



# **ATTACHMENT C**

# **SPECIAL RATE VARIATION**

## **APPLICATION AND DETERMINATION 2014/15**

# **Maitland City Council's application for a special variation for 2014/15**

under section 508A of *Local Government Act 1993*

**Local Government — Determination**  
June 2014



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## 1 Determination

The Independent Pricing and Regulatory Tribunal of NSW (IPART) is responsible for setting the amount by which councils may increase their general income, which mainly comprises rates income. Each year, we determine a standard increase that applies to all NSW councils, based on our assessment of the annual change in their costs and other factors. This increase is known as the rate peg.

Councils may apply to us for a special variation that allows them to increase their general income by more than the rate peg. We are required to assess these applications against criteria in the Guidelines set by the Office of Local Government (OLG),<sup>1</sup> and may allow special variations under either section 508A or 508(2) of the *Local Government Act 1993* (the Act).

Maitland City Council applied for a multi-year special variation from 2014/15, under section 508A. The council requested annual increases of 7.25% over the next 7 years, or a cumulative increase of 63.22% by 2020/21. After assessing its application, we decided to approve the application. We made this decision under section 508A of the Act.

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### Box 1.1 The Guidelines for 2014/15

We assess applications for special variations using criteria in the *Guidelines for the preparation of an application for a special variation to general income*, issued by the Office of Local Government.

The Guidelines adopt the same criteria for applications for a special variation under either section 508A or 508(2) of the *Local Government Act 1993*.

The Guidelines emphasise the importance of the council's Integrated Planning and Reporting (IP&R) documents to the special variation process. Councils are expected to engage with the community about service levels and funding when preparing their strategic planning documents. As a result, for most criteria, the IP&R documents (eg, Delivery Program and Long Term Financial Plan) must contain evidence that supports a council's application for a special variation.

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<sup>1</sup> Division of Local Government, Department of Premier and Cabinet, *Guidelines for the preparation of an application for a special variation to general income for 2014/15*, September 2013 (the Guidelines). Effective February 2014 the Division of Local Government became the Office of Local Government.



Our decision enables the council to pursue its program of capital expenditure and improve its financial sustainability over the next 7 years. We note that the special variation represents a substantial increase in rates for ratepayers. Our determination provides the council with a maximum allowable increase in general income. The council has discretion not to utilise the full 7.25% increase in general income in any of the next 7 years in order to reduce the impact on its ratepayers.

## 1.1 Our decision

We determined that Maitland City Council may increase its general income by the annual percentages shown in Table 1.1. The annual increases incorporate the rate peg to which the council would otherwise be entitled (2.3% in 2014/15 and an assumed 3.0% in each of the following years). The cumulative increase of 63.2% over 7 years is 41.1% more than the rate peg over these years.

After the last year of the special variation (2020/21), the increase will remain permanently in the council's rate base.

The annual increases in the dollar amounts reflect the percentage increases we have approved and any adjustments to the council's general income that occur as a result of various catch-up and valuation adjustments.

**Table 1.1 IPART's determination on Maitland City Council's special variation for 2014/15 to 2020/21**

Year	Increase approved	Cumulative increase approved	Annual increase in general income	Permissible general income
	(%)	(%)	(\$)	(\$)
Adjusted notional income 30 June 2014				40,456,446
2014/15	7.25	7.25	2,934,169	43,390,615
2015/16	7.25	15.03	3,145,819	46,536,434
2016/17	7.25	23.36	3,373,892	49,910,326
2017/18	7.25	32.31	3,618,498	53,528,824
2018/19	7.25	41.90	3,880,840	57,409,664
2019/20	7.25	52.19	4,162,201	61,571,865
2020/21	7.25	63.22	4,463,960	66,035,825

**Source:** Maitland City Council, *Special Variation Application 2014/15 – Part A*, Worksheet 1 (Maitland City Council Application Part A) and IPART calculations.

We have attached conditions to this decision, including that the council use the income raised through the special variation for purposes consistent with those set out in its application. Box 1.2 summarises these conditions.

In making this decision, we recognise that the council will be able to undertake the full allocation of expenditure as set out in its application (see Appendix A).

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**Box 1.2      Conditions attached to the approved special variation**

IPART's approval of Maitland City Council's application for a special variation over the period from 2014/15 to 2020/21 is subject to the following conditions:

- ▼ The council uses the additional income from the special variation for the purposes of improving its financial sustainability and funding the program of expenditure outlined in the council's application and listed in Appendix A.
  - ▼ The council reports in its annual report for each year from 2014/15 to 2023/24 on:
    - the actual revenues, expenses and operating balance against the projected revenues, expenses and operating balance, as outlined in the Long Term Financial Plan provided in the council's application, and summarised in Appendix B
    - any significant variations from its proposed expenditure as forecast in the current Long Term Financial Plan and any corrective action taken or to be taken to address any such variation
    - expenditure consistent with the council's application and listed in Appendix A, and the reasons for any significant differences from the proposed expenditure
    - the outcomes achieved as a result of the actual program of expenditure.
  - ▼ The council reports to the Office of Local Government by 30 November each year on its compliance with these conditions.
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## 2      What did the council request and why?

Maitland City Council applied to increase its general income by a cumulative 63.22% over the 7-year period from 2014/15 to 2020/21, and to permanently incorporate this increase into its general income base.

The council estimated that if its requested special variation is approved, its permissible general income will increase from \$40.5m in 2013/14 to \$66.0m in 2020/21. This increase of \$25.6m is \$16.6m above the rate peg.<sup>2</sup> This would generate additional revenue of \$61.2m above the rate peg increase.<sup>3</sup>

The council intends to use the additional revenue above the rate peg to increase capital expenditure, to fund debt servicing costs associated with a capital expenditure program and to improve its financial sustainability.

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<sup>2</sup> Maitland City Council *Application Part A*, Worksheet 1 & IPART calculations.

<sup>3</sup> Maitland City Council *Application Part A*, Worksheet 6 & IPART calculations.

The council indicated that the additional income will be used to:

- ▼ Improve financial sustainability. The council's operating deficit is currently forecast to reach 17.8% (\$18.4m) by 2023/24. Under the special variation, the council's operating deficit would reduce to 1.4% (\$1.7m) in 2023/24.<sup>4</sup>
- ▼ Increase capital expenditure. The council intends to undertake a program of works including road resurfacing, maintenance for community buildings and facilities.
- ▼ Service borrowing costs relating to the capital expenditure program.<sup>5</sup>

During the 7-year special variation period, the council will spend an additional \$25.0m on its capital expenditure program. This will be funded partly by loans and partly from the special variation.

More detail on the council's proposed program of expenditure to 2023/24 is provided in Appendices A and B.

### 3 How did we reach our decision?

We assessed Maitland City Council's application against the criteria in the Guidelines. In making our assessment we also considered the council's most recent IP&R documents, which support its application, as well as a range of comparative data about the council (see Appendix C).

Maitland City Council has applied on the basis of its adopted IP&R documents, in particular its Delivery Program, Long Term Financial Plan (LTFP) and Asset Management Plan (AMP).

The rate increases for which the council has applied are substantial. We carefully considered, among other things, the council's need for the increases, its consideration of the community's priorities and capacity and willingness to pay, and the impact of the rate increases on ratepayers.

On balance, we found that the application met the criteria. In particular, we found that:

1. The need for the proposed revenue is demonstrated in the council's IP&R documents and reflects community priorities to maintain assets and services.
2. The council provided evidence that the community is aware of the need for, and extent of, the rate increases. The council also considered the community's capacity and willingness to pay the proposed rate increases extensively.

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<sup>4</sup> Maitland City Council, *Special Variation Application 2014/15 – Part B* (Maitland City Council Application B), Appendix 1b, *Resourcing Strategy 2013-2017 (Revised)* and IPART calculations.

<sup>5</sup> Maitland City Council Application Part B, p 6.

3. The council undertook extensive research to support its assessment that the impact on ratepayers was reasonable. It also modified its proposal in response to community feedback and advice on financial impact. It did this by reducing the increase from 8.35% per year to 7.25% per year and decreasing the relative impact on farmland rates. Our assessment of the relative size of the increase and community feedback indicated that the full increase proposed by the council is substantial. However, above-average socio-economic indicators as well as the council's hardship policy and consideration for low-income earners and pensioners, suggests that the rate increases are within the community's capacity to pay.
4. The council made realistic assumptions concerning its projected service delivery and budget.
5. The council reported productivity savings in past years, and indicated its intention to realise further savings during the period of the special variation.

Table 3.1 summarises our assessment against the criteria.

**Table 3.1 Summary of IPART's assessment against criteria in the Guidelines**

Criterion	IPART findings
1. Need for and purpose of the special variation must be clearly articulated in the council's IP&R documents. Evidence could include community need/desire for service levels/projects and limited council resourcing alternatives, and the assessment of the council's financial sustainability made by the NSW Treasury Corporation (TCorp). The LTFP must include scenarios both with and without the special variation.	<p>The council identified the need to improve its operating balance and increase capital expenditure. The council has projected increasing infrastructure requirements over the next 10 years, to cope with high population growth projections.</p> <p>TCorp identified continuing operating deficits and a growing infrastructure backlog. TCorp concluded the council has underspent on asset maintenance in recent years and identified the need for additional revenue.<sup>a</sup></p> <p>The council's IP&amp;R documents clearly state the purpose and impact of the special variation. Maintaining the level of service to the community and including infrastructure to cope with growth were identified as community priorities in the Community Strategic Plan.<sup>b</sup></p>
2. Evidence that the community is aware of the need for, and the extent of, the proposed rate rises. The IP&R documents should clearly explain the rate rise, canvas alternatives to the rate rise, the impact of any rises on the community, and the council's consideration of community capacity and willingness to pay higher rates. The council should demonstrate use of an appropriate variety of engagement methods to raise community awareness and provide opportunities for input.	<p>The council undertook extensive community consultation, including mailouts, presentations to stakeholder groups, forums, media releases, social media engagement, a community reference panel and multiple surveys. The council reported over 1,200 residents contributing to discussions via surveys, online or face-to-face discussions. It concluded that the majority of residents wanted to maintain or enhance service levels.<sup>c</sup> The consultation materials clearly explain the percentage and dollar impacts of the proposed rate increases.</p>

Criterion	IPART findings
3. Impact on affected ratepayers must be reasonable, having regard to current rate levels, existing ratepayer base and the proposed purpose of the variation. The council's IP&R process should establish that proposed rate rises are affordable, having regard to the community's capacity to pay.	The special variation represents a substantial increase in rates. The Tribunal considered that the increases proposed are reasonable given the need. In both percentage and dollar terms, the increases are very high. Taken together with previous special variations over the last 2 years, average residential rates will increase nearly 100% in 9 years. We note the council has a hardship policy to assist affected ratepayers. In response to community feedback, the council reduced its proposal from 8.35% per annum to 7.25% per annum for 7 years (from a cumulative 82% to 63%). <sup>d</sup> The council has examined socio-economic data which suggests the rate increase will have a reasonable impact on Maitland residential, farmland and business ratepayers. This included higher median income levels relative to other Group 5 councils, a SEIFA ranking of 100/153, as well as a relatively low level of rates as a percentage of annual income (1.8% compared to Group 5 average 2.2%) and a low outstanding rates ratio (2.5% compared to Group 5 average 5.4%). The council has 2 ratepayers in the mining category and it did not receive any feedback from these ratepayers on the proposal. <sup>e</sup> The council received 5 written submissions opposing the application. <sup>f</sup> We received 47 submissions opposing the application on the basis on efficiency, impact on ratepayers and quality of consultation.
4. Delivery Program and LTFP must show evidence of realistic assumptions.	The council's LTFP and delivery program contain realistic assumptions regarding the rates base, borrowings, depreciation, funding sources and assumed rate of work to complete its capital program. The council has assumed a 2.5% per annum population growth, which is high, but consistent with independent estimates. <sup>g</sup>
5. Productivity improvements and cost containment strategies realised in past years must be explained, as well as plans to realise savings over the proposed special variation period.	The council has provided an extensive list of service reviews, staffing restructures, cost reductions and efficiency gains. <sup>h</sup> The council has reported cost containment and savings of \$1.3m over the past 3 years. The council has also projected the impact of its review programs will deliver over \$0.5m per annum. <sup>i</sup>

<sup>a</sup> New South Wales Treasury Corporation, *Maitland City Council, Financial Assessment, Sustainability and Benchmarking Report*, 11 March 2013 (TCorp Report), p 4.

<sup>b</sup> Maitland City Council, *Community Strategic Plan*, pp 10 and 21-24.

<sup>c</sup> Maitland City Council Application Part B, pp 88-91.

<sup>d</sup> Maitland City Council Application Part B, p 123.

<sup>e</sup> Maitland City Council Application Part B, p 129.

<sup>f</sup> Maitland City Council Application Part B, p 88.

<sup>g</sup> Maitland City Council Application Part B, Attachment 1b, *Resourcing Strategy* 2014, p 55.

<sup>h</sup> Maitland City Council Application Part B, pp 200-207.

<sup>i</sup> Maitland City Council Application Part B, pp 185-206.

The sections below discuss our findings in more detail.

### **3.1 Need for and purpose of the special variation**

The need for, and purpose of, the requested special variation is set out in the council's IP&R documents and specifically identified in its Delivery Program, Operational Plan, AMP and LTFFP.

