Rates and annual charges collectable	\$	39,844	42,205	44,189	46,201	48,410	50,121	52,409	54,951	56,525	58,929
Ratio		3.04%	3.05%	3.01%	3.00%	3.00%	2.99%	3.00%	3.00%	2.98%	2.98%

The rates and annual charges outstanding percentage assesses the impact of uncollected rates and annual charges on liquidity and is a measure of the effectiveness of council's debt recovery processes. The lower the percentage, the less income is tied up in receivables and the more revenue there is available for council purposes. The Division of Local Government's accepted benchmark are less than 5.0% for urban and coastal councils and less than 10% for rural councils.

### 5. Asset renewals ratio

Asset renewals (building and infrastructure)	\$	9,131	13,616	14,360	14,605	15,750	15,966	16,704	17,456	18,067	20,859
Depreciation, amortisation and impairment (building & infrastructure)	\$	5,560	5,727	5,900	6,077	6,260	6,449	6,642	6,841	7,047	7,258
Ratio		1.64	2.38	2.43	2.40	2.52	2.48	2.51	2.55	2.56	2.87

The asset renewals ratio assesses a council's ability to renew it's building and infrastructure assets compared with the consumption (depreciation) of those assets. A ration in excess The Division of Local Government considers a ratio of 1.00 or greater to be satisfactory, indicating that the assets are being renewed faster than they are being consumed (depreciated).

## 4 Community consultation

Councils must show adequate community consultation regarding the reasons for the variation and its impact on ratepayers.

### 4.1 The consultation strategy

In the section below, provide details of the consultation strategy undertaken by Council, including the range of methods used to inform the community on the special variation proposal and to obtain community feedback on this option (eg, a survey, focus group, online discussion, town hall meeting, newspaper advertisement or public exhibition of document).

The information should clearly identify:

- ▼ Key stakeholders in the consultation process.
- ▼ Methods of consultation and why these were selected.
- ▼ Timing of the consultations (including exhibition of Draft Community Strategic Plan, Draft Delivery Program and Draft Operational Plan as applicable).

Also attach an extract from Council's Draft Delivery Program that sets out the special variation proposal. This extract must include the proposed rating structures that will apply both with the special variation and without the special variation.

## RESPONSE

### Background

Maitland City Council has continued to work with the community in efforts to fund solutions to the challenges of its infrastructure renewal and maintenance backlog. Over the past few years, Council has continued to highlight these issues in a range of documents including recent Management Plans. The 2010-13 Management Plan (released for 2010/11) states on page 7 '... it is anticipated that Council will consider an application to the NSW Minister for Local Government under Section 508A of the NSW Local Government Act for a special rate variation in the 2011/12 financial year to assist in funding the implementation of 'Maitland 2021' and the initial four year delivery program. Council's application will only be made after extensive community engagement through the community strategic planning process, and would need to be supported by a business case drawn from the various strategic documents, reviews and considerations developed during the process.'

### Council's corporate community engagement strategy

Community engagement and consultation is a regular and important part of Council's everyday services, involving the interaction of Council, partners and the local community in a variety of settings and circumstances.

Council's corporate Community Engagement Strategy was adopted by Council on 26 May 2009 and aims to:

- Provide a consistent approach across Council departments as to how Council engages with the local community;
- Strengthen the partnerships between Council, government stakeholders, service providers, local organisations and the local community through ongoing community engagement;
- Improve knowledge and skills of Council staff and to improve internal coordination; and
- Be proactive and open to innovative ways to consult with the whole of the community.

This strategy is based around a set of principles to ensure Council engages with, and encourages the local community to participate in consultation processes that influence our enjoyment of this City as residents, workers, investors and visitors. The seven principles of this strategy are:

- Inclusiveness and Diversity
- Openness, Respect and Accountability
- Leadership
- Purpose
- Information Sharing
- Feedback and Evaluation
- Resourcing and Timing

#### **Community engagement for 'Maitland 2021'**

Founded in the principles above, community engagement for 'Maitland 2021' community strategic plan was extensive.

Active efforts were made to take 'Maitland 2021' directly to the community during the evolution of the plan, the goal being to have conversations with as many of our residents as possible to gain input into issues the community cares about, as well as uncover ideas for the future.

### Visioning phase

Direct contact and active contributions were made during the drafting phase by more than 800 people through a variety of ways. These included:

- Maitland Markets Stall and Survey
- Official launch at Maitland Regional Art Gallery
- Promotion on Household Rates Notice 'tear off' slip
- Media coverage – articles and advertisements in local newspapers, local radio interviews
- Release of key theme information sheets, including links to existing strategies and plans
- Aroma Festival Stall and Survey
- On-line activities – website, survey and forums utilising [www.maitland2021.com.au](http://www.maitland2021.com.au) and [www.maitland.nsw.gov.au](http://www.maitland.nsw.gov.au) and Facebook
- Business leaders luncheon presentation and survey
- Business Chamber Breakfast presentation and workshop
- School leaders breakfast survey
- Workshops with our Community Reference Panel, staff and Councillors.

### Release of draft plan 'Maitland 2021 – Ideas and Action'

Following community engagement, a draft 'Maitland 2021' was compiled and released for further community input. The 10 year plan sets the strategic direction for our community, and was developed with the considerable input and expertise of a broad range of community members over a six month period. The plan is established within five key themes and sets out 19 community outcomes for 2021, each supported by a number of high level strategies.

The release of the consultation draft of our community strategic plan gave us a further opportunity for engaging with our community to ensure broad community consensus. Following the adoption of the consultation draft by Council on 9 November 2010, a range of new activities was implemented including:

- Advertisements and articles in local newspapers
- Drop-in sessions at seven locations across the City
- A mail-out, including a postage paid comments card, to all residents

- Establishment of a new forum on [www.maitland2021.com.au](http://www.maitland2021.com.au)
- Continued discussions on Facebook
- Workshop with the 'Maitland 2021' Community Reference Panel
- Presence at events and venues including business leaders' luncheon and our library network.

The plan was released for community consultation until the 14 January 2011.

As a result of this extensive engagement with the community, Council is confident that the plan is a true reflection of the City our community would like to see realised.

### **Community engagement for special rate variation proposal**

Council's 'Communications and Engagement Strategy for the Special Rate Variation Strategy' can be seen attached. This strategy outlines the process Council has gone through to reach a position to further explore a special rate variation with the community; the details of the proposal; the target audiences; key messages; communication and engagement tactics used and evaluation methods to be used.

Again, the strategy has been founded in Council's seven engagement principles.

#### Target audiences

Our target audiences for our SRV proposal, along with key messages, can be seen in the following table.

Who	Description	Tailored Key Message/s
<b>Residents – City and rural</b>	People who live or own property in the Maitland Local Government area.	Council wants to share information with you and develop options you accept and support. Council is actively listening to community views. Without an increase in revenue, Council will need to cut services or reduce service standards.
<b>Students/youth</b>	Students of local primary and high schools, TAFE and other training providers, Newcastle University.	Council does not want to leave issues for future generations.

		We are committed to hearing the views of all residents, including younger people.
<b>Businesses and industry groups</b>	Includes owners, operators and employees of small, medium and large businesses as well as industry representative groups.	Council wants to share information with you and develop options you accept and support. Council is actively listening to community views, including local businesses. We value your contribution to the development of the City.
<b>Landowners/developers</b>	All landowners ( <i>that are not residents, business operators, government departments or infrastructure providers</i> ) in the Maitland Local Government area.	Council is a responsible asset manager and service provider. Council cannot continue to meet the maintenance costs of its infrastructure, including assets handed from developers or higher levels of government.
<b>Visitors/residents from neighbouring LGAs</b>	People who travel through Maitland or use assets and infrastructure provided here.	Council is actively listening to community views. Without an increase in revenue, Council will need to cut services or reduce service standards.
<b>Reference Groups &amp; Advisory Boards</b>	All existing Council managed groups and boards.	Council wants to share information with you and develop options you accept and support. Council is actively listening to community views. Without an increase in revenue, Council will need to cut



		services or reduce service standards.
<b>Local Organisations and Interest Groups</b>	Local business, sport, cultural, heritage, performance, church and charity groups	Council wants to share information with you and develop options you accept and support. Council is actively listening to community views. Without an increase in revenue, Council will need to cut services or reduce service standards.
<b>Local Councillors and Members of Parliament</b>	<p><b>LOCAL GOVERNMENT</b></p> <ul style="list-style-type: none"> <li>• All MCC Councillors;</li> </ul> <p><b>NSW GOVERNMENT</b></p> <ul style="list-style-type: none"> <li>• Member for Maitland and Minister for Housing &amp; Small Business– Mr Frank Terenzini MP;</li> <li>• Minister for the Hunter and Member for Newcastle– Ms Jodi McKay MP;</li> <li>• Premier of NSW – Ms Kristina Keneally MP;</li> <li>• Minister for Local Government – Ms Barbara Perry MP</li> </ul> <p><b>FEDERAL GOVERNMENT</b></p> <ul style="list-style-type: none"> <li>• Federal Minister for the Hunter – Mr Joel Fitzgibbon MP</li> <li>• Federal Member for Paterson – Mr Bob Baldwin</li> </ul>	Council is committed to providing information to the community. Council is committed to actively listening to community views. Council is a responsible asset manager and service provider, and is seeking to ensure the sustainability of the community's assets. Council cannot continue to meet the maintenance costs of its infrastructure, including assets handed from developers or higher levels of government.
<b>Maitland City Council Staff</b>	All staff, including those in office and field-based positions.	This is a challenging and emotive conversation for Council to have with its community. As an organisation committed to sustainable management of our assets and finances, we need to provide this information to the community and

		get their views.
<b>Media</b>	<ul style="list-style-type: none"> <li>• Maitland Mercury</li> <li>• Cessnock Advertiser</li> <li>• Singleton Argus</li> <li>• The Star</li> <li>• The Post</li> <li>• Newcastle Herald</li> <li>• ABC radio</li> <li>• 2HD</li> <li>• KO FM</li> <li>• NewFM</li> <li>• NX FM</li> <li>• Rhema FM</li> <li>• 2NUR FM</li> <li>• NBN Television</li> <li>• Prime</li> <li>• Southern Cross Ten</li> <li>• ABC Television (Stateline)</li> </ul>	<p>Council is committed to providing factual information to the community and actively listening to community views. The potential impact of any rate rise on rate payers will be made clear, along with what the additional revenue would fund.</p>

### Methodology

A range of communications methods have been deployed to ensure all target audiences are aware of Council's intention to seek a rate rise, the consultation and engagement opportunities available, as well as Council's role in the community.