The council has forecast operating deficits until 2023/24, with its operating deficit reaching 17.8%. Under the special variation scenario, it would move to an operating surplus of 7.7% by 2017/18, largely due to asset sales of \$7m in the same year. After this, the operating surplus would reduce to 1.8% in 2018/19 and reach a small deficit of 1.4% by 2023/24.<sup>6</sup>

NSW Treasury Corporation (TCorp) observed that the council's current financial indicators identified underspending on maintenance and a low level of liquidity.<sup>7</sup>

### **3.2 Community engagement and awareness**

We consider that the council has met this criterion. In particular it has shown that it took reasonable steps to make the community aware of the need for, and extent of, the special variation, including using a variety of engagement methods and providing opportunities for feedback.

The council proposed 3 options to its community. The rate peg increase and a cut in service levels; a rate increase of 7.25% per year for 7 years; and a rate increase of 8.35% per year for 7 years.

The results of the community engagement indicated that ratepayer priorities focused on maintaining roads and community services.<sup>8</sup> The council conducted a Micromex survey in November 2013 and reported its survey results showed support for the highest level of rate increase, with 45% of participants supportive or very supportive and a further 28% at least somewhat supportive.<sup>9</sup> We note that some submissions raised concerns over how the survey was conducted and the use of this survey in the council and IPART's assessment of the special variation proposal.

The council received a letter of support from the Maitland Business Chamber, which it considered as evidence of support for the increase in business rates.<sup>10</sup>

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<sup>6</sup> Maitland City Council *Application Part B*, Resourcing Strategy 2013-2017 (Revised) & IPART calculations.

<sup>7</sup> TCorp Report, p 4.

<sup>8</sup> Maitland City Council *Application Part B*, pp 56-60.

<sup>9</sup> Maitland City Council *Application Part B*, Attachment 2eiv, *Micromex Telephone Survey*, p 15.

<sup>10</sup> Maitland City Council *Application Part B*, pp 128-129.

## Submissions

The council received 64 submissions from its community, most of which opposed the special variation.<sup>11</sup> We received 47 submissions from ratepayers directly. The issues raised included the council's efficiency, its previous financial management, the impact of the proposed increase on ratepayers and pensioners in particular, as well as the quality of the council's consultation and survey methods. After assessing the council's application, we determined the council had adequately consulted its community and demonstrated sufficient efficiency improvements to approve the application. We discuss the impact on ratepayers in section 3.3.

### 3.3 Reasonable impact on ratepayers

The impact on ratepayers will be substantial, particularly with residential rates forecast to increase by 65% to 70% over 7 years. Residential urban rates are forecast to increase \$671 in 7 years, an average of \$96 per year.<sup>12</sup> Taking into account the special variation rate increase the council has received over the past 2 years (9.8% in 2011/12 and 10.0% in 2012/13) this represents a total cumulative increase of nearly 100% over 9 years.

The council provided the following evidence to support its conclusion that ratepayers have both capacity and willingness to pay.

- ▼ the medium weekly household income for Maitland (\$1,292) is the highest in the Lower Hunter and the highest within Group 5<sup>13</sup>
- ▼ the median weekly rent is \$259, close to the Group 5 average and comparable with Lower Hunter LGAs<sup>14</sup>
- ▼ the median monthly average mortgage repayment is \$1,733, lower than the Group 5 average and comparable with Lower Hunter LGAs<sup>15</sup>
- ▼ since they have higher income and average or below average rent and housing loan repayments, Maitland residents would have a higher level of disposable income than other councils in the Lower Hunter and Group 5<sup>16</sup>
- ▼ the council identified that it had a lower proportion of low income households and higher proportion of high income households compared to other Group 5 councils<sup>17</sup>
- ▼ the council also highlighted a low level of outstanding rates (2.5%) compared to Group 5 councils (5.4%) and the NSW average (7.0%)<sup>18</sup>

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<sup>11</sup> Maitland City Council *Application Part B*, p 117.

<sup>12</sup> Maitland City Council *Application Part A*, Worksheet 5.

<sup>13</sup> Maitland City Council *Application Part B*, p 130.

<sup>14</sup> Maitland City Council *Application Part B*, p 130.

<sup>15</sup> Maitland City Council *Application Part B*, p 130.

<sup>16</sup> Maitland City Council *Application Part B*, p 130.

<sup>17</sup> Maitland City Council *Application Part B*, p 130.

<sup>18</sup> OLG unpublished data.

- ▼ residential rates as a proportion of average total income for households is 1.8% compared to the Group 5 average of 2.2% and the NSW average of 1.6%.<sup>19</sup>

In response to research and consultation, the council made efforts to reduce increases on business ratepayers and has the support of the Maitland Business Chamber.<sup>20</sup> The council expects that supporting the investment in infrastructure for growth will have net economic benefits for its business community.<sup>21</sup>

The council also adjusted its proposal to ensure the farmland rates increases proposed were below the changes in input costs in agriculture that farms are projected to experience.<sup>22</sup>

The council commissioned Western Research Institute (WRI) to determine the reasonableness of the impact on the council's ratepayers – on the basis of an original proposal for 8.35% per year for 7 years.<sup>23</sup> WRI concluded that the proposal was reasonable based on the following information:

- ▼ with the proposed increases, the rates that are paid by households in the lowest quintiles will not exceed 2.04% of total expenditure by 2020/21<sup>24</sup>
- ▼ for households receiving the age pension, rates will comprise 2.52% of total expenditure.<sup>25</sup>

### Our assessment of impact on ratepayers

In assessing the reasonableness of the impact of the special variation on ratepayers, we examined the council's special variation history and the average annual growth of rates in various rating categories.

Since 2000/01, the council has applied for and been granted 3 special variations (a temporary increase of 4.47% in 2000/01, and permanent increases of 9.73% in 2006/07, 9.80% in 2011/12 and 10.0% in 2012/13).

Council's residential rates have been comparatively low compared to the Group 5 average over recent years (despite past special variations) whilst farmland and business rates have been comparatively high.

- ▼ in 2011/12 the council's residential rates of \$865 were 5% lower than the Group 5 average of \$911 and higher than the NSW average of \$685
- ▼ in 2011/12 the council's business rates were \$4,464 which were comparable to the Group 5 average of \$4,330 and higher than the NSW average of \$2,552

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<sup>19</sup> OLG unpublished data.

<sup>20</sup> Maitland City Council *Application Part B*, p 139.

<sup>21</sup> Maitland City Council *Application Part B*, pp 140-145.

<sup>22</sup> Maitland City Council *Application Part B*, p 146.

<sup>23</sup> Maitland City Council *Application Part B*, p 130.

<sup>24</sup> Maitland City Council *Application Part B*, p 135.

<sup>25</sup> Maitland City Council *Application Part B*, p 135.



- ▼ in 2011/12 the council's farmland rates of \$2,232 were higher than the Group 5 average of \$1,724 and comparable to the NSW average of \$2,123
- ▼ In 2011/12 the council's mining rates of \$127,000) were significantly higher than the Group 5 average of \$52,975, and 18% higher than the NSW average of \$107,443 (see Appendix C).

The council has therefore decided to adjust the impact on ratepayers to fall more heavily on residential rates.

In its application, the council compared its current average rates to a selection of similar and surrounding councils both currently and at the end of the special variation period, assuming its requested special variation was approved. It assumed that if rates in Group 5 councils increased at 5% per annum (in line with previous trends), Maitland would move from having the 9th highest rates to the 3rd highest rates in the Group.<sup>26</sup>

The special variation is a substantial rate increase over a prolonged period. The feedback from ratepayers in low-income groups provided to both IPART and the council indicates concerns over affordability and the quality of consultation processes.

We note that the council has comprehensively considered the community's capacity and willingness to pay. It has also sought to moderate the impact on ratepayers by proposing a lower increase in rates than its original plan and reducing the relative impact on farmland rates.

We note that there have been concerns in submissions regarding the council's use of a survey to establish the community's willingness to pay. IPART notes that the survey was conducted by MicroMex, which is a commercial survey company. MicroMex is a highly regarded professional organisation and bound by industry quality standards in undertaking its work. Both feedback from submissions and the results of the survey provided by the council formed part of our consideration of the application.

In making our decision for an approval, we note the council's assessment of the community's capacity to pay increases in rates of this size over the medium term. On balance, given the need and consideration of capacity to pay, we decided the rate increases proposed are reasonable.

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<sup>26</sup> Maitland City Council Application Part B, p 136.

## 4 What does our decision mean for the council?

Our decision means that Maitland City Council may increase its general income over the 7-year period from \$40.5m in 2013/14 to \$66.0m in 2020/21 (see Table 1.1). After 2020/21, all other things being equal, the council's permissible general income will increase by the annual rate peg unless we approve a further special variation.<sup>27</sup>

The council estimates that over these 7 years, its permissible general income will increase by \$25.6m (\$16.6m above the rate peg). This will generate additional revenue of over 7 years of \$61.2m above the rate peg.<sup>28</sup> This extra income will allow the council to substantially reduce its operating deficit. It will also allow the council to maintain the level of services and assets its community expects, make progress in addressing its asset backlog and fund a more limited program of new and replacement capital works.

## 5 What does our decision mean for ratepayers?

We set the allowable increase in general income, but it is a matter for each individual council to determine how it allocates any increase across different categories of ratepayer, consistent with our determination.

In its application, Maitland City Council indicated that it intended to increase rates over the first 4 years differently for each category as discussed above.

The council has calculated that:

- ▼ Average non urban residential rates would increase by a cumulative 64.94%, or by \$1,079.60 over 7 years.
- ▼ Average urban residential rates would increase by a cumulative 69.47% or by \$671.08 over 7 years
- ▼ Average high intensity farmland rates would increase by a cumulative 21.37%, or by \$631.46 over 7 years.
- ▼ Average low intensity farmland rates would increase by a cumulative 20.26% or by \$438.96 over 7 years.
- ▼ Average business rates would increase by a cumulative 51.65% or by \$2,717.31 over 7 years.

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<sup>27</sup> General income in future years cannot be determined with precision because it will be influenced by several factors apart from the rate peg. Those factors include changes in the number of rateable properties and adjustments for previous under- or over-collection of rates. The OLG is responsible for monitoring and ensuring compliance.

<sup>28</sup> Maitland City Council *Application Part A*, Worksheet 1 and IPART calculations.

- ▼ Average mining rates would increase by a cumulative 63.16%, or by \$96,000 over 7 years.<sup>29</sup>

Table 5.1 shows how average rates are expected to increase in each main ratepayer category under our determination. The actual impact of our determination on rates is a matter for the council to decide, but the overall impact across the ratepayer base will be consistent with our determination.

**Table 5.1 Indicative annual increases in average rates**

Year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Residential – non urban							
\$	129.2	131.4	141.6	151.7	162.8	174.9	188.1
%	7.8	7.3	7.4	7.4	7.3	7.4	7.4
Residential - urban							
\$	70.8	83.4	89.4	95.9	102.8	110.3	118.3
%	7.3	8.1	8.0	7.9	7.9	7.8	7.8
Farmland – high intensity							
\$	121.1	90.7	90.7	87.0	85.1	79.4	77.5
%	4.1	3.0	2.9	2.7	2.5	2.3	2.2
Farmland – low intensity							
\$	86.9	63.4	63.4	63.4	56.3	56.3	49.3
%	4.0	2.8	2.7	2.7	2.3	2.3	1.9
Business							
\$	344.6	328.3	352.7	378.8	407.7	436.5	468.7
%	6.6	5.9	5.9	6.0	6.1	6.2	6.2
Mining							
\$	11,000	11,500	12,500	13,500	15,000	15,500	17,000
%	7.2	7.1	7.2	7.2	7.5	7.2	7.4

**Source:** Maitland City Council *Application Part A*, Worksheet 5a.

<sup>29</sup> Maitland City Council *Application Part A*, Worksheet 5a.



## Appendices



## **A Expenditures to be funded from the special variation**

Tables A.1 and A.2 show Maitland City Council's proposed expenditure of the special variation funds over the next 10 years.

The council will use the additional special variation revenue of \$111.1m over 10 years) to fund:

- ▼ \$11.1m of extra operating expenditure (Table A.1), and
- ▼ \$25.0m of capital expenditure (Table A.2).

The special variation will lead to a \$100.0m improvement in the council's operating balance over 10 years.

The council will indicate in its Annual Reports how its actual expenditure has evolved relative to its proposed program of expenditure.

**Table A.1 Income and proposed expenditure related to the special variation (\$000)**

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	TOTAL
Special variation income above rate peg	2,002	3,906	6,001	8,303	10,827	13,591	16,616	17,114	17,628	18,157	111,099
Funding for increased operating expenditures	27	308	584	852	1,099	1,318	1,512	1,681	1,814	1,909	11,103
Effect on reducing operating deficits	1,975	3,598	5,417	7,451	9,728	12,273	15,104	14,935	14,802	14,707	99,996
Funding for capital expenditure	3,000	8,200	1,400	8,200	1,200	2,800	200	0	0	0	25,000

**Source:** Maitland City Council *Application Part A*, Worksheet 6.

**Table A.2 Proposed capital program related to the special variation (\$000)**

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
Road resurfacing	500	1,400	160	1,090	200	500	0	0	0	0	3,850
Bus shelter improvement	0	175	0	175	0	0	0	0	0	0	350
Community buildings and public toilets	400	800	100	800	0	400	0	0	0	0	2,500
Footpath construction	300	850	0	850	0	100	0	0	0	0	2,100
Linemarking	100	100	100	100	100	100	100	0	0	0	700
Road reconstruction	800	1,920	900	2,020	660	600	100	0	0	0	7,000
Place activation	140	230	140	210	140	140	0	0	0	0	1,000
Recreation cycleways, trails and shared footpaths	300	850	0	750	0	100	0	0	0	0	2,000
River access	140	230	0	330	0	300	0	0	0	0	1,000
Sporting facilities	200	825	0	1,075	100	300	0	0	0	0	2,500
Youth spaces (skate parks) and programs	120	820	0	800	0	260	0	0	0	0	2,000
<b>Total capital expenditure</b>	3,000	8,200	1,400	8,200	1,200	2,800	200	0	0	0	25,000

**Source:** Maitland City Council *Application Part A*, Worksheet 6.

## **B Maitland City Council's projected revenue, expenses and operating balance**

The council will also report annually against its projected revenue, expenses and operating result as classified in its Annual Financial Statements and shown in Table B.1.

Revenues and the operating result in the annual accounts are reported inclusive of capital grants and contributions and asset sales.

In order to isolate ongoing trends in operating revenues and expenses, our analysis of the council's operating account in the body of this report excluded all items of a capital nature. When they are included in the council's public reports, total revenue will be higher and the operating deficit lower (or the operating surplus higher).



**Table B.1 Summary of projected operating statement for Maitland City Council, 2014/15 to 2023/24 (\$000)**

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Total revenue	84,002	99,512	102,164	110,039	109,363	113,616	120,307	124,731	129,317	133,953
Total expenses	75,987	81,252	86,510	91,130	96,262	101,034	107,032	112,267	118,089	124,068
Operating result from continuing operations	8,015	18,260	15,654	18,909	13,101	12,582	13,275	12,464	11,228	9,885
Operating result from continuing operations excluding capital grants and contributions	-681	2,984	4,347	7,570	1,729	1,176	1,835	988	-285	-1,666

**Source:** Maitland City Council, *Long Term Financial Plan* (2014-15 - 2023-24), adopted 11 February 2014, p 64.

## C Comparative indicators

Indicators of council performance may be considered across time, either for one council or across similar councils, or by comparing similar councils at a point in time.

In Table C.1 we show how selected indicators for Maitland City Council have changed over the 3 years to 2011/12.

**Table C.1 Trends in selected indicators for Maitland City Council, 2009/10 to 2011/12**

	2009/10	2010/11	2011/12
<b>Productivity (labour input) indicators<sup>a</sup></b>			
FTE staff (number)	332	341	343
Ratio of population to FTE	208	203	203
Average cost per FTE (\$)	63,208	64,938	70,496
Employee costs as % operating expenditure (General Fund only) (%)	39.1	37.6	35.0
Consultancy/contractor expenses (\$m)	2.8	2.8	3.1
Consultancy/contractor expenses as % operating expenditure (%)	5.2	4.6	4.5

<sup>a</sup> Based upon total council operations that include General Fund, Water & Sewer and other funds, if applicable.

**Source:** OLG, unpublished data.

In Table C.2 we compare the latest selected published data on Maitland City Council with the average of the councils in the OLG Group and with NSW councils as a whole.

**Table C.2 Select comparative indicators for Maitland City Council, 2011/12**

	Council	OLG Group 5 average <sup>a</sup>	NSW average
<b>General profile</b>			
Area (km <sup>2</sup> )	392	n/a	n/a
Population	69,646	n/a	n/a
General Fund operating expenditure (\$m)	66.6	n/a	n/a
General Fund operating revenue per capita (\$)	952	1,177	2,011
Rates revenue as % General Fund income (%)	41.5	48.4	45.7
<b>Average ordinary rate indicators<sup>b</sup></b>			
Average rate – residential (\$)	865	911	685
Average rate – business (\$)	4,464	4,330	2,552
Average rate – farmland (\$)	2,232	1,724	2,123
Average rate – mining (\$)	127,000	52,975	107,443
<b>Socio-economic/capacity to pay indicators<sup>c</sup></b>			
Average annual income for individuals, 2010 (\$)	48,672	42,432	44,140
Growth in average annual income, 2006-2010 (% pa)	4.0	3.5	3.0
Average residential rates 2011/12/ average annual income, 2010 (%)	1.8	2.2	1.6
SEIFA, 2011 (NSW rank; 153 is least disadvantaged)	107	n/a	n/a
Outstanding rates & annual charges ratio (incl water & sewerage charges) (%)	2.5	5.4	7.0
<b>Productivity (labour input) indicators<sup>d</sup></b>			
FTE staff (number)	343	695	293
Ratio of population to FTE	203	169	126
Average cost per FTE (\$)	70,496	79,825	74,438
Employee costs as % operating expenditure (General Fund only) (%)	35.0	34.5	36.8
Consultancy/contractor expenses (\$m)	3.1	21.3	6.9
Consultancy/contractor expenses as % operating expenditure (%)	4.5	11.7	9.3

<sup>a</sup> OLG Group 5 is classified 'Urban Large/Very Large Regional Town/City' with a population of >70,000. The group comprises 8 councils including Coffs Harbour, Lake Macquarie, Newcastle, Port Macquarie-Hastings, Shoalhaven, Tweed and Wollongong councils.

<sup>b</sup> Average rates equal total ordinary rates revenue divided by the number of assessments in each category.

<sup>c</sup> Average annual income includes income from all sources excluding government pensions and allowances.

<sup>d</sup> Based upon total council operations. There are difficulties in comparing councils using this data because councils' activities differ widely in scope and they may be defined and measured differently between councils.

**Source:** OLG, unpublished data; ABS, *National Regional Profiles*, NSW, November 2011; ABS, *Regional Population Growth*, July 2012; ABS, *Estimates of Personal Income for Small Areas, 2005-06 to 2009-10*, February 2013, ABS, *Socio-Economic Indexes for Areas (SEIFA) 2011*, March 2013.

## **Special Variation Application Form – Part B**

**For applications for 2014/15**

**Issued October 2013**

### **Maitland City Council**

Date Submitted to IPART: 24<sup>th</sup> February 2014

Council Contact Person: Leah Flint

Council Contact Phone: (02) 4934 9794

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The Tribunal members for this special variation assessment are:

Dr Peter J Boxall AO, Chairman

Mr Simon Draper, Part Time Member

Inquiries regarding this document should be directed to a staff member:

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# 1 Introduction

Each council must complete this application form (Part B) in order to apply for a special variation to general income. The same Part B form is to be used for applications made either under section 508A or under section 508(2) of the Local Government Act 1993.

IPART assesses each application against the criteria set out in the Division of Local Government (DLG) Guidelines for the preparation of an application for a special variation to general income for 2014/2015 (the Guidelines). Councils should refer to these guidelines before completing this application form. They are available at [www.dlg.nsw.gov.au](http://www.dlg.nsw.gov.au).

We also publish Fact Sheets on our role in local government rate setting and special variations and on the nature of community engagement for special variation applications. The latest Fact Sheets on these topics are dated September 2013. They are available on our website at [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au).

Councils must complete this Part B form with a relevant Part A form, also posted on our website. The relevant Part A form is either:

Section 508(2) Special Variation Application Form 2014/15 – Part A for a single percentage variation under section 508(2) or

Section 508A Special Variation Application Form 2014/15 – Part A for more than one percentage variation under section 508A.

The amount of information to be provided is a matter for judgement, but it should be sufficient for us to make an evidence-based assessment of the council's application against each criterion. This form includes some questions that the application should address, and guidance on the information that we require. As a general rule, the higher the cumulative percentage increase requested, and the greater its complexity, the more detailed and extensive will be the information required.

## 1.1 Completing the application form

To complete this Part B form, insert the council's response in the boxes and the area which is highlighted, following each section or sub-section.

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

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

This application form consists of:

- ▼ Section 2 - Focus on Integrated Planning and Reporting
- ▼ Section 3 – Assessment criterion 1
- ▼ Section 4 – Assessment criterion 2
- ▼ Section 5 – Assessment criterion 3
- ▼ Section 6 – Assessment criterion 4
- ▼ Section 7 – Assessment criterion 5
- ▼ Section 8 - Other information
- ▼ Section 9 – Checklist of contents
- ▼ Section 10 – Certification.

## 1.2 Submitting the application

IPART asks that all councils intending to apply for a special variation use the Council Portal on our website to register as an applicant council and to submit their application.

The Portal is at [http://www.ipart.nsw.gov.au/Home/Industries/Local\\_Govt](http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt). A User Guide for the Portal will assist you with the registration and online submission process.

Councils intending to submit an application should notify us of their intention to apply by **cob Friday 13 December 2013**.

Councils should also submit their applications, both Part A and Part B and supporting documents, via the Portal. File size limits apply to each part of the application. For Part B the limit is 10MB. The limit for the supporting documents is 120MB in total, or 70MB for public documents and 50MB for confidential documents. These file limits should be sufficient for your application. Please contact us if they are not.

We also ask that councils also submit their application to us in hard copy (with a table of contents and appropriate cross referencing of attachments). Our address is:

Local Government Team  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVB Post Office NSW 1230

Level 17, 1 Market Street, Sydney NSW 2000.

We must receive your application via the Council Portal and in hard copy no later than **cob Monday 24 February 2014**.



We will post all applications (excluding confidential documents) on our website. Councils should also post their application on their own website for the community to read.

## **2 Focus on Integrated Planning and Reporting**

How a council considers and consults and engages on a special variation as part of its Integrated Planning and Reporting (IP&R) processes is fundamental to our assessment of the application for a special rate variation. Such a focus is clear from DLG's September 2013 *Guidelines*.

The key relevant IP&R documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and, where applicable, Asset Management Plan.

A council's suite of IP&R documents may also include supplementary and/or background publications used within its IP&R processes. As appropriate, you should refer to these documents to support your application for a special variation.

Briefly outline how the council has incorporated the special variation into its IP&R processes. Include details of and dates for community consultation, key document revisions, exhibition period(s) and the date(s) that the council adopted the relevant IP&R documents.

# MAITLAND AT A GLANCE



<b>Area:</b>	396km <sup>2</sup>
<b>Location:</b>	41 km from Newcastle, 170km from Sydney
<b>Rail:</b>	located on North Coast and New England rail lines
<b>Road:</b>	12km from junction of F3 Freeway and Pacific Highway, with the New England Highway running through the city

## DEMOGRAPHICS

Estimated residential population 2012	71,866
Projected population in 2023	89,600
Projected population 2030	120,000
Median age	36
Proportion of households with children	46%
Aboriginal persons	3.5%
Persons born overseas	7.6%
Number of dwellings	26,492
Average household size (predominately separate dwellings)	2.66

## LIFESTYLE

Number of parks	55
Number of sports fields	37
Number of schools	33
Number of libraries	4
Number of community halls	12
Flagship events	5 per year

### Sources:

Australian Bureau of Statistics, Census of Population and Housing, 2011  
NSW Government, Division of Local Government, Comparative information 2013

## ECONOMY

Residents living and working in Maitland	12,894
Total in labour force	31,188
Small businesses	4,182
Average weekly household income	\$1,292
Household income greater than \$1000 per week	26.2%
Proportion of households with a low weekly household income	20.4%

## EDUCATION

Bachelor or higher degree	11.1%
Advanced Diploma or Diploma	7.4%
Vocational	24.7%
No tertiary qualifications	47.2%

## LOCAL GOVERNMENT

Comparative group 5	City with a population over 70,000 with an urban centre
Rate revenue per capita 2011/12	\$1,425 (3rd lowest in group 5)
Average residential rates 2011/12	\$865 (3rd lowest in group 5)
Average business rates 2011/12	\$4,464 (3rd highest in group 5)
Average farmland rates 2011/12	\$2,232 (highest in group 5)
Total rate yield 2012/13	\$38 million
Projected rate yield 2020/21	\$82 million

## SOCIO-ECONOMIC INDICATORS

### SEIFA Index Socio-economic disadvantage

Score: 993

Group 5 comparison: Maitland has the lowest level of disadvantage, equal with Lake Macquarie and Newcastle

### SEIFA Economic resources

Score: 1014

Group 5 comparison: Maitland has the highest access to economic resources

## 2.1 Background

Maitland is a proud and growing community, with Council playing an integral role in building from our inherent strengths and ensuring the fundamental values of the community are maintained.

Following a comprehensive engagement process almost a year in length, and with the support of our community (evidenced by two independently conducted, randomly selected surveys), Maitland City Council is seeking a reasonable and affordable increase in rates. This would see total rates revenue increase by 7.25% each year for seven years, applied differentially to ratepayers within each rating category.

This increase in rating revenue is part of a considered revenue strategy, with Council pursuing increased grants, increased borrowings for infrastructure renewal, sale of assets, and pursuit of efficiencies to the value of \$500,000 per annum. The strategy will enable Council to maintain services to a growing population over time, whilst enhancing services in areas of community priority.

Under the package, average residential rates increase would increase by \$71 in 2014/15.

Maitland City Council has tackled an unenviable challenge. Council does not have the capacity to generate the funds required to sustainably deliver services to the City's growing population over time. Nor does Council have the capacity to enhance services in key areas that the community has said they wish to see improvements. This application, and associated strategies developed by Council, will address this issue and support the growth and prosperity of the City.

The sustainability challenge faced by Council is the result of myriad complex and inter-related factors, with its genesis in the rural township that was Maitland in the 1970s. The introduction of rate pegging came at a time when Maitland was a town of 35,000 residents working in manufacturing, construction, retail and agriculture, shopping in High Street on Saturday mornings and expecting little more from Council than rubbish collection, decent roads, a few ovals and a Central library.