These tools were chosen for the success experienced in seeking community input into the community strategic planning process.

The tools used include:

- Media releases announcing Council's intention to explore options for a special rate variation with the community (January 2011)
- Development of a new website, [www.maitlandyoursay.com.au](http://www.maitlandyoursay.com.au), building on the success of [www.maitland2021.com.au](http://www.maitland2021.com.au). Both of these sites were linked from Council's website [www.maitland.nsw.gov.au](http://www.maitland.nsw.gov.au)
- Release of detailed information sheets on core topics such as revenue and assets on our websites and in hard copy to Council sites including all library branches, Visitor Information Centre and Administration Centre (January – March 2011)
- Release of detailed list of works to be funded by the SRV proposal and active promotion of these (February – March 2011)
- Active use of Facebook pages for Maitland City Council and Maitland 2021 to promote proposal, information sessions and seek community feedback
- Static display including posters and information sheets at the City Administration Centre

- Presentations to key stakeholder groups, including the local business chamber, community reference panel and staff (February – April 2011)
- Community research – telephone surveys conducted by independent research company Micromex Research (February 2011)
- Media releases on rating option/s and uses and promoting Council's information sessions at the Town Hall and libraries (March – May 2011)
- Mailout to all residents, with a special edition of Council's newsletter 'Momentum' with details on impacts and options, including an invitation to comment (March 2011)
- Web-based survey from Council's website/s (February - April 2011)
- Heavily promoted community information sessions over three weeks during and after office hours (March 2011)
- Significant display advertisements in local newspapers the Newcastle Herald and Maitland Mercury (February – April 2011)
- Community Reference Panel workshops (February - May 2011)
- Public exhibition of draft Delivery Program and rates scenarios (March - May 2011).

The Information Sheets, press advertisements, website pages, special edition of Momentum and other examples of communications materials can be seen attached.

#### **Release of draft Delivery Program 2011-15 and Operational Plan 2011/12**

Council's consultation drafts of our Delivery Program 2011-15 and Operational Plan 2011/12 were adopted by Council for release on 22 March 2011, and will be released (supported by the draft Resourcing Strategy) on 28 March 2011 to 6 May 2011. Council will continue to provide updates to IPART on the consultation, as it relates to the SRV proposal, over this time.

The SRV proposal is indicated in the Delivery Program and Operational Plan in the following ways:

- Indication of funding source for 2011/12 action, where relevant, shows SRV funds. It is clearly stated that without this revenue, the works (eg footpath reconstruction at Lawes Street, East Maitland) will not occur.
- Inclusion of full proposed four year capital works program, which clearly shows the community 'works subject to a special rate variation', and 'works that will be pushed back without a 'special rate variation'.

- Inclusion of rating structure tables for both the general rate peg increase of 2.8%, as well as under the SRV proposal (see excerpt from the draft Operational Plan 2011/12 as follows).

Commentary on rating options as shown on pages 19-20 of Council's draft Operational Plan 2011/12 (a sub plan of our Delivery Program 2011-15) . A full copy of this document is attached to this application.

#### GENERAL RATE INCREASE

*The Independent Pricing and Regulatory Tribunal (IPART) sets a limit on the total amount of income a council can raise from rates. It should be noted, however, that even within rate pegging, the rates on some properties may go up while others may go down, depending on the distribution of rates payable by the different rating categories.*

*The Operational Plan 2011/2012 provides for a 2.8% increase in total rate income, with Council taking up the full rate pegging limit for 2011/2012 allowable by IPART, as announced on 10/12/2010.*

*Council has also decided to alter the rates distribution between the business and residential categories by 1% in 2011/2012 and to reduce the amount payable by the Business Ordinary sub-category by 9%, with this amount being added to the rates payable by the other Business subcategories.*

*The Rating Structure 2011/12 under the general 2.8% rate peg would be as follows:*

Rate Type	Category	Sub-Category	Ad Valorem Cents in \$	Base Amount			Estimated Rate Yield \$
				\$	% of Rate Payable		
Ordinary	Farmland	High Intensity	0.2769	226.05	10%		1,155,219
Ordinary	Farmland	Low Intensity	0.3596	184.56	10%		352,122
Ordinary	Residential	Non Urban	0.4100	134.08	10%		1,245,595
Ordinary	Residential	Urban	0.3646	296.11	35%		20,743,227
Ordinary	Mining	N/a	8.7801	0.00	0%		238,116
Ordinary	Business	Ordinary	1.4850	0.00	0%		3,611,013
Ordinary	Business	Thornton	1.3003	0.00	0%		1,152,351
Ordinary	Business	Rutherford	1.3003	0.00	0%		2,132,682
Ordinary	Business	Metford / East					
		Maitland	1.3003	0.00	0%		146,804
Ordinary	Business	Green St, Telarah	1.3003	0.00	0%		55,029
Special	Mall	See Note 1	1.8597	0.00	0%		198,540
Special	CBD	See Note 2	0.7544	0.00	0%		279,329

1. The Mall Rate is levied for the purpose of promoting and managing the High Street Heritage Mall.
2. The CBD Rate is levied for the purpose of promoting the Maitland City Centre.

## SPECIAL RATE VARIATION

*The Rating Structure 2011/12 under Council's proposed Special Rate Variation increase would be as follows:*

Rate Type	Category	Sub-Category	Ad Valorem Cents in \$	Base Amount \$	% of Rate Payable	Estimated Rate Yield \$
Ordinary	Farmland	High Intensity	0.2957	241.44	10%	1,233,674
Ordinary	Farmland	Low Intensity	0.3808	197.12	10%	373,200
Ordinary	Residential	Non Urban	0.4379	143.21	10%	1,330,361
Ordinary	Residential	Urban	0.3895	316.27	35%	22,158,332
Ordinary	Mining	N/a	9.3778	0.00	0%	254,326
Ordinary	Business	Ordinary	1.5683	0.00	0%	3,813,570
Ordinary	Business	Thornton	1.4049	0.00	0%	1,245,049
Ordinary	Business	Rutherford	1.4049	0.00	0%	2,304,241
Ordinary	Business	Metford / East	1.4049	0.00	0%	158,613
Ordinary	Business	Green St, Telarah	1.4049	0.00	0%	59,455
Special	Mall	See Note 1	1.9864	0.00	0%	212,066
Special	CBD	See Note 2	0.8058	0.00	0%	298,360

1. The Mall Rate is levied for the purpose of promoting and managing the High Street Heritage Mall.
2. The CBD Rate is levied for the purpose of promoting the Maitland City Centre.

*Council has notified, and will make formal application to, IPART, for approval of a special rate variation (SRV) to increase its total rate revenue by 9.8% in 2011/2012 and 10% in 2012/2013, inclusive in both cases of the IPART determined rate peg increase. The purpose of the SRV is to provide additional revenue to Council as a first step towards improving the standard and condition of the City's infrastructure, and reviewing and revitalizing the overall appearance and presentation of the City. If approved, the SRV will generate an additional \$16 million over the four years of the draft delivery program.*

*The specific works / projects to be undertaken with this additional revenue have been separately identified in Council's four year works program presented as part of the delivery program and operational plan.*

## 4.2 Outcomes from community consultations

Councils must also provide a summary of the outcomes from community consultations (eg, number of attendees, percentage of responses indicating support, overall sentiment of representations). In addition, provide a summary of submissions received in response to the exhibition of the Delivery Program/Operational Plan, where they relate to the proposed special variation. Identify the level of community support for the proposal (including by relevant stakeholder group) and any action proposed by Council to address issues of common concern.

### RESPONSE

In summary the following initiatives have occurred specifically in relation to the SRV proposal:

- Unanimous support from elected Council at all stages of the process
- 10 half-page, full colour press advertisements in four different local papers (Hunter Post (24,000), Lower Hunter Star (22,000), Maitland Mercury (5000), Newcastle Herald (48,000))
- 13 media articles (9 x Maitland Mercury, 4 x Newcastle Herald)
- 12 'letters to the editor' (11 x Maitland Mercury, 1 x Newcastle Herald including blogs)
- Social media – regular updates to more than 600 'Facebook friends'
- 12 information sessions (general) across the City over three weeks – during and after business hours to ensure accessibility
- Eight submissions/responses
- 400 resident telephone surveys – 59% support, 73% feel it is important to introduce
- Over 1000 information sheets printed and distributed via Council facilities, mailouts and newsletters
- 30 000 copies of special edition of Momentum printed and distributed to all households across the LGA
- 1 x meeting of community reference panel.



### **Community survey results**

Council determined it would conduct research as part of its SRV initiative. The purpose of the research was:

1. To measure community support for the introduction of a special rate variation
2. To provide an avenue for feedback in order for residents to express their views on the proposed SRV

Council engaged Micromex Research to conduct a statistically valid and robust measure. The full research report can be seen attached.

As such, a telephone survey with 400 residents aged over 18 years of age was determined as an appropriate research method.

- The sample was weighted by age
- A sample size of 400 residents provides a maximum sampling error of approximately +/- 4.9% at 95% confidence
- Participants were asked some profiling questions, then specific questions relating to the proposed special rate variation.

The research fieldwork was conducted between the 24th and 28th of February 2011. An external consideration is that fieldwork was conducted during a period of national media coverage of the Flood Levy and the proposed Carbon tax – it is impossible to assess the impact, if any, this had on the research outcomes.

#### **Findings:**

- 59% of residents are in favour of Maitland City Council introducing a special rate variation
- 73% of respondents feel that it is at least 'somewhat important' to 'very important' that Maitland City Council is allowed to introduce this special rate variation

Key reasons supporting the proposal (59%) were as follows:

- Council needs the money in order to ensure these important improvements are made (46%)
- Happy to pay, provided Council ensures the money is spent as indicated and that results are visible (6%)
- It is an affordable amount to pay (4%).

Key reasons for not supporting the proposal (41%) were as follows:

- Rates and living expenses are high enough, so this rate increase is not affordable (24%)
- Council needs to better manage the money they are currently receiving from ratepayers (8%)
- The improvements outlined will not directly affect my area (4%).

There was some variance in the support for the proposal, based on age. While the proposal was accepted by 71% of 18-35 year olds, this dropped to 55% for 35-54 year olds and 52% in 55 years and older.

### **Submissions, comments and feedback**

Council has received 8 formal submissions in response to its special rate variation proposal, as at 24 March 2011.

Six of the submissions were not supportive of the proposal. The reasons included:

- Council needs to find more savings to improve efficiency
- Questions Council's priorities for roadworks
- Financial impacts on families
- Financial impacts on residents living in higher value properties

Two respondents were in support of the application. One detailed submission was in support of the application, albeit with a number of qualifications. The support was based on the demand for better infrastructure to support the community; that this could not be funded by a user pays models; that Council needed to be a competitive employer and retain experienced staff; that taxpayers need to fund changes; cost shifting; no alternative revenue streams. The author, Mr Belcher, states "I am quite prepared to pay higher rates if it can be demonstrated that the money is being used or will be used to further the common good."

Submissions have been attached to this application.

## **COUNCIL'S RESPONSE TO COMMUNITY CONCERNS**

### **Response to issues of affordability**

As outlined in Section 5, Council believes there is a capacity in the community to afford the proposed increase. This is based on the comparatively low residential rating base from which Council is commencing; comparative rates with other Lower Hunter Councils; comparative rates with others within the comparative DLG Group.

Council has not taken the step lightly, but the elected Council has been unanimous in its support for the application and the view the increase is affordable for Maitland's citizens, and that Council's Hardship Policy is available to those who require support. It is also worthwhile noting that Council's level of outstanding rates is low, at just 3.01% at the 30<sup>th</sup> June 2010.

### **Response to issues of efficiency**

As outlined in Section 7, Council has made active efforts to make productivity improvements over recent years. Council has maintained a surplus cash budget and maintained service delivery to the community. This has been particularly challenging in the face of increasing State Government fees and charges (taking 11% of Council's cash revenue in 2011/12), increased service demand driven by the City's growth and construction cost increases.

As with all levels of government, it is often easy for individuals to dismiss the need for additional funds with 'they need to make do' or 'live within your means'. As can be seen in the case presented in this application, finding sufficient funding to renew and revitalise our community assets is not viable within the current revenue Council has available to it. The rationale for this will continue to be provided to the community.

Additionally, Council considers the community feeling that Council needs to better manage its money (8% of survey respondents and a number of submissions) is not a widespread view. Council's annual community survey, last staged by McGregor Tan Research in 2009, saw a score of 8.9/10 for Council's financial management. This had elevated from 6.92 in 2006 – an indication of the efforts Council has made in productivity improvements, the sharing of information and recognition of these efforts within the community.

### **Response to improvements not being in area**

In developing the detailed program of works for the next four years, to be funded by the increase in rates, a conscious effort was made to select projects of maximum benefit to the City as a whole, and ensure a geographic spread of works.

A number of the initiatives are Citywide, for example improving the appearance of the City through increased open space maintenance and litter collection, as is heavy

patching of roads. Council refutes the view that not all residents will benefit from the proposed works being undertaken.

## 5 Rating structure and the impact on ratepayers

Councils must also fill in the worksheets in Part A of the application which will provide the information and calculations underpinning the proposed ratings structure, the impact of the special variation and average rate increases.

### 5.1 Proposed rating structure for the revenue path

In the section below, provide a detailed explanation of the proposed rating structure for the variation under two scenarios – the proposed rating structure if approved and the proposed structure should it not be approved.

**The Rating Structure 2011/12 under Council's proposed Special Rate Variation increase would be as follows:**

Rate Type	Category	Sub-Category	Ad Valorem Cents in \$	Base Amount \$	% of Rate Payable	Estimated Rate Yield \$
Ordinary	Farmland	High Intensity	0.2957	241.44	10%	1,233,674
Ordinary	Farmland	Low Intensity	0.3808	197.12	10%	373,200
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Ordinary	Residential	Urban	0.3895	316.27	35%	22,158,332
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Ordinary	Business	Ordinary	1.5683	0.00	0%	3,813,570
Ordinary	Business	Thornton	1.4049	0.00	0%	1,245,049
Ordinary	Business	Rutherford	1.4049	0.00	0%	2,304,241
Ordinary	Business	Metford / East Maitland	1.4049	0.00	0%	158,613
Ordinary	Business	Green St, Telarah	1.4049	0.00	0%	59,455
Special	Mall	See Note 1	1.9864	0.00	0%	212,066
Special	CBD	See Note 2	0.8058	0.00	0%	298,360

1. The Mall Rate is levied for the purpose of promoting and managing the High Street Heritage Mall.
2. The CBD Rate is levied for the purpose of promoting the Maitland City Centre.

The Rating Structure 2011/12 under the general 2.8% rate peg would be as follows:

Rate Type	Category	Sub-Category	Ad Valorem Cents in \$	Base Amount \$	% of Rate Payable	Estimated Rate Yield \$
Ordinary	Farmland	High Intensity	0.2769	226.05	10%	1,155,219
Ordinary	Farmland	Low Intensity	0.3596	184.56	10%	352,122
Ordinary	Residential	Non Urban	0.4100	134.08	10%	1,245,595
Ordinary	Residential	Urban	0.3646	296.11	35%	20,743,227
Ordinary	Mining	N/a	8.7801	0.00	0%	238,116
Ordinary	Business	Ordinary	1.4850	0.00	0%	3,611,013
Ordinary	Business	Thornton	1.3003	0.00	0%	1,152,351
Ordinary	Business	Rutherford	1.3003	0.00	0%	2,132,682
Ordinary	Business	Metford / East Maitland	1.3003	0.00	0%	146,804
Ordinary	Business	Green St, Telarah	1.3003	0.00	0%	55,029
Special	Mall	See Note 1	1.8597	0.00	0%	198,540
Special	CBD	See Note 2	0.7544	0.00	0%	279,329

1. The Mall Rate is levied for the purpose of promoting and managing the High Street Heritage Mall.
2. The CBD Rate is levied for the purpose of promoting the Maitland City Centre.

## 5.2 Impact on rates

Provide comment on the impact of the proposed increases on different rating types and categories, as detailed in Worksheet 5 of Part A.

### RESPONSE

The following table shows the impact of the variation on average rates across all rating categories/sub categories.