Transition to the Maitland we see today and the contrast is stark. Council has recently grown to a population of more than 70,000, placing it in the category of Councils classed as regional cities with an urban core. These cities, including our neighbouring Councils of Newcastle and Lake Macquarie, by their very demographic and geographic nature have a certain service level expectation associated with local government service provision.

Today, our community reasonably expects year round swimming, sports fields to accommodate all activities from track and field to hockey, baseball, cricket and football. Our residents want community halls with contemporary facilities, and libraries that deliver a new range of face-to-face and on-line services. Smooth, wide

roads, footpaths and off-road cycleways are expected, while a City centre that is active both day and night is desired.

Council has faced the challenge head-on, having difficult but honest conversations with our residents about the future. All contributing factors have been explored, and potential solutions examined. This conversation, extended over three years, has shown our community wants services maintained and key services enhanced.

This proposal will enable Council to do just that.

## Council's IP&R journey

Council's long term financial challenge has been clearly highlighted during IP&R processes, initially commencing in 2010 as a Group 2 Council during the implementation of the legislative change, and more recently following the election of a new Council in 2012 and the mandated revision of the suite.

A summary of IP&R processes, engagement and key points is contained in the table below.

**Table 2.1.1 – Maitland City Council IP&R Processes**

Document	Exhibition Period and Consultation activities	Key points pertaining to SRV	Adopted by Council
Community Strategic Plan Maitland 2021 (draft)	10 November 2010 – 14 January 2011, with plan developed following active community engagement including face-to-face and on-line surveys, booths at events, presentations to community groups, and workshops with a Community Reference Panel, Councillors and staff. More than 800 responses to the preparation of the draft plan.	Established first community strategic plan for the City, identified overall themes and desired outcomes for the next ten years.	9 November 2010
Community Strategic Plan Maitland 2021 (final)	Adopted and Division of Local Government advised. Placed on website, copies available at Council facilities and key stakeholders advised.	As reported to Council "...feedback obtained during this consultation has revealed a number of priority areas for the community for consideration during the development of the 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."	22 February 2011
Draft Delivery Program 2011-	Placed on exhibition from 23 March until 6 May 2011.	Council's first four year program, which	22 March 2011

15 draft, Operational Plan 2011/12, and Resourcing Strategy	Extensive media coverage and advertising, Council's newsletter to every household in the LGA, information sessions, information sheets, telephone survey, online forum and survey, presentations. Identified objectives for next four years to support Maitland 2021. Incorporated need for SRV to tackle asset backlog – signalled first step in pursuit of financial sustainability.	incorporated a SRV proposal as reported to Council "... to provide additional revenue to Council as a first step towards improving the standard and condition of the City's infrastructure, and reviewing and revitalising the overall appearance and presentation of the City."	
Delivery Program 2011-15 and Operational Plan 2011/12 (final) and Resourcing Strategy	As outlined above. Final program lodged with IPART, DLG advised, placed on website and promoted via council facilities and other mechanisms	As reported to Council "...very low levels of expressed concern regarding the SRV proposal and the projects to be funded, suggesting that the community supports the need for the rise."	24 May 2011
IPART approval of SRV application 11/12	Application published by IPART and Council. Determination announced in June 2011 and reported to Council.	Council's application for a special variation to increase general income by 9.8% in 2011/12 and 10.0% in 2012/12 approved in full. As reported to Council "...this successful result represents a significant first step towards achieving a position of sustainability for the City".	11 June 2011
Annual Report 2011/12	Published on Council website and provided to Division of Local Government	Highlighted work within each theme of Maitland 2021 with 'report card' on objectives. Featured continuous improvement initiatives. Met statutory reporting requirements, including progress toward SRV funded works and financial performance.	27 November 2012
Review of community strategic plan Maitland 2021	12 December 2012 – 8 February 2013. Consultation through Council's website and Maitland 'Your Say' hub; advertisements; media	Review of Maitland 2021 over two months, designed to gain further insight into the feelings, concerns and hopes for	11 December 2012

	releases/articles; social media campaign; correspondence with major stakeholders; facility and library branch displays.	the City of Maitland over the next ten years, from both broader community members and key stakeholders.	
Maitland + 10 – revised community strategic plan	Adopted by Council	Review found aspirations of our community remain reflected in plan, some minor changes to the plan including the rebranding of the plan, renaming of themes to provide clearer direction and distinction, and the inclusion of additional strategies focused on physically connecting to the Hunter River and provision of accommodation.	9 April 2013
Draft Delivery Program 2013-17 and Operational Plan 2013/14 commencing 'Understanding issues - sustainable Council for a sustainable City' (Phase 1)	29 April to 25 May 2013	Draft presented three primary options available to address projected financial deficits over the next ten years, addressing shortfall through reducing expenditure or increasing revenues. Whilst no changes to revenue (including rating and fees & charges) suggested in the first year of the program, the release signals the start of significant conversation with the community over 12 months, if significant deficit budgets are to be avoided from 2014/15 onwards.	23 April 2013
Delivery Program 2013-17 and Operational Plan 2013/14 adopted	Adopted by Council. Published on Council's website, available at Council facilities.	Program highlighted financial challenges in continuing to provide services. Report signalled "further community engagement to explore options and consequences in the provision of services and facilities over time, with reports provided to Council as engagement continues."	11 June 2013



'Developing funding and service options – Funding our Future' (Phase 2)	17 August – 4 October 2013	Release of detailed options and impact on rating – including on-line rating calculator. Explored two variation possibilities over 7 years (7.25% and 8.95%), as well as rate peg scenario of deficit budgets and/or service cuts.	27 August 2013
'Funding our solution – Funding our Future' (Phase 3)	23 October – 29 November 2013	Following Phase 2 consultation and review, option of 8.35% increase to total rates each year for 7 years, allowing services to be maintained and some areas enhanced, released for consultation. 835 residents contribute via on-line survey, face-to-face information sessions, on-line forums, social media and telephone survey. Whilst most residents do not wish to pay more for services from any level of government, support exists for the maintenance of Council's services, as well as enhancements in some areas.	22 October 2013
'Programming services – Funding our Future' (Phase 4)	Council agenda and minutes published on Council's website.	Council unanimously resolves to signal intent to IPART to apply to increase to up to 8.35% each year for seven years. This follows consideration of the range of contributing factors and examination of issues (including community feedback, efficiency, comparative rating, rate revenue per capita and affordability).	10 December 2013
Draft Delivery Program 2013-17 (Revised) and	11 December – 24 January 2014	Draft Delivery Program 2013-17 (Revised) and Operational Plan 14/15 prepared, in line with	10 December 2013



Operational Plan 2014/15		proposed special rate variation. Placed on exhibition, and incorporates Council's rating proposal. Signals further possible adjustment to farmland rating.	
Signal of intent to IPART	Letter and Council report published on IPART website.	IPART advised of intention to apply.	13 December 2013
Council report - final rating proposal	Council agenda and minutes published on Council's website	Council unanimously resolves to proceed with a detailed application to increase total rates revenue by 7.25% each year for seven years, and adjust apportionment following final round of consultation. Council supports increased borrowings, increased grants and productivity factor of \$500,000 per annum, commencing 2015/16.	11 February 2014
Delivery Program 2013-17 (Revised), Operational Plan 2014/15 and Resourcing Strategy	Council report and minutes published, revised Program and Operational Plan published online and distributed via Council sites.	Council unanimously adopts Delivery Program 2013-17 (Revised) and Operational Plan 2014/15. Includes final rating scenario. Revised Resourcing Strategy is also adopted to support the program, including assets, financial, ICT and workforce plans.	11 February 2014
Hardship framework	Council considers new and revised Hardship, Pensioner Concession and Debt Recovery policies	Council unanimously resolves to place policies on public exhibition, seeking to ensure appropriate mechanisms are available to support ratepayers experiencing genuine hardship.	11 February 2014
IPART application	Application and appropriate attachments published.	Council submits application to IPART, along with supporting documents	24 February 2014
Determination	IPART decision expected	Determination to be	June 2014

	June 2014	formally reported to Council and community when available	
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## **Incorporation of proposal into IP&R documents**

As can be seen from the above, Council has embraced the opportunities offered by IP&R to truly engage the community in a vision for the city, foster greater awareness of Council's services, ensure alignment of service planning and delivery with community desires, highlight the very real financial and service challenges facing the organisation and finally, develop a solution that is acceptable to the community.

## **Maitland +10 community strategic plan establishes vision and strategies**

The plan establishes a clear vision for the city. Whilst, appropriately, the plan does not overtly incorporate a special rate scenario, it does clearly express the community's desired outcomes across five themes. These outcomes require many contributors, while Council is a primary contributor in many areas.

The themes are:

- Proud people, great lifestyle – focused on retaining a sense place and pride in the City; ensuring our community and recreation services meet the needs of our community and; celebrating iconic events and festivals.
- Our built space – focused on well-planned infrastructure; movement around the City; enhancing our unique built heritage, complemented by sustainable new developments and; ensuring diverse and affordable housing.
- Our natural environment – focused on the management of population growth on our environment and natural resources; enhancing and utilising our rivers and flood plains and; ensuring awareness of personal impacts on the environment.
- A prosperous and vibrant city – focused on ensuring contemporary transport and telecommunications infrastructure; a sense of identity in villages, suburbs and the city centre; Maitland as a great place to live, work, visit and invest and; Central Maitland is the vibrant heart of the City.
- Connected and collaborative community leaders – focused on ensuring the connection of all leaders across the community; ensuring community participation in government decision-making; Council is efficient and effective and; a Council for now and future generations.

With community expectations made very clear, Council then turned to developing its own response and developing a viable scenario for delivering Council's contribution to achieving the vision, in collaboration with the community.

Due to the integrated structure and presentation of our IP&R suite, the alignment of the SRV proposal to the community vision is clear.

It should be noted that Council's initial community strategic plan has been recognised as an example of good practice by the Division of Local Government.

A copy of 'Maitland +10' can be seen as Attachment 1.

### **Council's contribution in detail - Delivery Program 2013-17 (Revised) and Operational Plan 2014/15**

After signalling the challenges and broad options in Delivery Program 2013-17 released in draft in early 2013, followed by significant consultation, Council's proposal for a seven year rate variation has been incorporated into the Delivery Program 2013-17 (Revised), with the first year of actions, budgets, rating, fees and charges outlined in the Operational Plan 2014/15.

Taking advice from the Division of Local Government that a Delivery Program should ideally be matched to the term of a Council, the decision was taken to revise the current Council's program, and incorporate a delivery forecast for the remaining period of the variation. This, for example, shows expenditure within themes over 7 years and signals capital works programming. The incorporation of the proposal is discussed extensively in Section 4, whilst the rationale for seeking to increase revenue over 7 years can be seen in Section 3.

A copy of the Program and Plan can be seen as Attachment 1a.

It should be noted that these documents have been developed on a scenario of a SRV being approved. This is due to the very nature of Council's application, which is based on sustaining services to an increasing population and enhancing some services in areas of community priority (ie, our application is not underpinned by a discretionary list of projects). Should IPART make an alternate determination, Council will use the 2014/15 year to undertake a significant consultation process on savings and service reductions. Due to the nature of savings required, it is expected that service cuts would be broad and deep. Council is confident, however, that the case for its application meets assessment criteria.

### **Ensuring ability to meet commitments - Resourcing Strategy 2014 edition**

Council has made considerable efforts in revising its Resourcing Strategy. The strategy's Workforce Plan has already been recognised by the Division of Local Government as an example of good practice, while Council's asset management has been recognised as advanced. Additionally, with a long term financial plan in place from 2005, the veracity of Council's financial model has been well-tested. Recognising that information management and technology will also play an increasingly important role in local government over the next decade, Council made the decision to move beyond compliance and introduce a fourth element to its Resourcing Strategy, being an Information and Communications Technology Plan.

The Resourcing Strategy 2014 edition is an evolution of the original strategy, and demonstrates a truly integrated approach to our asset management, financial planning, people and ICT.

It is this document that underscores the need for Council's variation, and establishes the path to be followed to achieve a position of financial sustainability. The ten year financial plan has modelled the revenue required to sustain Council and deliver the services at levels desired by the community (verified by extensive consultation), while the asset management strategy and associated plans identify what will be required in terms of maintenance and construction and when. Our workforce plan looks holistically at Council's workforce needs and ensuring organisational capacity, but also delves deeper into human resource requirements at a department or service delivery level. With ICT underpinning Council's activities into the future, our ICT plan maps out desired directions.

A copy of the strategy can be seen as Attachment 1b.

Section 6 provides greater detail on the assumptions that have underpinned the development of the long term financial plan and other elements in the Resourcing Strategy.