Category	Sub-category	Average for Current Year	Average Rates Year 1	Average Rates Year 2
			2011/12	2012/13
Farmland	High Intensity	2,142.86	2,412.92	2,653.62
Farmland	Low Intensity	1,731.58	2,000.00	2,200.00
Residential	Non Urban	1,223.90	1,434.88	1,578.04
Residential	Urban	765.42	834.91	918.64
Mining		107,000.00	127,500.00	140,500.00
Business	Ordinary	3,764.15	3,645.28	3,790.57
Business	Thornton	3,933.09	4,583.64	5,319.70
Business	Rutherford	6,153.35	7,290.73	8,463.26
Business	Metford/East Maitland	2,812.50	3,270.83	3,791.67
Business	Green St, Telarah	7,285.71	8,428.57	9,714.29
Mall Rate		3,063.49	3,380.95	3,714.29
CBD Rate		1,291.87	1,406.70	1,550.24

### Changes to Domestic Waste Management and Stormwater charges

Over the course of the variation, waste management charges to residents and business will increase. These charges are determined on the actual cost of providing these services, in accordance with the Local Government Act. Waste charges will increase as follows:

Description	Annual Charge Current Year	Annual Charge Year 1 2011/12	Annual Charge Year 2 2012/13
Domestic Waste Management Services charge	258.40	283.30	316.25
Domestic Waste Management Services base charge (vacant land)	20.00	20.00	20.00
Commercial waste charge	644.60	739.20	815.30

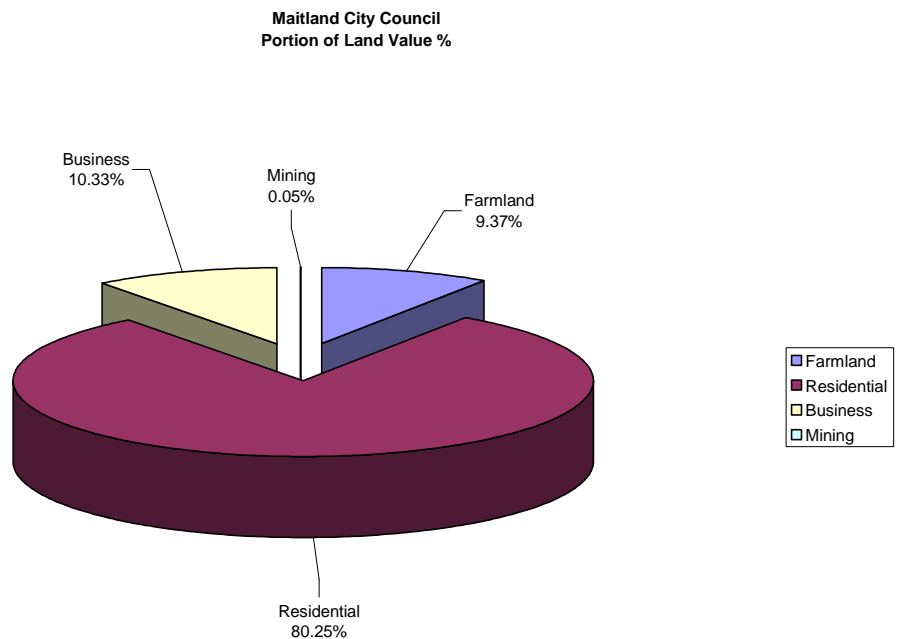
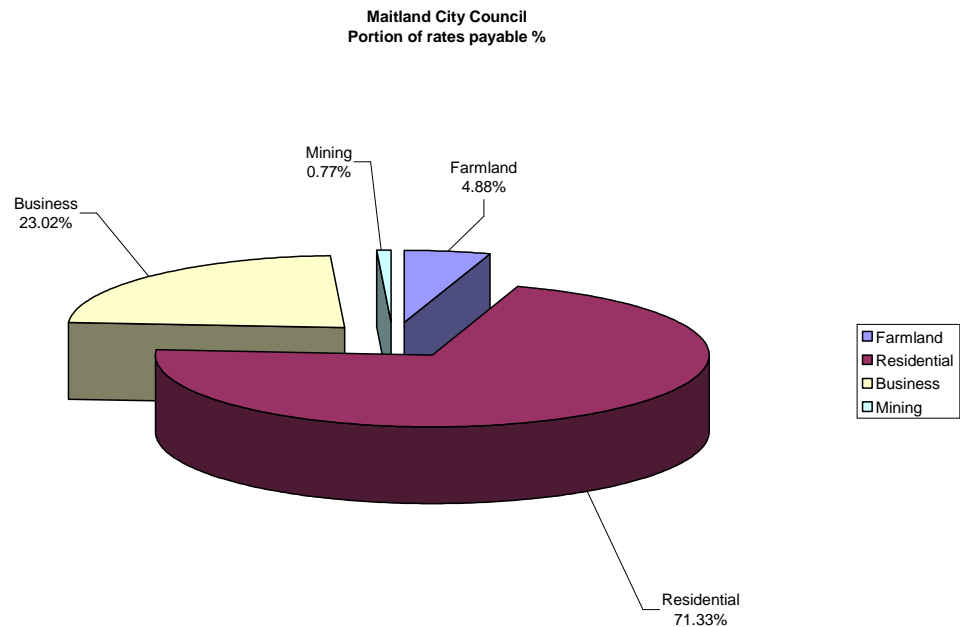
Stormwater management charges will not be changed over the course of the variation. The charges will remain as follows:

Description	Annual Charge Current Year	Annual Charge Year 1 2011/12	Annual Charge Year 2 2012/13
Stormwater management - Residential	25.00	25.00	25.00
Stormwater management - Residential strata	12.50	12.50	12.50
Stormwater management - Business (0 - 700 sq m)	25.00	25.00	25.00
Stormwater management - Business (701 - 2,000 sq m)	75.00	75.00	75.00
Stormwater management - Business (2,001 - 10,000 sq m)	100.00	100.00	100.00
Stormwater management - Business (10,001 - 50,000 sq m)	200.00	200.00	200.00
Stormwater management - Business (Over 50,000 sq m)	250.00	250.00	250.00

The following charts show the proportion of rates payable by each Rating Category and the proportion of land value held within each category. As can be seen, there is disparity across the categories. For example, the Residential category is 80.25% of the land value, but is 71.33% of the rates. Conversely, the Business category is 23.02% of the rating, yet is 10.33% of the land value.

Council has been working to address these issues that have arisen as a result of policy decisions taken by Council over the past 15 years. Maitland's high level of residential growth has seen areas of 'farmland' transferred to 'residential'. While this has occurred, the apportionment between rating categories has not been altered – impacting on the ratepayers remaining in that category.

Redressing this issue will be a focus for Council over the next five years through a schedule of adjustments to the apportionment of the total rate revenue across the four rating categories available to Council.





### 5.2.1 Minimum Rates

Does Council have minimum rates?

Yes ☐ No ☒

If *Yes*, provide details including proposed share of ratepayers on the minimum rate for the relevant category with and without the special variation.

### 5.2.2 Community's capacity to pay proposed rate increases

Discuss the capacity of ratepayers, in each sub-category, to meet the rate increases (eg, relative to similar councils in the context of the local socio-economic profile). Provide relevant supporting information.

#### RESPONSE

Discuss the capacity of ratepayers, in each sub-category, to meet the rate increases (eg, relative to similar councils in the context of the local socio-economic profile). Provide relevant supporting information.

#### RESPONSE

##### Rating Structure

Council's rating structure is split into Residential, Business, Farmland and Mining.

In setting the rating structure for 2011/2012, Maitland City Council adjusted or considered the following:

##### Business Rate

To address Council's comparatively high business rate, the total amount of rates paid by the business community was reduced by 1%, with that amount added to the residential community. Further adjustment will be considered by Council in preparing Operational Plans subsequent to 2011/12.

##### Business Sub Categories

Within the Business rating category, there are a number of Sub categories, being Business Ordinary, Business Thornton, Business Rutherford, Business Metford and Business Green Street.

The Business Ordinary sub category rate was historically significantly higher than the other business sub categories. A decision was taken by Council four years ago to progressively reduce the Business Ordinary rate, whilst increasing the rate of the other sub categories, with a view to eventually having only one business rate.

This process was continued in 2011/12 and will be finalised in 2012/13, when there will be only one business rate. The consequences of this are that, if the Special Rate Variation is successful, the average Business Ordinary rate will be reduced by 3.16% in 2011/12 and will increase by 3.99% in 2012/13. The average rate in the other business Sub categories will increase in 2011/12 by between 15.69% and 18.48%, with the increases in 2012/13 being between 15.25% and 16.08%.

If the Special Rate Variation is not successful, the average Business Ordinary rate will be reduced by 9.50% in 2011/12 and further reduced in 2012/13 by 3.71%. The

average rate in the other sub categories will increase in 2011/12 by between 7.84% and 10.75%, with increases in 2012/13 of between 9.09% and 10.20%.

### Farmland Rate

In calculating the rate for the low and high intensity farmland sub categories, an adjustment was made to ensure that the rate increases were reasonably uniform across both sub categories. The result of this is that, if the Special Rate Variation is successful, the Farmland High Intensity rate will increase by 12.60% in 2011/12 and 9.98% in 2012/13, whilst the Farmland Low Intensity rate will increase by 15.50% in 2011/12 and 10.00% in 2012/13. If the Special Rate Variation is not successful, the Farmland High Intensity rate will increase by 5.21% in 2011/12 and 3.04% in 2012/13, with the Farmland Low Intensity rate increasing by 7.90% in 2011/12 and 3.10% in 2012/13.

### Mining

There has been no adjustment made to the total proportion of rates paid by the Mining category in 2011/12 or 2012/13. However, as there are only two mining rate assessments within the category, a reduction in the land valuation of one of the mines during 2010/11, and the consequent reduction in rates payable in 2010/11 by that mine, has resulted in the average mining rate increasing significantly in 2011/12. If the Special Rate Variation is successful, the average mining rate will increase by 19.16% in 2011/12 and 10.20% in 2012/13. If the Special Rate Variation is unsuccessful, the average mining rate will increase in 2011/12 by 11.21% in 2011/12 and 2.94% in 2012/13.

### **Capacity to pay**

Maitland City Council is of the view that the local community (across all rating categories) has the capacity to pay the proposed increases under our SRV proposal. This is based on a number of factors including:

- Average household incomes in the LGA
- Community response to the SRV proposal
- Comparative rating with other Lower Hunter Councils
- Comparative rating with other Councils within our DLG 'group'.

### Residential and Farmland

An analysis of the average annual wage and salary income of the Lower Hunter Councils, based upon the latest available Australian Bureau of Statistics figures, reveals that for the year ended 30 June 2007, the average annual wage for a resident of Maitland was \$42,647, compared to the average of the five Lower Hunter Councils

of \$40,808. The average wage in Maitland was, in fact, the highest of all the Lower Hunter Councils.

Council has also considered the ordinary rate revenue per capita that each of the Lower Hunter Councils receives. On a per capita basis, Maitland City Council's rate revenue is the second lowest of the five Council areas, being approximately \$54.00 lower than Port Stephens Council, \$98.00 lower than Cessnock City Council and \$139.00 lower than Newcastle City Council.

Based upon its population of approximately 69,200 at 30 June 2009, if Maitland City Council received the same ordinary rate per capita in 2009/10 as Cessnock, Port Stephens or Newcastle Councils, the additional income raised would have been as shown in the table below.

<b>Council</b>	<b>Average Rate Per Capita</b>	<b>Additional Rate Per Capita over Maitland</b>	<b>Total additional potential rate revenue</b>
Port Stephens	\$441.90	\$53.83	\$3,725,036
Cessnock	\$485.89	\$97.82	\$6,769,144
Newcastle	\$527.21	\$139.14	\$9,628,488

A further comparison of the adjoining Lower Hunter Councils reveals that Maitland's average residential rate per assessment is considerably lower than the other Councils and Maitland's total rate revenue also falls short considering the number of rateable properties within each of the Local Government Areas (LGAs).

The average rates per assessment for the Lower Hunter Councils in 2009/10 was as follows:

<b>Category</b>	<b>Maitland</b>	<b>Port Stephens</b>	<b>Cessnock</b>	<b>Newcastle</b>	<b>Lake Macquarie</b>
Residential	\$743.88	\$797.89	\$838.05	\$851.80	\$854.75
Farmland	\$2,160.97	\$1,361.17	\$1,852.91	\$1,500.00	\$1,482.14
Business	\$4,227.36	3,404.15	\$2,842.42	\$6,773.26	\$3,057.92

The total rate yield for the Lower Hunter Councils in 2009/10 was as follows:

Category	Maitland	Port Stephens	Cessnock	Newcastle	Lake Macquarie
Residential	\$18,362,000	\$23,287,000	\$16,332,000	\$50,570,000	\$63,435,000
Farmland	\$1,517,000	\$652,000	\$3,817,000	\$27,000	\$83,000
Business	\$6,954,000	\$6,009,000	\$4,275,000	\$31,772,000	\$10,507,000
Total	\$27,103,000	\$29,948,000	\$24,424,000	\$82,369,000	\$74,025,000

#### Comparative Rates – DLG Group 4

A selection of Councils from the DLG Group 4, of which Maitland is a part, can be seen below. The towns listed have been selected due to their similar profile as major inland cities, comparable in size and stature to Maitland.

Council	Average residential rate 09/10
Maitland	\$743.88
Cessnock	\$838.05
Dubbo	\$849.55
Albury	\$967.89
Orange	\$1,029.20

Maitland's average residential rate per assessment is considerably lower than similar Councils within the DLG Group 4. This is further evidence that a successful Special Rate Variation would be bringing Maitland's rating revenue more in line with both adjoining and similar Councils in NSW.

### Business Categories

The growing population of Maitland, coupled with the growing affluence of households, and therefore their increasing ability to purchase goods and services, are significant factors in the ongoing development of businesses in Maitland. Based on this and other factors, it is Council's view that there is capacity to pay the proposed special rate variation across our business categories.

Council's Maitland Centres Study 2009 (by Hill PDA) states that the substantial population growth and socioeconomic changes forecast to occur in Maitland over the period to 2031 will translate into a significant growth in demand for retail floorspace.

The Hill PDA expenditure model calculates not only what the cumulative household expenditure in Maitland will be but also what type of store this expenditure might be spent in. This was prepared to assist planning for stores types like supermarkets, personal services and speciality food that predominantly need to be locally based, while store types like bulky goods and department stores can be regionally based.

The following table provides a breakdown of forecast net growth in retail expenditure by retail category 2011, 2021 and 2031, from the Maitland Centres Study. for

#### Retail Expenditure Forecast for 2006 - 2031 (\$m2006)

	2006	2011	2021	2031
Supermarkets & Grocery Stores	199.45	239.29	389.06	528.73
Specialty Food Stores	77.58	93.08	151.33	205.66
Fast-Food Stores & Restaurants	110.30	132.33	215.15	292.39
Department Stores	57.44	68.92	112.05	152.28
Clothing Stores	46.37	55.63	90.44	122.91
Bulky Goods Stores	104.19	125.00	203.24	276.20
Other Personal & Household Goods Retailing	72.27	86.70	140.96	191.56
Selected Personal Services	23.28	27.93	45.41	61.71
<b>Total Retailing</b>	<b>690.89</b>	<b>828.88</b>	<b>1347.64</b>	<b>1831.44</b>

### Mining category

The impact of the variation on 'mining' category is as a result of LGA incorporating only two mining assessments on the eastern fringe of the City.

### 5.3 Addressing hardship

Does Council have a Hardship Policy in place? Yes ☒ No ☐

*If Yes, Council must attach a copy of the Policy.*

Does Council propose to introduce any measures to limit the impact on vulnerable groups such as pensioners? Yes ☐ No ☒

Provide details of the measures to be adopted, or why no measures are proposed.

Council has in place a 'Debt Recovery and Hardship Policy', as can be viewed in our Attachments. The policy has been in place since 1994, and was last revised in November 2010. The policy recognises that some ratepayers may experience financial difficulties in meeting their rate commitments. Council will seek to assist ratepayers to make arrangements that are consistent with the ratepayers' capacity to make regular payments. ☐

A ratepayer may at any time make arrangements to pay off their outstanding rates and annual charges by regular payments, subject to the following guidelines

- (a) The amount and frequency of the payments under the arrangement are to be acceptable to Council
- (b) Arrangements should, where possible, seek to have all outstanding rates and charges cleared by the end of the financial year.

Council will continue to meet its legislative requirement to deliver mandatory concessions to eligible pensioners. The amount of the concession available on an annual basis is fixed by legislation. At present this statutory concession is limited to \$250 for ordinary rates and charges for domestic waste management services combined. Council pays 45% of this subsidy.

## 6 Financing strategy

### 6.1 New capital financing strategy

Council must provide an overview of its strategy for funding new capital works, whether this is from rates revenue, debt, user charges or a combination of these and the expected impact of this strategy over the course of the special variation.

#### RESPONSE

Council's approach to funding new capital works is captured in its Resourcing Strategy, which incorporates its adopted Asset Management Policy and Strategy, as well as its Long Term Financial Plan.

This strategy sets the parameters for the funding major new capital works. Simply, Council's policy position is that any new capital works will be funded by:

- Developer contributions
- Grant funds
- Asset sales
- Borrowings, in line with Council's adopted Long Term Financial Plan and Revenue Policy.

During the course of the variation, Council will not be undertaking and new major capital works/facilities (for example a year round aquatic facility), however, details of Council's capital financing strategy are as follows:

#### Developer contributions (Section 94)

Council currently has two section 94 contribution plans, and a section 94A contribution plan. The Maitland Section 94 Contributions Plan Citywide 2006 applies to new residential development across the whole of the LGA, whilst residential development within the Thornton North Urban Release Area is also subject to the Thornton North Section 94 Contributions Plan 2008.

All other new development, such as commercial or industrial buildings, are levied 1% of development costs under the Citywide Section 94A Levy Development Contributions Plan 2006.

The contributions plans identify the likely public services and amenities required to be provided as a result of the increase in development of those areas. This demand forms the basis for levying contributions on new development.

The facilities for which Council will require development contributions include:



- Community and cultural services;
- Recreation and open space facilities;
- Cycleways;
- Road and traffic facilities.

The contributions made to Council may fully or partially fund the public amenities and services identified in the Plan. The contribution rates have been determined on the basis of apportionment between the expected development and other sources of demand.

In circumstances where public amenities and services are not fully funded by contributions, the remaining funds will be supplied from other Council sources. Strategy Plans for each amenity and service describe how specific apportionment rates have been determined.

Public amenities and services are required at the time demand is created, which may be before completion of development and before sufficient contributions are received. Council's ability to forward fund these services and amenities is very limited, and consequently their provision is largely contingent upon the availability of contributions under adopted S.94 plans

To provide a strategy for the implementation of the services and amenities levied for in the Plans, and to use contributions in the most effective manner, the individual work schedules maybe re-prioritised. This will take into account development trends, population characteristics, existing funds, funds from other sources (where required) and anticipated revenue flows.

Where possible, the strategies for the provision of the public amenities and services for which s.94 contributions are being sought, have been related to thresholds of development in a attempt to ensure provision of funds commensurate with the demand for the facilities.

#### Grants and subsidies

Council receives specific grants from the Federal and State Governments to support the funding of a range of Council services and major capital projects, including environmental projects, community service programs, road safety programs, public library operations and road construction works.