The full suite of Council's IP&R documents, including the initial and revised Delivery Programs, can be seen at  
[www.maitland.nsw.gov.au/CouncilInformation/IntegratedPlanningReporting](http://www.maitland.nsw.gov.au/CouncilInformation/IntegratedPlanningReporting)

**Table 2.1.2 Summary of performance against SRV criteria**

Criterion	Key points
1. Need for the variation	<ul style="list-style-type: none"> <li>• Will enable delivery of services and enhance services in key areas of community priority to an increasing population</li> <li>• Meets community needs and desires – now and into the future</li> <li>• Ensure financial sustainability of the Council – avoids projected deficit of \$122 million at end of ten years and allows for a level of improvement in key areas</li> <li>• Ensures funding allocated to capital and maintenance works sustained – continued in line with asset management strategy and plans</li> <li>• Seven years provides certainty to ratepayers</li> <li>• Seven years allows for lower annual percentage increases to avoid projected deficits</li> <li>• Fundamental drivers will not change in shorter period – primarily residential growth and changed service expectations appropriate to a large regional City</li> <li>• Provides sustainable platform for subsequent Council</li> <li>• Underpinned by extensive strategic planning and community consultation.</li> </ul>
2. Community awareness and engagement	<ul style="list-style-type: none"> <li>• Broad and deep engagement over 12 months +</li> <li>• Suite of actions deployed to ensure community informed and given opportunity for input – two direct mailouts to all households, one with postal ballot; incorporation in rates notices; media coverage; newspaper advertisements; social media; 'Your Say' website; on-line rates calculator; community information sessions; presentations to groups; stakeholder mailouts; shopping centre and static displays and more.</li> <li>• Support demonstrated in two community surveys (May and November).</li> </ul>
3. Impact on ratepayers	<ul style="list-style-type: none"> <li>• Starting from comparatively low residential rating base (average residential rate \$986 in 2013/14).</li> <li>• 7.25% variation each year for seven years sought – compounded increase of 63% (including 22% rate peg estimate)</li> <li>• Apportionment also changed during SRV period – minimise impact on farmland ratepayers, ensure equity between residential and business ratepayers and address legacy of time</li> <li>• Average annual increase residential (urban) of \$96</li> <li>• Average annual increase farmland (high) \$90</li> <li>• Average annual increase farmland (low) \$63</li> <li>• Average annual increase business \$388</li> <li>• Shifts in-line with Group 5 average rate projections</li> <li>• Independent review found affordable/community capacity to pay</li> <li>• SEIFA and other data also supports capacity to pay</li> <li>• Community support for services and proposal demonstrated in independent, statistically valid telephone</li> </ul>

	<p>surveys</p> <ul style="list-style-type: none"> <li>• Telephone surveys show community support for an increase – May 2013 (86%) and November 2013 (75%)</li> <li>• Revision of policies for debt recovery, hardship and pensioner concessions – all reasonable efforts made to assist individuals in genuine hardship.</li> </ul>
4. Assumptions in Delivery Program and LTFP	<ul style="list-style-type: none"> <li>• LTFP in place since 2005 – veracity well-tested</li> <li>• Application supported by findings of TCorp review – addressing issues now, rather than avoiding and exacerbating long term financial implications</li> <li>• Assumptions in LTFP on range of projections including staffing numbers and costs, utility price rises (including street lighting), construction costs, residential growth, investment returns, loan borrowings etc</li> <li>• Incorporates services and service levels as identified in SRV package</li> <li>• Incorporates a range of non-rates revenues including asset sales, loan borrowings, investments and grants</li> <li>• Loan borrowings targeted at spreading burden across generations for significant, long life assets</li> <li>• Incorporates funding strategic capital works (non SRV funded) including a 'The Levee' in Central Maitland, transport hub and infrastructure upgrades in Central Maitland, and new indoor heated pool at Maitland Aquatic Centre</li> <li>• Delivery Program reflects commitments of current Council, and adopted long term strategies in regard to land use, transport, social needs, community and recreation facilities and more</li> <li>• Delivery over 7 years enabled through an integrated Resourcing Strategy, considering assets, workforce, finance and information and communications technology.</li> </ul>
5. Productivity Improvements and cost containment	<ul style="list-style-type: none"> <li>• Elected and managerial commitment to productivity and efficiency</li> <li>• Continued deployment of Service Sustainability Program – including service and core activity reviews</li> <li>• Productivity improvement target equivalent to \$500,000 per annum, commencing in 2015/16</li> <li>• Maintain advanced asset management</li> <li>• New corporate information system will improve customer service, delivery efficiencies and reduce costs</li> <li>• Enterprise Risk Management continues</li> <li>• Project Management Framework continues</li> <li>• Suite of operational productivity improvements listed</li> <li>• Enhanced efforts to inform community of Council services and focus on efficiency</li> <li>• Performance reporting to continue, with a focus on SRV.</li> </ul>

### 3 Assessment criterion 1: Need for the variation

In the DLG Guidelines, criterion 1 is:

*The need for and purpose of a different revenue path (as requested through the special variation) is clearly articulated and identified through the council's IP&R documents, including its Delivery Program and Long Term Financial Plan. Evidence for this criterion could include evidence of community need/desire for service levels/project and limited council resourcing alternatives and the Council's financial sustainability conducted by the NSW Treasury Corporation. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan applying the following two scenarios:*

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

The response in this section should summarise the council's case for the proposed special variation. It is necessary to show how the council has identified and considered its community's needs, alternative funding options and the state of its financial sustainability.

The criterion states that all these aspects must be identified and articulated in the council's IP&R documents.

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

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

Summarise below the council's need for the special variation. Comment on how the need is captured in the IP&R documents, especially the Long Term Financial Plan



(LTFP) and the Delivery Program, and, where appropriate, the Asset Management Plan (AMP). Note that the LTFP is to include both a 'baseline scenario' and an 'SV scenario' as defined in the *Guidelines*.

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### **Reason for application**

Maitland is a proud and growing community, with Council playing an integral role in building from our inherent strengths and ensuring the fundamental values of the community are maintained.

Maitland City Council is making this application to:

- Maintain services to a growing population over time
- Enhance service levels in demonstrated areas of community priority
- Maintain and renew infrastructure
- Secure the future financial sustainability of Council.

### **IP&R and community desires**

Council has embraced the opportunities offered by the introduction of Integrated Planning and Reporting (IP&R) legislation in NSW, having worked with the community in two rounds of IP&R, firstly with the original ten year community strategic plan 'Maitland 2021' and its revision in 2012/13 to become 'Maitland +10'. Close to 1,000 residents have been engaged in the process of developing these plans, through a variety of means. This has ranged from detailed workshops with reference panels through to surveys, social media comments and community drop-in sessions.

Consistently, engagement with the community has revealed key themes:

- Ensuring State, local and private sector infrastructure is developed in alignment, keeps pace with residential and business growth, and allows for future needs
- Renewing and revitalising Maitland's Central Business District
- Physically connecting with the Hunter River
- An ability to efficiently and safely move around the City in all forms of transport
- Ensuring sporting and other facilities (in particular aquatic facilities) for families and younger people are available
- City appearance and community pride are maintained and celebrated.

There is a clear nexus between these themes and the SRV proposed. If approved, the SRV would allow the current Council to realise our citizen's goals, and at the same time introduce a financially sustainable future for the next Council in which to make service planning and delivery decisions.

### Consultation phases

The stages for our community consultation for this application can be summarised as follows:

**Table 3.1.1 Stages of SRV consultation 2012-14**

Stage	Description	Details
Confirming values and desired direction	Confirming community values	Testing of future aspirations and strategies during the review of the Maitland +10 community strategic plan
Phase 1	Understanding issues – a Sustainable Council for a Sustainable City	Release of detail on the financial challenges for the future, and the primary options available to solve – being increase revenue or decrease expenditure, detailed in Council's draft Delivery Program 2013-17 and a range of support materials
Phase 2	Developing funding and service options – Funding our Future	Seeking community input into preferred levels of service. Release of three options – maintain revenue and reduce services under a rate peg scenario, assumed at 3.2% per annum; increase rates and maintain services through a 7.25% rating increase each year for seven years and; increase rates and enhance services through an 8.95% rating increase each year for seven years.
Phase 3	Finding the solution – Funding our Future	Release of rating revenue proposal to increase 8.35% each year for seven years, incorporating adjustments to apportionment between rating categories for community consultation.
Phase 4	Programming services – Funding our Future	Release of draft Delivery Program 2013-17 (Revised) and Operational Plan 2014/15, based on rating proposal. Further community consultation staged. Release of Independent Local Government Review Plan final report.
Phase 5	Confirming direction – Funding our Future	Adjustment of revenue strategy following consultation and review, and release of recommendations in the Independent Local Government Review Panel final report. Increased borrowings, increased grants and productivity commitment allows for service package as planned to be delivered, whilst increasing total rates revenue

		by 7.25%. Developing a revised four year Delivery Program, incorporating a revised proposal of an increase to 7.25% each year for seven years, incorporating adjustments to rating categories, and releasing for consultation
Phase 6	Delivering the services	Executing the revised Program from July 2014, including annual reporting

### Linkages and scenarios

The need for the variation has been expressed in Council's draft Delivery Program 2013-17, and Delivery Program 2013-17 (Revised) and Resourcing Strategy, in particular the Long Term Financial Plan.

Council's 'baseline' scenario demonstrates that without additional revenue, Council will face an operational deficit of \$122 million at the end of ten years, if services are to be maintained at current levels to an increasing population over time. It should be noted that the projected deficit has increased from the figure released at the start of consultation, due to updated forecasting and a new 'base' year. The increase in the projected deficit is largely a result of a change in waste management strategy and practices, developed over the past 12 months. Under the change, a reduction in commercial waste income is forecast, with a commercial pricing regime that better reflects Council's desire to conserve the landfill for residential purposes. Additionally, a change in operational practices (as result of physical constraints on the site) has led to increased levy payments on cover materials to the NSW State Government

Under Council's special rate variation scenario, Council would not only address this \$122 million deficit but allow for an additional \$25 million over ten years to enhance and improve service levels. The areas targeted for enhancement are areas of community priority, aligned to existing strategies and plans of Council.

Council's Delivery Program 2013-17 (Revised) outlines the work Council will undertake using the funds, and incorporates a delivery forecast for the full period of the variation.

### Rationale for seven year application

After much consideration of all options available, Council is applying for a 7.25% variation each year for seven (7) years, to be retained permanently in the base.

Council recognises this is the maximum period allowable under legislation, and is beyond the term of the current Council. The rationale for this approach will be demonstrated throughout this application, however, the following initial points are made:

- The proposal is underpinned by an intense period of broad and deep community consultation, which built on past planning and consultation

efforts. The services to be delivered by Council over the period align to the ten year community strategic plan Maitland +10.

- Realising the revenue increases required over the longest allowable period will provide rating certainty to current and new ratepayers. It allows the burden of the financial increases to be reduced in dollar terms (noting that a strong case for the affordability of the increase is made in Sections 4 and 5).
- Council's ten year financial plan incorporates increased loan borrowings for the renewal of key infrastructure assets that will be of benefit to ratepayers over time (ie, allowing for intergenerational equity). The period of the variation provides certainty for Council in borrowing these amounts, supporting the spread of repayments over time.
- Council's ten year financial plan incorporates increased grant revenue of \$13 million over ten years. This is based on Council's past and recent record in achieving significant grants, as well as awareness of Federal and State programs for which Council will be eligible and well-positioned to achieve.
- Council is committed to an annual productivity factor equivalent to \$500,000 per annum, commencing in 2015/16. This will enable Council to better document the improvements that are made at an operational level, as part of our culture of continuous improvement.
- Council's long term financial plan incorporates additional revenue streams modelled over a longer period, including generating revenue via a partnership with Urban Growth NSW. This centres on Council's major landholdings in the west of the City, and will take a number of years to be realised (but ultimately will return an anticipated 15-20% more revenue to Council than if the land had been simply sold), injecting an annual revenue stream over early years of the plan.
- It has been suggested that a variation beyond the current term of Council 'locks in' a subsequent Council and its community. This may be a sound argument for SRVs targeting asset backlogs in a 'maintenance Council' environment, where a community may choose to reject new project proposals, accept lower levels of asset service over time, dispose of assets and the like. Council's application, however, is premised on the provision of services to an expanding population over time. The drivers of the need for more revenue (most notably being a low level of residential rating and continued high growth) will not be changed in the term of a Council.
- The above point being made, a position of financial sustainability will enable an incoming Council to make adjustments to service mix and service levels should there be a desire to do so. Given that Council has worked hard to ensure a ten year plan that reflects the desires of our residents, it is unlikely that this would be a drastic shift from current direction.
- Council's Resourcing Strategy has been developed to fully align with the variation proposal, including extension of the workforce plan component from the mandated four years to seven years. Coupled with past service reviews and an ongoing service sustainability program, Council is confident in its projections on resource requirements, as well as efficiency gains that will be made over the period.

- A special variation process takes considerable resources to prepare, and requires a financial investment. Council has aimed for best practice in community engagement in putting this application together, whilst also remaining cognisant of the needs of the up to 10,000 new residents that will move to the City over the course of the variation, and their expectations for reasonable and affordable services in a City of our size.
- Finally, whilst in theory aligning a variation proposal to the term of a Council and its Delivery Program is sound, in practice it would be challenging. Preparatory work would need to be undertaken by an outgoing Council to meet required consultation timeframes. A newly elected Council would need to endorse a proposal within a few months of being elected. A signal of intent due in December would need to be endorsed by a Council elected in September – likely with two months of experience.

### **Securing financial sustainability through own source revenue**

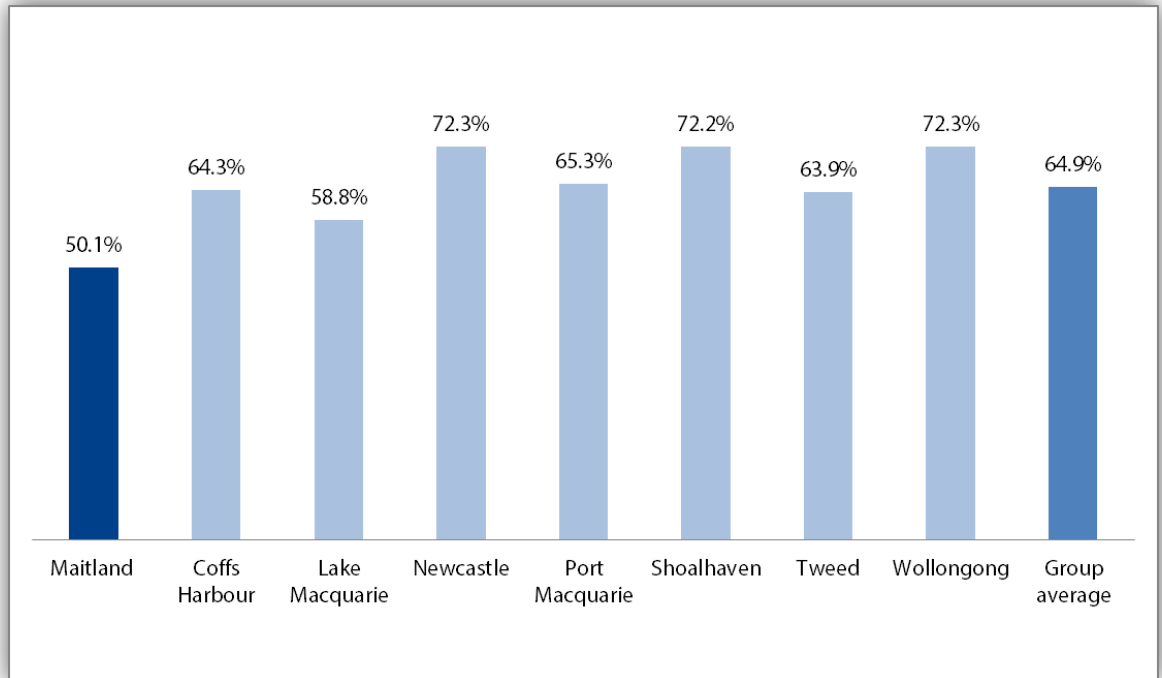
The additional funding generated under the proposal will be used to ensure services can be sustainably provided to an increased population over time, as well as enhancements in key service areas, delivering on Council's Delivery Program 2013-17 (Revised) and a continued program for the subsequent four years. An extended capital works program and financial forecasts have been incorporated into the program.

It is anticipated that whilst specific project or program priorities may be altered by the incoming Council (as is appropriate) the intention to continue to provide the service mix is assumed and aligned to the priorities of the Maitland community.

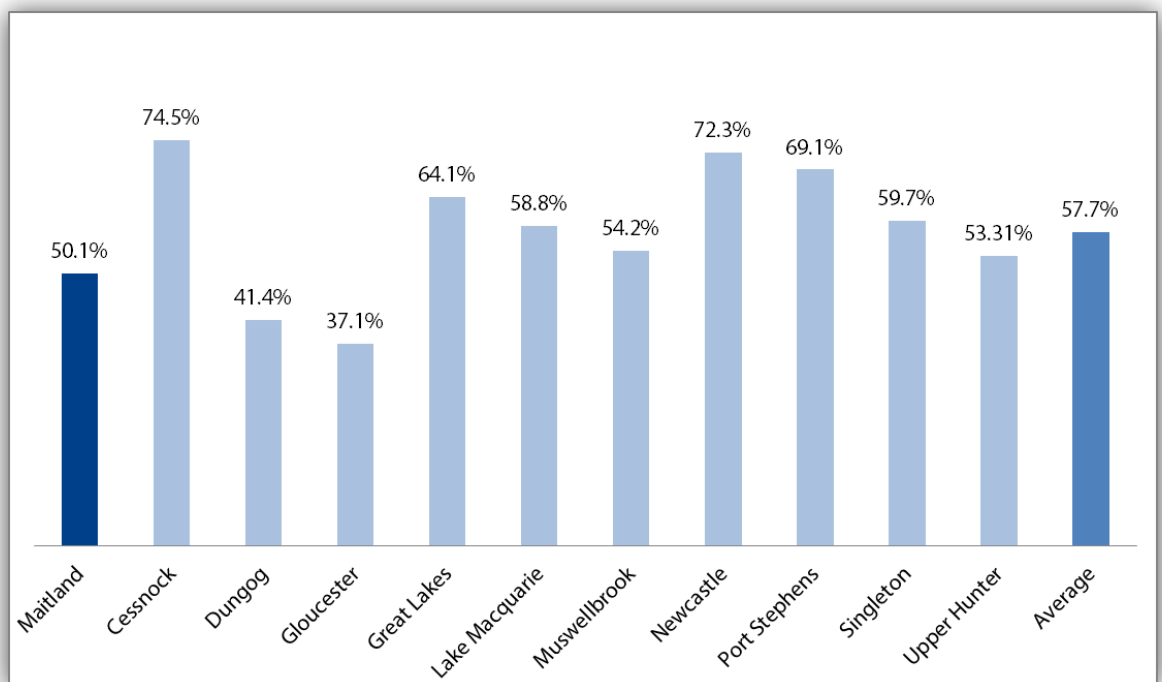
The premise of the application is to ensure the financially sustainable delivery of Council services to a growing population. The underlying drivers contributing to Council's financial sustainability challenge will not change, nor can they be influenced by an incoming Council.

The challenge is illustrated in the graphs below, which shows Council's own source revenue in comparison to Group 5 and Hunter Councils.

**Figure 3.1.1 – Percentage of own source revenue, Group 5 Councils, 2011/12**



**Figure 3.1.2 – Percentage of own source revenue, Hunter Councils, 2011/12**



## Targeting community priorities

Council has identified the medium to long term priorities of the community, and this variation will enable these priorities to be addressed.

In addition to maintaining Council's services and facilities as currently programmed, service levels will be enhanced in key areas as follows over 7 years:

- An additional \$7 million over 7 years for major road reconstruction
- An additional \$3.85 million over 7 years for asphalt resurfacing
- An additional \$700,000 over 7 years for line marking and delineation
- An additional \$350,000 over 7 years for bus shelters
- An additional \$2.1 million over 7 years for footpaths
- An additional \$2 million over 7 years to the establishment of recreational cycleways
- An additional \$1million over 7 years to develop activation programs
- An additional \$2.5 million over 7 years for sporting facilities, parks and playgrounds
- An additional \$2.5 million over 7 years for community buildings and public toilets
- An additional \$1 million over 7 years for improved access to the Hunter River
- An additional \$2 million over 7 years for youth facilities.

Details on these initiatives can be seen in Council's Delivery Program 2013-17 (Revised) and Capital Works Program.

Key projects funded via grants over the period of the variation include:

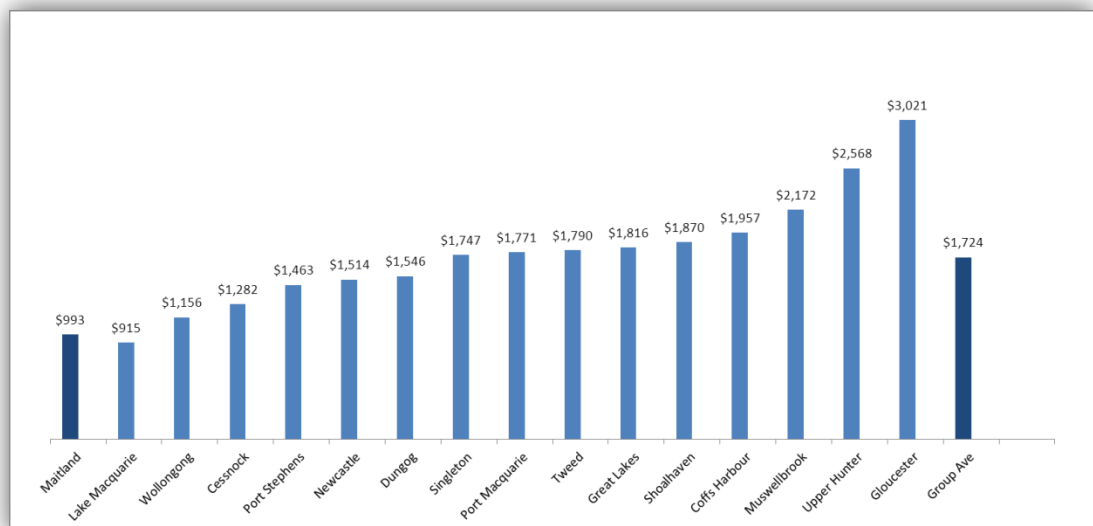
- Upgrade to Maitland Station Precinct and Athel D'Ombrian Drive in Central Maitland, with affordable housing to be realised as a result of infrastructure works. This project has received \$11.3 million under the Federal Governments 'Building Better Regional Cities' program
- Upgrades to Maitland Town Hall performance space, with \$2 million received from the NSW State Government's Hunter Infrastructure and Investment Fund
- Upgrades to Number 1 Sportsground in Maitland, with \$5.6 million received from the NSW State Government's Hunter Infrastructure and Investment Fund, complemented by \$3 million from Council's developer contributions

Key projects programmed by Council for construction (using loans, reserves and developer contributions) in response to community priorities but requiring additional operating revenue to be fully realised are:

- Construction of 'The Levee' in Central Maitland, with a new shared zone and river link building/plaza joining High Street to the banks of the Hunter River
- Construction and operation of a year round aquatic facility, including an indoor 25m pool.

Under the proposal, Council will obtain revenue sufficient to address its comparatively low level of expenditure per capita, illustrated using 2011/12 data below. As can be seen, Maitland's expenditure was \$993 per capita, compared to a Group 5 average of \$1,724.

**Figure 3.1.3 – Hunter and Group 5 Council expenditure per capita 2011/12**



### Resident and ratepayer awareness


The financial challenge being faced by Council, and the role of rates in addressing the challenge, has been widely promoted across the community, with broad and deep engagement process designed to ensure awareness of all residents of Council's proposal to increase rates above the peg.

Over more than ten months, Council undertook the most significant and difficult conversation with the community in many years. The engagement strategy for 'Funding our Future' aimed to ensure community awareness of the need for additional revenue, explore options for the future (including possible reductions in service levels), communicate the impact of rises on residential rates and develop a preferred revenue option for the future.



Council's engagement strategy aligned with the 'inform' and 'consult' levels on the IAP2 Public Participant Spectrum, as shown below. The IAP2 Public Participation Spectrum is designed to assist with the selection of the level of participation that defines the public's role in any community engagement program. The spectrum shows that differing levels of participation are legitimate depending on the goals, time frames, resources and levels of concern in the decision to be made. However, and most importantly, the spectrum sets out the promise being made to the public at each participation level.

**Table 3.1.2 IAP2 Public Participation Spectrum**

 <b>IAP2 Public Participation Spectrum</b> Developed by the International Association for Public Participation				
INCREASING LEVEL OF PUBLIC IMPACT				
INFORM	CONSULT	INVOLVE	COLLABORATE	EMPOWER
Public Participation Goal:	Public Participation Goal:	Public Participation Goal:	Public Participation Goal:	Public Participation Goal:
To provide the public with balanced and objective information to assist them in understanding the problems, alternatives, opportunities and/or solutions.	To obtain public feedback on analysis, alternatives and/or decisions.	To work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered.	To partner with the public in each aspect of the decision including the development of alternatives and the identification of the preferred solution.	To place final decision-making in the hands of the public.
Promise to the Public:	Promise to the Public:	Promise to the Public:	Promise to the Public:	Promise to the Public:
We will keep You informed.	We will keep you informed, listen to and acknowledge concerns and provide feedback on how public input influenced the decision.	We will work with you to ensure that your concerns and aspirations are directly reflected in the alternatives developed and provide feedback on how public input influenced the decision.	We will look to you for direct advice and innovation in formulating solutions and incorporate your advice and recommendations into the decisions to the maximum extent possible.	We will implement what you decide.
Example Techniques to Consider:	Example Techniques to Consider:	Example Techniques to Consider:	Example Techniques to Consider:	Example Techniques to Consider:
<ul style="list-style-type: none"> <li>• Fact sheets</li> <li>• Web Sites</li> <li>• Open houses</li> </ul>	<ul style="list-style-type: none"> <li>• Public comment</li> <li>• Focus groups</li> <li>• Surveys</li> <li>• Public meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Workshops</li> <li>• Deliberate polling</li> </ul>	<ul style="list-style-type: none"> <li>• Citizen Advisory</li> <li>• Committees</li> <li>• Consensus building</li> <li>• Participatory decision-making</li> </ul>	<ul style="list-style-type: none"> <li>• Citizen juries</li> <li>• Ballots</li> <li>• Delegated decisions</li> </ul>

© 2004 International Association for Public Participation

Every practical effort was made to ensure broad community awareness and seek input into desired services levels and the options available to Council to become financially sustainable, as well as feedback on the seven year rating proposal and revised Delivery Program 2013-17.

More than 3,400 people actively participated in the consultation at some point through completing surveys, making submissions, providing comments or attending information sessions. It should be noted that this number may include an overlap of participation for people that participated in a number of methods across a number of phases.

Additionally, resident exposure to the challenge has been underway since 2010. It was during the development of the first community strategic plan 'Maitland 2021' and Delivery Program 2011-15 that the full extent of the challenge was explained with more clarity and detail than had been illustrated by Council in past Management Plans.

It was through this process that Council determined the more urgent priority was the tackling of the infrastructure backlog facing Council, at that time estimated at some \$67 million. This led to an application for a variation of 7% above the rate peg for two years, retained permanently in the base. The additional \$16 million in funding was allocated to a series of projects over a four year program. Importantly, during engagement and in the application to IPART, it was made clear this was an initial step toward attaining financial sustainability.

"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." (Maitland City Council SRV application form Part B 2011/12 Page 4).