Council's grant funding is made up of annual grants which remain reasonably consistent, and discretionary grants which must be identified and pursued by Council. Whilst all grants are at the discretion of the higher levels of government, they remain a key source of revenue for Council. For this reason, Council will continuously and actively identify and seek additional grant funding that may be available from various sources to fund projects.

### Asset Sales

Council has a significant asset base, with the written down value of its land and buildings at 30 June 2010 totalling \$251 million. Council will undertake reviews of its community and operational holdings, for both land and buildings, to assist in identifying opportunities to dispose of assets no longer needed for service delivery. Any asset that can be sold, generates revenue from the sale, but also reduces the maintenance cost associated with continued ownership of the asset, will be examined.

Areas identified for future exploration with the community, with a view to potential disposal, include small neighbourhood parks with little or no facilities. The revenue from the sale of any recreational assets would be re-invested in Council's recreational assets, in line with its adopted Asset Management Strategy and associated plans.

### Borrowings

It is recognised that long term borrowings can be a useful tool for funding the development of major new capital works projects. However, the limiting factor on how much money should be borrowed is Council's ability to repay the debt. Council's current annual loan drawdown is \$1 million, and this maintains Council's debt service ratio at approximately 5%. The acceptable range for debt service ratio is between 5% and 10%, so Council's current ratio is at the low end of this range. Council's total borrowings will stand at \$13.7 million at the end of 2011/12.

In the current financial markets, Council would incur additional debt servicing costs of \$157,000 for every additional \$1 million borrowed over a term of ten years. In terms of Council's current debt service ratio, this indicates that Council could borrow up to an additional \$15-16 million in a series of loans to be repaid over ten years, and maintain our debt service ratio within the acceptable range of 5-10%.

Whilst some components of Council's infrastructure backlog works should and will be funded through debt, and within Council's current annual borrowings policy of \$1 million per annum, it is Council's policy position as expressed in Council's asset management documentation, to use its capacity for increased borrowings to deliver major new capital works projects.

The timing and rate of take up of new loans will be driven by the nature and timing of the projects themselves. In this regard, two areas of Council's strategic planning indicate, and will drive the planning and delivery of, new major capital works projects. These are:

- The Central Maitland Structure Plan adopted by Council in November 2009 and the consequent further actions identified for 2011/12 in Council's draft Delivery Program 2011-15 (NB the need for City Centre revitalisation is strongly expressed in the adopted 10 years community strategic plan 'Maitland 2021'); and

- Council's Citywide Aquatic Strategy, referenced to be presented to Council as an action in 2011/12 under Council's draft Delivery Program 2011-15.

As such, increased borrowings have not been factored in to the long term financial plan. This modelling will occur following Council's adoption of a formal position on the need, nature and scope of projects arising from these actions and their associated costs.

### Asset Management Policy

Council's Asset Management Policy sets the broad framework and direction for undertaking asset management. It translates Council's broad strategic outcomes into a policy framework for the preparation of the asset management strategy and associated objectives, targets, and plans. The policy outlines why and how asset management will be undertaken and defines key principles that underpin asset management for the Council.

Council's asset management policy was first adopted by Council in its Asset Management Strategy in 2006.

Following the adoption of the community strategic plan Maitland 2021 in February 2011 and taking into account community input to the 'Maitland 2021' process, it was considered appropriate that Council's asset policy be revisited.

On 8 March 2011 Council adopted its Asset Management Policy 2011 which reflects and supports Council's new community strategic plan and its outcomes and strategies.

Asset Management Policy 2011 contains information on the organisational context and importance of asset management. The importance of asset management policies underpinning strategic goals and informed decision making are emphasised. It addresses areas such as sustainability, service delivery, asset life cycle, responsibilities, and relationships.

## 6.2 Sustainability of debt

Does Council propose to undertake any borrowings in 2011/12? Yes ☒ No ☐

*If Yes, what is the purpose of these borrowings and do they link to the special variation application?*

*If No, why is Council seeking a special variation, rather than undertaking borrowings?*

Note that councils using loan funds are reminded that they need to submit to the Division of Local Government (DLG) an annual "Borrowings Return" in accordance with DLG's annual "Requested Borrowings Return" circular.

Regardless of the nature of the proposed expenditure (ie, whether for capital or operating needs), Council must also include its estimated net debt position and debt servicing ratio over the period of the special variation and an explanation of the sustainability of this position for the Council and the community.

Explain how the strategy is consistent with the principles of intergenerational equity, as explained in the DLG Guidelines.

### RESPONSE

Council's current loan drawn down is currently at \$1 million/year. This sees Council maintaining a debt service ratio in the vicinity of 5.7%.

In 2011/12, the funding will be used as follows:

Proposed project	Amount proposed to be borrowed
Construction of Local Roads	660,000
Construction of Drainage	290,000
Construction of Access Improvements	50,000
<b>Total</b>	<b>1,000,000</b>

If successful in the application for a special variation, Council's debt service cost ratio will be 5.52% in Year 1, and 5.25% in Year 2.

Under each of the scenarios in our long term financial scenarios, Council's loan drawdown has been modelled at \$1 million per annum, in-line with Council's current adopted policy. However, the option of increasing Council's debt service ratio from its current 5% to a higher level is a possibility that will be considered in

the future, for reasons expressed in Section 6.1 of this application. As stated, Council has reserved this capacity to borrow additional funding as an opportunity to deliver new capital works in the areas of City Centre infrastructure and recreation facilities identified in 'Maitland 2021'.

Council has the view that issues of intergenerational equity for such capital works is best addressed through borrowings, with costs spread out across a number of years.

## 7 Productivity improvements

Council must provide details of any productivity improvements and expenditure reductions made in the last two years (or longer) to improve its financial sustainability. The costing should clearly indicate if the savings are one-off or ongoing in nature.

Also provide details, including estimated costing of plans for efficiencies and productivity improvements during the period of the special variation. These proposed initiatives, which may be capital or recurrent, must be to reduce costs.

The application should identify how and where the proposed initiatives have been factored into the council's resourcing strategy (eg, LTFP and AMP).

As additional supportive information, Council may wish to provide evidence of improvements in its performance on key indicators that measure productivity. Council may also wish to include its current and/or projected financial position if these initiatives had not been implemented. Note that the criteria may still be met without these elements.

### RESPONSE

Given Maitland City Council has had a Long Term Financial Plan and Asset Management Strategy and Plans prepared for more than five years, Council has been focused on exploring all options for productivity improvements and expenditure reductions.

Council has been focused on maintaining a balanced cash budget, and has made concerted efforts over recent years to maintain this position and delivery core services.

This active focus on continuous improvement, has seen Council implement systems, programs and partnerships that have generated savings in excess of \$3.5 million over recent years.

This has included:

- \$2 million on workers compensation premiums
- \$90,000 on corporate advertising
- \$165,000 on telecommunications and IT systems
- \$114,000 on electricity for street lights.

### Energy and Water Consumption

Council engaged Planet Footprint to analyse all Council's metered energy and water usage. The resulting running sheets enable checks for anomalies that have led to quicker corrective action; understanding of usage patterns; correct payment of accounts and rationalisation of meters.

Energy savings action plans have also been prepared for ten main buildings owned by Council to improve understanding of energy use patterns, and to trial energy efficient lighting.

### Subdivision compliance

The efficiency of subdivision compliance has been improved through the acceptance of electronic data reports for construction compliance on subdivisions, replacing manual measurements undertaken by Council inspectors on site.

### Recreation works

We've continued to improve the efficiency of our services through equipment and process changes. While we have gained an extra 20 hectares of parklands over the past three years, changes to our mowing equipment have meant these additional areas could be maintained without additional staff.

In 2008, as part of a review of the operations of the Recreation Works section and the process of continually reviewing our plant and equipment prior to replacing it, the performance of our tractor/slasher combinations was critically assessed and compared to the performance of purpose-built mowers to determine which type of plant may be the most suitable for Council's purposes for the next few years.

As part of this plant assessment, staff trialled several purpose-built mowers. The direct comparison of the productivity of a Council tractor with stealth slasher to a TORO GM 4000D mower was undertaken on several of Council's open space areas.

The results were:

AREA MOWED	TRACTOR/SLASHER	TORO MOWER
Robins Oval	45 min.	25 min.
Largs Oval	50 min.	30 min.
Fieldsend Oval	150 min.	60 min.
King Edward Park	60 min.	25 min.
Lochinvar Oval No.1	60 min.	35 min.
Lochinvar Oval No.2	50 min.	25 min.
Gillieston Heights Oval	55 min.	25 min.
No.1 Sports Ground	80 min.	50 min.

As a result of the investigation, three (3) tractor/slasher combinations were replaced by two (2) out-front, purpose-built mowers.

A review of procedures for open space maintenance has also seen improvements to costings to ensure accurate data capture and understanding of costs at an individual facility level, enhancing understanding of service levels and reduce over-servicing. For example, Council now knows that sports field mowing costs \$0.47 per m<sup>2</sup> compared to \$3.56 per m<sup>2</sup> for a primary City park like Maitland Park.

#### Customer Service Requests

A review of the Customer Service Request system used by Council has resulted in improved processing and improved response times. In the areas of roads and drainage, for example, the system has been reviewed to ensure requests are actioned by the most appropriate officer; that decisions are based on risk and need; that a consistent approach is taken to maintenance works; and better communication with our customers.