If the special variation seeks funding for contributions plan costs above the development contributions cap, refer to Box 3.1.<sup>1</sup>

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**Box 3.1 Special variations for development contributions plan costs above the developer cap**

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

- ▼ a copy of the council's section 94 contributions plan
- ▼ a copy of the Minister for Planning and Infrastructure's response to IPART's review and details of how the council has subsequently amended the contributions plan
- ▼ details of any other funding sources that the council is proposing to seek to use
- ▼ any reference to the proposed contributions (which were previously to be funded by developers) in the council's planning documents (eg, LTFP and Asset Management Plans (AMP))
- ▼ any necessary revisions to financial projections contained in the LTFP and AMP to reflect the special variation.

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If the special variation seeks funding for contributions plan costs above the development contributions cap, set out below:

- ▼ details explaining how the council has established the need for a special variation to meet the shortfall in development contributions, and
- ▼ how this is reflected in the council's IP&R documents.

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This section not applicable to this application.

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<sup>1</sup> See Planning Circular 10-025 dated 24 November 2010 at [www.planning.nsw.gov.au](http://www.planning.nsw.gov.au) and for the most recent Direction issued under section 94E of the *Environmental Planning and Assessment Act 1979*. See also Planning Circular PS 10-022 dated 16 September 2010.

### 3.1 Community needs

Indicate how the council has identified and considered the community's needs and desires in relation to matters such as levels of service delivery and asset maintenance and provision in deciding to apply for a special variation. The application should include extracts from, or references to, the IP&R document(s) that demonstrate how the council meets this criterion.

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Council has identified and actively considered the community's needs and desires for service delivery. The decision to proceed with a variation application comes after a thorough examination of services and service levels and dialogue with the community as to their service expectations into the future.

As will be outlined extensively in Section 4, it is evident that the Maitland community expects services will be maintained at current levels into the future, and in many instances service levels enhanced.

#### Fast-paced growth

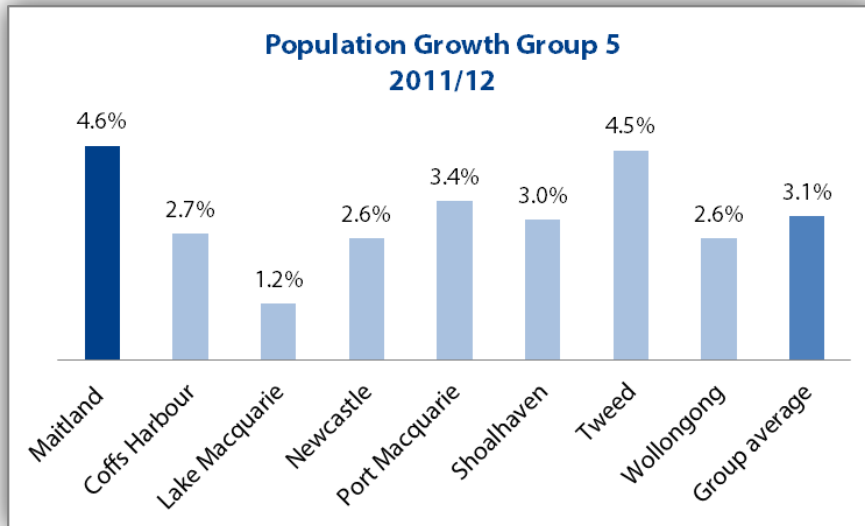
The Maitland Local Government Area (LGA) retains its position as one of the fastest growing inland cities in Australia. Growth has continued at over 2% per annum for many years, and is projected to continue at this pace for the next 20 years.

Today, our estimated residential population is 72,000 residents spread across an LGA of 396 square kilometres. Future population projections vary, with the most recent figures from the NSW Department of Planning and Infrastructure projecting 99,000 residents in 2031, while Council's own figures (based on past development and future land releases) are modelling 106,000 residents. Some strategies suggest a population of up to 120,000 in the period. Regardless, the quantum of change can be seen, with a population increase of between 40-50% likely in the next two decades.

According to preliminary population projections released by the Department of Infrastructure and Planning in August 2013, Maitland will experience the highest projected growth of the non Sydney metropolitan areas. The department's figures suggest a 1.8% growth rate, with 29,300 new residents forecast.

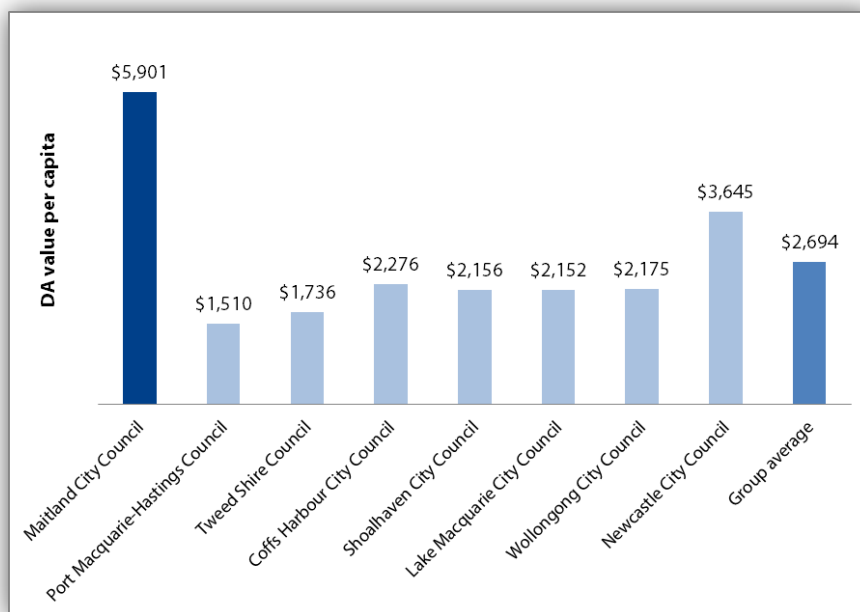
Maitland Local Government Area's (LGA) unique circumstances include the availability of greenfield residential and industrial development sites, affordable and diverse housing, as well as the provision of services to a growing community as a consequence of our proximity to the significant mining industry of the Hunter and Upper Hunter regions. As the latest DLG data shows below, our growth is higher than any of our peer Councils.

**Figure 3.1.4 Population growth, Group 5 Councils, 2011/12**



In addition to our population growth, almost simultaneously Maitland is fast becoming a sought after regional hub for businesses, industry and health provision. This growth in all sectors is reflected in the DLG comparative data, where as a Group 5 Council, the value of our development applications is significantly higher per population than our peer councils. This is reflected in the 2011/12 DLG comparison in the following graph.

**Figure 3.1.5 Value of development applications per capita, Group 5 Councils 2011/12**



Whilst Maitland has only two mines within the LGA, the proximity of Maitland to the Upper Hunter makes the LGA attractive for those in mining and support industries. Anecdotally, many families choose to settle in Maitland because of affordable housing, lifestyle and proximity to Newcastle.

Maitland also has the largest feeder hospital for the smaller hospitals in the adjacent and mining impacted regions, and the largest shopping and service area outside of Newcastle for the Hunter and upper Hunter areas. The State government has recently announced the building of a new Maitland Hospital in the next few years at Metford. Additionally, Maitland Private Hospital has recently undergone major redevelopment, to the value of \$25 million, adding a rehabilitation centre, mental health facility, double storey specialist offices, and two additional operating theatres. This additional capacity has brought new specialists to the area, attracting patients from across the Hunter and the North Coast.

### Strategically prepared but financially challenged

Council is prepared for residential growth, and has long foreshadowed with the community that the City would experience challenges as a result of the influx of new residents.

The introduction of Integrated Planning and Reporting in 2010 allowed Council to have this conversation in a structured and more overt way with its community. As a result, Council sought and was granted a Special Rate Variation of 7% above the rate peg for two years, retained permanently in the base. The additional revenue generated by the variation was directed at infrastructure backlogs and associated asset works over a four year period.

Importantly, at that time Council it was clear that the variation was only the first step toward financial sustainability and that further steps to increase revenue would be required to ensure Council could continue to deliver services to an increased population, and introduce the new levels of service expected by a community in a City of the size Maitland would soon become.

Council is strategically prepared for growth. Strategies and plans are in place for urban and rural settlement, integrated land use and transport, facilities and services. The community's aspirations have been expressed in the community strategic plan 'Maitland +10', and responded to in Council's Delivery Program and Operational Plan. Community engagement is integral to the way business is done.

Our resourcing requirements have been considered and mapped in our Resourcing Strategy, with strong alignment between our assets strategy, information and communications strategy, long term financial plan, and workforce plan.

The missing element is a sustainable source for the financial resources required to achieve desired goals, and deliver the services and facilities our current and future residents expect.

Council's long term financial plan preceded IP&R, being in place as a strategic decision-making tool for Council since 2005. The model shows a cumulative operational deficit of more than \$122 million at the end of ten years if changes aren't made.

### **All viable alternatives explored**

Since the achievement of a two year special rate variation in 10/11, Council has once again examined all sources of revenue. All options have been reviewed and assessed for potential impact on addressing deficits. Additionally, a focus on expenditure has been retained to ensure best value. Processes and systems have been introduced or changed. Should an SRV be achieved, Council is committed to an annual productivity factor equivalent to \$500,000 per annum.

Despite these measures, analysis has revealed that the level of funding required is simply not attainable within Council's current operating model. Savings of 9-10% per annum cannot be found, when coupled with an expanded number of residents requiring services. Simply, a significant injection of funding is required to address the shortfall between the cost of providing services and revenue. It is proposed this increase come from increasing rates by 7.25% over seven years, being the maximum period available to Council.

The rationale for a seven year variation is sound. Clearly, the annual increases required are lower than attempting to achieve the same outcome over a shorter period. Additionally, the proposal would allow for the current Council to complete the remaining three years of its Delivery Program to 2017, and place the subsequent Council in a financially sustainable position. It would also remove rating as a

potential issue in the political cycle, noting that the desire to see Council's align variations with the term of a Council is exceptionally challenging, given IP&R requirements and appropriate consultation timeframes. Most importantly for Council, however, is the certainty that would come for existing and new residents both in terms of rating and the services and facilities that would be delivered by Council – all of which are aligned to community priorities and strategically identified need. Planning and consultation is robust, and appropriate for a City set to experience the growth of Maitland.

### Period covered by variation and purpose

Council is applying for a period of seven (7) years, retained permanently in the base to attain a position of financial sustainability, delivering and enhancing services to a growing population over time.

### Percentage sought and compounded impact in rating

The variation sought is for a 7.25% in total rates revenue each year for seven (7) years, including the rate peg to be determined by IPART. Thus, the compounded percentage increase for the period of the variation is 63.22% including a compounded rate peg estimate of 22.15%.

The variation is sought for seven years, with the additional rates revenue estimated at \$61.2 million.

The implications of the 7.25% increase on total rate revenue each year, combined with the adjustments to the proportion of rating across rating categories to address past inequities, will result in percentage increases on the average property in each category as shown below.

**Table 3.1 .3– Impact of changes in apportionment**

	Year 1 2014/15	Year 2 2015/16	Year 3 2016/17	Year 4 2017/18	Year 5 2018/19	Year 6 2019/20	Year 7 2020/21	Average Annual Increase
Residential urban	7.33%	8.05%	7.98%	7.93%	7.87%	7.83%	7.79%	7.83%
Residential non urban	7.77%	7.34%	7.36%	7.35%	7.34%	7.35%	7.36%	7.41%
Farmland high intensity	4.10%	2.95%	2.87%	2.67%	2.54%	2.32%	2.21%	2.81%
Farmland low	4.01%	2.81%	2.74%	2.66%	2.31%	2.25%	1.93%	2.67%



intensity								
Business ordinary	6.55%	5.86%	5.94%	6.03%	6.12%	6.17%	6.24%	6.13%
Mining	7.24%	7.06%	7.16%	7.22%	7.48%	7.19%	7.36%	7.24%
Special Mall (average land value \$172,000)	7.62%	7.50%	6.98%	7.25%	7.09%	7.26%	7.35%	7.29%
Special CBD (average land value \$189,700)	6.34%	7.18%	7.24%	7.25%	7.23%	7.39%	7.29%	7.13%

Looking at the compounded effect, the following would result for the average ratepayer within each category:

**Table 3.1.4 – Compounded effect (\$ and %) of variation**

Rating category	2014/15	Compound ed over 7 years- est. rate peg only %	Compound ed over 7 years -srv only	Compound ed over 7 years total (rate peg + srv) %	Average rate increase per annum \$	Estimated rate 2020/21
Residential urban (average land value \$143,000)	\$1,036.79	28.44%	41.03%	69.47%	\$95.87	\$1637.04
Residential non- urban (average land value \$294,800)	\$1,791.71	23.58%	41.36%	64.94%	\$154.23	\$2,742.16
Farmland high intensity (average land value \$697,700)	\$3,075.61	8.45%	12.92%	21.37%	\$90.21	\$3,586.01
Farmland low intensity(average land value \$419,000)	\$2,253.52	7.26%	13.00%	20.26%%	\$62.71	\$2,605.63
Business(average land value \$303,000)	\$5,605.66	11.91%	39.74%	51.65%	\$388.19	\$7,978.37
Mining (average land value \$1,039,000)	\$163,000.00	25.00%	38.16%	63.16%	\$13,714.29	\$248,000.00
Special Mall (average land value \$172,000)	\$3,809.52	24.22%	39.46%	63.68%	\$322.00	\$5,793.65
Special CBD (average land value \$189,700)	\$1,681.16	22.53%	39.42%	61.95%	\$139.92	\$2,560.39

The revenue generated via the special variation will be used to sustain Council's current services to an increasing population over time, whilst also delivering enhanced levels of service in areas of community priority.