#### Asset Management Systems

Council has continued to improve the SMEC Pavement Management System (PMS). The system is used by 50 Council's and can therefore provide relevant benchmarking reports. For example, in the last year Council resurfaced 7% of its road network – a ranking of 3<sup>rd</sup> in the 50 users of the system.



Council's road construction and rehabilitation coverage is consistent with other users, suggesting Council is spending close to what it needs to keep the network in the current average condition.

### Engineering and Design

Council has implemented a series of changes to equipment and software to enable more cost effective and accurate information at survey stage. Road and drainage construction software has also been upgraded, along with a LGA-wide digital terrain model that has improved design and planning outcomes.

### Construction

Works have also been undertaken to incorporate recycled materials and minimise use of resources, for example using fill-in batters to remove the need for guardrails; use of thinner bound material to reduce the amount of disposal of excavated materials; and the use of salvaged materials, where appropriate, for road construction.

Council has also used alternative material, Liquid Road and Aspen, for sealing of AC roads in lieu of spray sealing – part of the continual exploration of new alternatives for service delivery and to increase the service life of roads.

Additionally, Council has recently amalgamated its concreting teams to facilitate better overall co-ordination of civil concrete works. Efficiencies in plant utilisation were gained through the sharing of one backhoe and truck, whereas two backhoes and trucks were previously required. This resulted in a considerable saving in the cost of concrete, as smaller concrete repair jobs could be poured from the same concrete delivery as a pour for a concrete construction project, as the cost per m<sup>3</sup> of concrete is significantly less for larger quantities of concrete.

### Outsourcing

Council has used specialist outside providers for a range of non-core activities including designs for utilities; architecture; structural; bridge; hydraulics; traffic lights; geotechnical; archaeological; and fire and security systems.

The use of expert contractors is an efficient and cost effective way of delivering specialist tasks without the recurrent employee costs.

### Membership of Hunter Councils

Our membership of Hunter Councils also brings many benefits. We access training, tendered contracts for materials, records storage and environmental programs through this regional approach, sharing costs with other local Councils that would otherwise have been borne by each individually. Shared records storage, for example, saved \$1 million in construction costs and \$50,000 annually for management of the facility.

The utilisation of the Local Government Training Institute through Hunter Councils also enables Council to deliver high quality training to staff in close proximity to our Administration Centre. The use of the institute has limited travel and accommodation costs – a significant saving.

Council also accesses Hunter Councils Environmental Division which delivers the Hunter and Central Coast Regional Environment Strategy, and attracts funding and partnerships to help member Councils in effectively addressing issues of concern best managed at a region-wide scale.

Economies of scales have also been delivered through tendering processes on behalf of all Hunter Councils. We are currently using 23 of these contracts which are equal to, or better than, State Government contract pricing. The savings to Council are in lower administrative costs and increased purchasing power via this collaboration.

#### Budgeting process

Council has made significant changes to the budgeting process over recent years, in line with its strategic approach to service delivery and asset management. While in the past Councillors would have had discretionary funding available for allocation to special projects or ward-based initiatives, this option has been removed. Councillors are aligned to this process and ensuring funding allocations are based on strategic planning, operational need and prioritised works programs.

#### Absorption of increased fees and charges

Council has also borne significant increases in a range of State Government fees and charges. For the 2011/12 financial year, these include:

Item	2011/12 budget	Change from 2010/11
Street lighting	\$1,722,000	\$706,000 increase
NSW Fire Brigade contribution	\$536,000	\$100,000 increase
NSW Rural Fire Service contribution	\$130,000	\$10,000 increase
Waste levy	\$5,146,000	\$585,000 increase
Valuer General	\$135,000	Nil
<b>Total</b>	<b>\$7,669,000</b>	<b>\$1,401,000</b>

These areas have consistently increased over recent years.

### Workforce numbers

And while we've welcomed over 2,000 new residents (a 2.5% growth rate) to the City each year, we've not had a comparative increase in our workforce. Over the past three years, Council's workforce has grown by just 4.6 fulltime staff (less than 1.4%).

### Efficiency reviews

Over the last year, we've introduced and conducted efficiency reviews across 20 key areas of activity including:

- Management of our recreation and cultural facilities including the Maitland Regional Art Gallery and our swimming pools
- Events management (for high profile events supported by Council including Steamfest, Bitter and Twisted International Boutique Beer Festival, Doggy Fun Day, Australia Day, New Year's Eve, Taste, Aroma and more)
- Our tourism marketing efforts, including the operation of the Visitor Information Centre
- Land use planning and development controls (across residential, commercial, industrial and rural areas of the City)
- Construction and maintenance works on our roads, footpaths, drains and bridges
- Waste management, from strategic planning through to waste collection and disposal, as well as recycling
- Asset and infrastructure planning and management, including the planning and delivery of capital works and maintenance programs
- Recreation works planning and management across our City's sportsgrounds, parks and playgrounds
- Workers compensation and injury management.

The issues and actions to emerge from these reviews will be used to drive improvements in our processes and service delivery methods in the years ahead, and we will continue to apply the review model across all business activities of Council.

For the period of the rate variation application, Council expects to identify productivity gains through a process of full operational service reviews (of all areas of Council). From the full reviews undertaken thus far, in areas including information services and parks maintenance, it is expected that process improvements will be the main area for improvement (ie given Council's strong focus on financial performance, no significant potential financial savings are expected to be identified).

## 8 Implementation of Integrated Planning and Reporting framework (IPRF)

Implementation of the IPRF is a criterion for section 508A applications. If Council has not implemented the IPRF, it should consider applying for a section 508(2) special variation instead.

▼ Has the Council implemented the IPRF? Yes ☒ No ☐

If Yes, which IPRF Grouping did the Council nominate to be in?

Councils should provide a brief summary of their progress in implementing the IPRF to date.

### RESPONSE

#### Background

Maitland City Council is a Group 2 council, and is scheduled to have fully implemented the IPRF for 1 July 2011. Council has structured its IP&R suite of documents to meet the requirements of the legislation and manual issued by the DLG, covering all essential elements.

Council has been focused on the introduction of IPRF for some time, setting in train a number of strategic planning and engagement initiatives to inform the development of the ten year community plan and initiative dialogue with the community.

In 2009, Council adopted a Community Engagement Strategy, designed to strengthen Council's community engagement efforts and partnerships. The strategy is underpinned by seven principles of inclusiveness and diversity; openness, respect and accountability; leadership; purpose; information sharing; feedback and evaluation; resourcing and timing (see attached).

Founded on this strategy, engagement planning and implementation for the ten year plan commenced in early 2010, and occurred in three key phases. The first phase was designed to uncover community perceptions of the City now and how people would like to describe the City in 2021; identify priorities for the future; and explore with the community who might have a role to play in helping reach the future.

The resulting plan, 'Maitland 2021 - Ideas and Action' is the City's ten year community strategic plan. The plan was evolved during 2010 and finalised in early 2011, building from Council's body of strategic planning work undertaken over the past five years.

Importantly, the plan was evolved following an initial period of research and engagement designed to uncover issues of concern to the community now, and

issues of concern to the community in the future. It was also used to gain insight into broadly held community priorities and aspirations. This focused engagement revealed that the 22% of respondents wanted to see Maitland as "easy to get around on foot, public transport or bike" in 2021 - the highest ranked response. It also saw "walking, bike riding and sustainable transport" at the top of the priority list for 2021, closely followed by "the Mall (CBD) and nearby facilities" and "quality parks, sportsgrounds and aquatic facilities".

The draft plan, 'Maitland 2021' was released for community consultation from 10 November 2011 through to 14 January 2012. During this period, every household in the LGA received a mailout containing a postage-paid response card and an invitation to attend one of eight community drop-in sessions staged at a range of venues across the LGA both during office hours and in the evenings and weekends.

Over 200 comments were received on the plan, which resulted in the addition of a new community outcome focused on planning the City's infrastructure needs, and a number of new high level strategies focused on planning for future growth; and commercial and retail development. The plan now truly reflects our community's aspirations and goals for the future.

Importantly for Council, the feedback obtained during this consultation revealed a number of priority areas for the development of our own four year Delivery Program, being roads and other infrastructure; the appearance of the City, in particular our parks, playgrounds, footpaths and cycleways; and addressing issues in Central Maitland.

The final plan contains nineteen (19) desired community outcomes for 2021 (expressed in the plan as 'What our community would like') within these themes. Each of these outcomes is accompanied by three or more high level strategies ('how we will get there'), along with partners who can help. The plan also poses a number of measures for progress. The plan structure meets all essential elements prescribed by DLG.

### **Council's Delivery Program 2011-15, Resourcing Strategy and Operational Plan 2011/12**

Following the release of the consultation draft of 'Maitland 2021' in November 2010, Council set to work to develop its response to the community outcomes and strategies contained in the plan.

Council's four year Delivery Program and Operational Plan contain 118 four year objectives, aligned to the strategies and outcomes within each theme of the community strategic plan.

The program represents a significant body of work for Council. As DLG prescribes no set format for the program, Council has evolved a presentation that clearly aligns the themes, outcomes and strategies from 'Maitland 2021' to a Four Year Objective for Council, along with an action, measure, target, responsible officer and budget

source for 2011/12. The program also highlights whether the action is a new initiative (in response to the community priorities expressed in 'Maitland 2021') or falls within an existing program of Council. Actions subject to SRV funding are also clearly indicated in the body of the program, and also in the included four year program of capital works.

The Operational Plan for 2011/12 sets out Council's budget, aligned to the five themes from 'Maitland 2021' that have been carried throughout Council's integrated planning and reporting suite. Budgets are presented by management group to a divisional level. The Operational Plan also includes a list of Council's proposed fees and charges for 2011/12.

Council's Resourcing Strategy has also been completed for release in conjunction with the Delivery Program 2011-15 and Operational Plan 2011/12. The Resourcing Strategy has enabled Council to build upon the long term financial plan and asset management strategy and plans it has had in place for more than five years.

Our Resourcing Strategy looks at the people, time, assets and finances required to support the achievement of the community's aspirations as outlined in 'Maitland 2021'. It has a ten year scope, with four years aligned to the Delivery Program, incorporating a finance plan, asset management strategy and plans, and workforce plan.

### **Adoption and consultation**

The final community strategic plan was adopted by Council in 22 February 2011, with consultation drafts of the Delivery Program 2011-15 and Annual Operational Plan 2011/12 adopted on 22 March 2011, supported by a draft Resourcing Strategy. The consultation drafts will be exhibited until 6 May 2011.

Copies of the community strategic plan, draft Delivery Program 2011-15, Operational Plan 2011/12 and Resourcing Strategy are attached to this application.

## 9 Other information

### 9.1 Special variation history

In Table 9.1, insert details of all special variations that Council has applied for in the last 10 years (whether approved or not approved). In the space below, provide any additional summary information Council wishes to convey regarding its special variation history.

**Table 9.1 Special variation history**

Year	Percentage variation sought (including rate peg)	Percentage variation approved (including rate peg)	Period of approved variation (years)	Reason for variation
2000/01	4.6	5.07	5 years	CBD construction rate levy(properties in City Centre only)
2004/05	4.09	Nil	NA	Application not approved – planned to upgrade drains/roads Rutherford Industrial Area
2006/07	6	9.8	Ongoing as part of Council's permissible income	Infrastructure maintenance and environmental programs

Provide details/evidence of how Council has complied with the conditions attached to any previous special variations approved (eg, Extracts from Annual Reports or website links to Annual Reports including page number references).



## **RESPONSE**

### **Special variation history**

#### **2000/01 variation – CBD construction**

This application was approved by the NSW State Government, with the special levy raised on commercial properties in the Maitland City Centre area. An amount of \$350,000 was raised each year from these commercial ratepayers, which was matched by the same amount by Council – giving a total of \$700,000 a year for five years. This money was spent on upgrading facilities in the Mall and constructing a paved walkway with lighting and street furniture along the banks of the Hunter River adjoining the Mall. The completion of these works made a considerable impact on the appearance and amenity of Central Maitland.

#### **2004/05 – Rutherford Industrial Area**

Council's application for additional rates to fund improvements to drainage and roads in the Rutherford Industrial Area was rejected by the NSW State Government, advising Council needed to consider alternative funding options.

#### **2006/07 variation – infrastructure and environmental programs**

In 2006/2007 Council received a 6% special rate variation to reduce Council's infrastructure renewal gap and to assist in funding environmental programs

The rate variation income forms part of the funding of Council's rolling works program. It must be recognised that not all expenditure will occur in the year in which the income was realised. By its nature the works program requires that some projects are undertaken over a number of years.

Furthermore during the period from 2007 a number of opportunities arose and unforeseen events occurred. These included the Federal Government Nation Building Economic Stimulus Package and a major flood.

In June 2007 Maitland experienced a major flood event which was declared a natural disaster. Council was responsible for completing approximately \$2.8 million of unplanned infrastructure renewal and maintenance works as a result of flood damage.

In 2009/10 Council received approximately \$3.9 million of Federal and State funding under various economic stimulus programs for new community projects that included:

- Skate park and All abilities Playground - \$1.123m
- Aquatic splash pad facility - \$480,000
- Cycleway- \$145,455
- Netball Courts - \$480,000

The acceptance of these grants was subject to agreed milestone dates and constrained project timelines.

The flood and the stimulus package resulted in a considerable reallocation of resources over a short period of time with a resultant effect on the completion of some programmed Council projects

Income and Expenditure from 2007 to 2010 for the various asset categories is summarised below:

<b>Category</b>	<b>Income</b>	<b>Expenditure</b>	<b>Balance</b>
Bridge construction	\$1,314,004	\$1,071,687	\$242,317
Building Refurbishment	\$1,461,659	\$1,461,659	0
Road & Traffic Safety	\$1,422,857	\$1,422,855	0
Community & Recreation	\$1,297,996	\$1,275,402	\$22,594
Environmental Programs	\$286,163	\$223,203	\$62,960
<b>TOTAL</b>	<b>\$5,782,679</b>	<b>\$5,454,806</b>	<b>\$327,873</b>

Comments on the above balance is as follows

Bridge Construction – This funding was allocated for structural repairs to a major bridge with a potential cost in excess of \$500,000. The ultimate cost of the works is unknown until load testing is completed; however it has the potential to be very significant. The project is on hold pending the resolution of with the RTA of funding responsibilities.

Community and Recreation – This represents project savings which were allocated to the 2010/2011 works program and are completed.

Environmental Programs – Funds have been carried forward to meet on going investigation and environmental remediation of an orphan contamination plume. Significant collaboration between Council, its consultants and Department of Environment Climate Change and Water (DECCW) has been required to determine the extent of monitoring and subsequent remediation necessary to discharge Councils duty of care. The matter remains ongoing.

### **Special Variation past reporting**

Council reported on the variation received in 2006/07 in subsequent annual reports:

- Annual Report 2007/08
- Annual Report 2008/09
- Annual Report 2009/10

Relevant pages have been attached to this application.

## 9.2 Reporting

Provide details of the mechanisms Council will put in place to transparently report to their community on the special variation.

Indicate how Council proposes to report this information to its community and what performance measures it will be putting in place to measure the success of the projects or activities funded from the variation.

This information should clearly identify:

- ▼ The additional income obtained through the variation.
- ▼ The projects or activities funded from the variation.
- ▼ Details of any changes to the projects or activities funded from the variation compared with Council's initial proposal (and such changes must be consistent with the terms of the Instrument of Approval).
- ▼ The outcomes achieved as a result of the projects or activities.

### RESPONSE

As can be seen earlier in this application, Council has developed a specific list of works to be undertaken with the additional funding generated by its SRV proposal . The works have been scheduled for the period of the 2011-15 Delivery Program.

Council is committed to reporting on its progress towards its Delivery Program objectives to the community every six months.

A range of measures have been included in the plan, many of which will apply to SRV funded works. These include:

- Litter/dumped rubbish/graffiti removal across the City
- Delivery of capital works (maintenance and construction) programs for roads, footpaths and cycle ways (SRV funded proposals will be specifically reported)
- Delivery of capital works (maintenance and construction) programs for recreation and community facilities (SRV funded proposals will be specifically reported)
- Delivery of maintenance and improvements to Maitland Town Hall (SRV funded actions will be specifically reported)
- Central Maitland Projects Update (SRV funded actions will be specifically reported)

Status updates will be provided on all SRV line items.

Additionally, Council will report on the delivery of works in its Annual Reports for the subsequent four years.

A range of measures will also be used to assess whether the implementation of these initiatives has contributed to meeting community outcomes, as identified in the 'Maitland 2021' community strategic plan, including annual community surveys.

### 9.3 Council resolution

Sections 532 and 535 of the Local Government Act require a council to make a resolution to adopt a rate or charge, following consideration of any matters concerning the Draft Operational Plan.

If possible, attach a copy of Council's resolution to adopt its (draft) Community Strategic Plan, Delivery Program and 2011/12 Operational Plan following public exhibition, including the special variation (subject to IPART's determination). If the resolution is not yet made by 25 March 2011, a copy of the resolution must be provided separately to IPART by cob 3 June 2011. In these circumstances, Council should indicate the planned timing of the resolution below.

Note that the assessment of the application cannot be finalised without a copy of this resolution.

#### RESPONSE

All relevant resolutions thus far to this application can be seen attached. In summary:

- Council resolution to adopt draft Community Strategic Plan (9 November 2010 -unanimous)
- Council resolution to seek a S 508(a) Variation (25 January 2011 -unanimous)
- Council resolution to adopt the final Community Strategic Plan (22 February 2011 -unanimous)
- Council resolution on SRV percentages and projects (15 February 2011 - unanimous)
- Council resolution to adopt Asset Management Policy 2011 (22 February 2011 - unanimous)
- Council resolution to adopt draft Delivery Program and Operational Plan, including the special rate variation (22 March 2011 - unanimous)

Council is scheduled to adopt its final Delivery Program 2011-15 and Operational Plan 2011/12 on 24<sup>th</sup> May 2011 following further community consultation and engagement efforts, at which time the final documents will be provided to IPART.

## 10 Checklist of application contents

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

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

## **11 Certification by the General Manager and the Responsible Accounting Officer**

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



General Manager (name): David Evans

Signature Date: 25 March 2011



Responsible Accounting Officer (name): Graeme Tolhurst

Signature Date: 25 March 2011

Once signed, this certification must be scanned and emailed to [localgovernment@ipart.nsw.gov.au](mailto:localgovernment@ipart.nsw.gov.au)