This has been made clear through Council's IP&R processes, with service level expectations well-tested.

Council's Delivery Program 2013-17 (Revised) contains the following information.

**Table 3.1.5 Services to be sustained and enhanced via special variation**

<b>Sustaining Council Services</b>	<b>Description</b>
Asphalt resurfacing of roads*	Annual resurfacing programs are enhanced through an additional \$3.85 million over seven years to enhance quality and amenity.
Bus shelters*	Council's program to address accessibility issues and improve bus stops, footpaths and kerbsides is enhanced through an additional \$350,000.
Business support	Council's business support services, including finance, information technology, governance, information management, risk and insurances, human resources and corporate planning are maintained and enable frontline operations.
Cemeteries	Management of Council's cemeteries continues as programmed at East Maitland, Morpeth and Rutherford for burials, with maintenance of Glebe, Oakhampton, Hiland Crescent, Louth Park and Campbell's Hill cemeteries. No additional funding will be directed to this area, meaning implementation of Council's Cemetery Strategy will be staged over time, with no immediate changes to interment options.
Central Maitland revitalisation	The Levee is constructed, featuring new street furniture, lighting, parking and café facilities, as well as a building connecting High Street to the River Bank. An upgrade of the Maitland Railway Station precinct and Athel D'Ombra Drive is completed, supported by new residential housing.
City pride (litter collection, street sweeping, dumping, graffiti and gardens)	Litter collection, street sweeping and graffiti removal is maintained at current levels. Litter collection is focused on high visibility locations, and response times to reports of dumping and graffiti remain at current levels. Graffiti removal is also undertaken in partnership with local service clubs.
Community buildings, public toilets and amenities *	Enhancing currently programmed works, additional maintenance, renovations, extensions and construction will be undertaken through an additional \$2.5 million over seven years.
Community events	Community events will continue to be delivered as programmed, including- Aroma, New Year's Eve. Steamfest, Taste, and Riverlights in Central Maitland, Australia Day in Maitland Park and Bitter and Twisted at Maitland Gaol.
Community services	Planning and support for specific community groups continues, with Council working in partnership with a range of groups across the City.
Customer service delivery - transactions, requests, applications and permits and community	Processes for lodging customer service requests, development applications and permits and other advice from Council staff remain at current levels. Community engagement is focused on key projects.

engagement	
Cultural Services/MRAG	Maitland Regional Art Gallery (MRAG) continues operations as currently programmed, being open Tues-Sun from 10.00am-5.00pm. Exhibitions are regularly refreshed, with a range of programs for children and adults. An on-site café and gift shop also operate.
Emergency management and response	Contributions to NSW Fire Brigade, State Emergency Service and Rural Fire Service are maintained. Council maintains SES buildings, contributes to planning processes and is geared to assist in times of emergency.
Environmental and sustainability programs	A range of community and school education programs continues to be delivered across the city. This includes seedling giveaways, weed removal, roadside vegetation management and native vegetation establishment, energy and water saving reduction programs.
Footpaths*	Expanding Council's current annual program of works, the construction of footpaths in older suburbs supported via an additional \$2.1 million over seven years.
Health and safety	Council's community health and safety initiatives are maintained at current levels, including food surveillance, health inspections and immunisation programs.
Heritage	Heritage programs including publications, restoration grants are maintained at sustained at current levels.
Library services	Services and programs for children and adults are maintained at East Maitland Library, Thornton Library, Rutherford Library and Maitland (Central) Library.
Line marking and delineation*	An expansion of Council's line marking and delineation (including reflective markers and signage) is possible through an additional \$700,000.
Major road reconstruction*	An additional \$7 million allocated to major projects on urban and rural roads over seven years, extending Council's current four year program.
Place activation *	An additional \$1 million over seven years is directed to activating key spaces in the City, focused on attracting people to the CBD, as well as increased activities on the river walk and river bank.
Planning and development	Council's development assessments and building controls are maintained at current levels, supporting the city's growth.
Pools/aquatic services	East Maitland Pool season extends from Sept- April. Additional indoor heated 25m pool constructed at Maitland Pool, allowing year round use.
Recreational cycleways, trails and shared pathways *	Development of recreational cycleways is enhanced through an additional \$2 million over seven years, focused on establishing connected off road networks.

River access *	Improved access to the Hunter River from Council owned lands is possible, through the allocation of an additional \$1 million over seven years.
Sporting facilities, parks, playgrounds and picnic facilities *	Maintenance of sporting facilities, parks and playgrounds is sustained at current levels, plus an additional \$2.5 million over seven years allows for new park furniture, exercise stations, improved access and parking across the city.
Suburban town centres	Maintenance and renewal programs of local suburban town centres occurs in line with current programs.
Tourism, visitor services and economic development	Tourism and visitor services are maintained, with Maitland Visitor Information Centre and Maitland Gaol operating at seven days per week, offering a range of programs and experiences. Economic development programs continue at current levels.
Urban growth	Long term land use and infrastructure strategic planning is maintained, ensuring sustainable development across the LGA.
Waste management and recycling	Collection and disposal of waste and recycling continues, with service levels to be enhanced over time. However, it should be noted that this service area is subject to a separate waste management charge (as listed on rates notices), and is not a component of the special rate variation package.
Youth spaces (skate parks) and programs *	Maintenance of existing youth spaces continues at current levels, while development of new youth facilities will result from an additional \$2 million over seven years. Possible facilities developed at Green Hills, Thornton and Central Maitland.

*\* Service level enhanced. Remaining services sustained at current levels to an increased population over time.*

Council's Delivery Program 2013-17 (Revised) highlights the objectives, services and service levels that can be expected as a result of the variation, giving greater detail on the service commitments outlined above.

### 3.2 Alternative funding options

Explain how the decision to seek higher revenues was made after other options such as changing expenditure priorities or using alternative modes of service delivery were examined. Also explain the range of alternative revenue/financing options you considered and why the special variation is the most appropriate option. For example, typically these options would include introducing new or higher user charges and increase council borrowing, but may include private public partnerships or joint ventures.

Provide extracts from, or references to, the IP&R document(s) which show how the council considered the alternatives.

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This application is to ensure Council will be financially sustainable, and able to deliver services to an increasing population. It is not about a discretionary list of projects, or delivery of new or improved infrastructure.

Finding an alternative funding solution that would deliver the revenues or savings required is simply not an option, with progressive annual requirements starting at \$2.3 million and progressing to \$20 million required simply maintain services to an increased population. Council has, however, examined all alternatives both internally and externally, with a special variation seen as a last resort to complement other measures to be pursued.

In reaching this position, it should be noted that Council has been continuing to pursue all opportunities to improve financial sustainability. This has included the suite of initiatives as follows:

- Active consultation and review of service levels at a strategic service level including the review of the Community Strategic Plan Maitland +10, and the draft Delivery Program 2013-17, with the broader community.
- An increased management focus on opportunities for alternative revenue generation, for example fees for service or other opportunities for new income.
- An increase in annual borrowings from \$1 million to \$4.8 million to fund appropriate infrastructure renewal, designed to ensure inter-generational equity
- A focus on increased grant funding, building from recent successes under State and Federal Government Programs.
- A change to budgeting processes to constrain or minimise increasing expenditure, and ensure continuous improvement and efficiency.
- Continued implementation of a service sustainability program, with a range of inputs including full service and core activity efficiency reviews.

- Establishment of an annual productivity target equivalent to \$500,000 per annum, commencing in 2015/16
- Targeted discussions with customers and user groups on service levels, fees and charges in a range of operational areas. This has led to phased introduction of higher fees for sportsgrounds and community facilities.
- Maintaining a 'cost neutral' position on a range of services and activities, including flagship events and Maitland Gaol operations. This has led to increased revenues from program development, sponsorships and grants.
- Active exploration of the possibilities of a range of public/private partnerships, including for land and housing development, place activation and recycling initiatives.
- Disposal of appropriate operational land holdings.

#### **Alternative and supplementary revenue sources**

A range of alternative funding options have been thoroughly examined by Council, prior to making this application.

#### **Fees and charges**

Currently, fees and charges are 8.6% of Council's 13/14 projected revenue. The breakdown of this revenue includes the following:

**Table 3.2.1 – Fees and Charges 2013/14**

<b>Source</b>	<b>Revenue</b>
RMS	\$600,000
Sporting and recreation facilities	\$65,000
Community halls and facilities	\$175,000
Development services and Rezoning	\$1,900,000
Cemeteries	\$72,000
Aquatic Services	\$286,000
Landfill (Tipping Fees)	\$4,000,000

#### **Recreation fees and charges**

Council has 27 sportsgrounds, and enjoys active and productive relationships with a range of recreation boards, sports advisory committees and sporting associations/clubs. This partnership delivers a range of benefits to Council and the community, including the maintenance of cricket pitches and other aspects of ground maintenance.

As can be seen, the opportunity to gain meaningful and sustainable revenue from this revenue source is limited. Additionally, it has been shown over time that there is



a significant community resistance when it comes to increasing user fees and charges.

Council has recently consulted with sporting and recreation groups and implemented a policy to recover costs from users, to the value of 10% of operational costs for the facilities over time. Whilst a modest increase, user groups expressed the view that to increase fees beyond this amount would jeopardise participation in sporting activities.

### **Community facilities fees and charges**

Council has 15 community buildings, ranging from the Town Hall in the centre of the City to meeting rooms in libraries and community halls.

Council has recently revised the fee schedule for these facilities, with a view to recovering 20-30% of the cost of providing the venues, subject to the quality of the facility and the nature of the user group.

Council is also committed a more comprehensive review in the future, looking at a gamut of factors including supply and demand, and comparable private and government facilities (eg school halls).

### **Development services fees**

As IPART would be aware, the majority of development services fees are established by legislation. Where possible, however, Council has looked for opportunities to more closely align fees with the true costs of proposals. For example, Council has recently undertaken a review of rezoning fees and will introduce increased fees over the next three years.

### **Cemetery fees**

Council adopted a Cemetery Strategy in 2013. Council's cemetery fees are currently \$704 per plot and \$143 per interment. These fees were increased by 33% in 2010/11, following a review of cemetery fees comparative to neighbouring Councils during the drafting of the Strategy. Part of the further implementation of the strategy will be to investigate a more commercial approach to interments, potentially providing a broader range of options. However, with just 82 plots reserved in 2013 and 130 burials, the potential future revenue from any changes is expected to be nominal and will be directed toward improved maintenance of Council's cemeteries.

### **Certification Services**

Council offers certification services. A recent review of the Development and Environment Department has refocused the group to ensure competitiveness and look to increase revenue, in-line with appropriately contestable parameters.

### **Compliance fees**

The current position of Council is to not actively pursue compliance fees as a source of revenue, with current annual budgeted income of \$298,000. Obtaining payment from people that have been fined is often difficult. However, a recent review of the Development and Environment Department has resulted in a structural change to improve focus on regulatory activities.

### **Library Programs**

Council has introduced a range of popular and innovative programs that generate revenue that contributes to the provision of library services. This includes the 'Look who's talking' series, which features prominent authors and a range of other programs. In 2012/13, these programs generated \$13,000 which was re-invested in library programs and initiatives.

### **Art Gallery**

Council has introduced a contemporary gift shop at the popular Maitland Regional Art Gallery (MRAG). Revenue generated in 2012/13 was \$160,000, with a profit of \$40,000. The sustainability of the gift shop is currently under review, to ensure profitability is maximised within existing resourcing constraints.

The introduction of a nominal fee for entry to MRAG has not been pursued. This decision was informed by a series of reviews of MRAG operations. These reviews were undertaken from a cultural, management and administrative perspective. The conclusion of these reviews was that the introduction of a fee would impact on patronage. However, an onsite café is currently delivering rental income to Council (commercial-in-confidence).

Like the libraries, MRAG also delivers a range of paid programs for children and adults that offset costs, with staff continually exploring new programming options.

### **Landfill gate charges**

Council has recently examined its pricing regime for disposal of waste at the Mount Vincent Waste Facility, the only available landfill within the LGA. Council is facing the challenge of balancing a rapidly filling landfill site (expected to reach capacity within the next three years with a view of Council gaining possible planning consent to extend to 2018/19) with a fee regime that is affordable, but encourages sorting and recycling as much as possible. Thus, the focus for Council is reserving capacity of the landfill site, rather than generating revenue.

### **Domestic Waste Charge**

As IPART is aware, the provision of a domestic waste service is on a cost recovery basis only. Therefore, there is no revenue to be gained in this area that would assist

operations in other areas. Further discussion on Council's future waste management strategy can be seen in Section 7.

## **Events**

Council delivers a flagship events program, attracting many thousands of visitors and injecting significant economic benefits each year.

Each event is subject to funding parameters, but in general terms the delivery of flagship events is on a cost-neutral basis to Council, with costs covered by stall holders, sponsorships, ticket sales and the like. The option of introducing an entry fee for currently fee-free events has been explored, but has been shown to be logistically difficult and taking into account the costs associated with implementation and management, would add very little to Council's bottom line. Additionally, the goal of free events in the City Centre is to assist in activation and promotion, and the introduction of an entry fee may compromise this goal.

Council also delivers a number of community events that are directly funded by Council, including fireworks in the city centre on New Year's Eve, Australia Day in Maitland Park and Riverlights on the Hunter River. These events also have sponsorship and grants.

## **Aquatic Services**

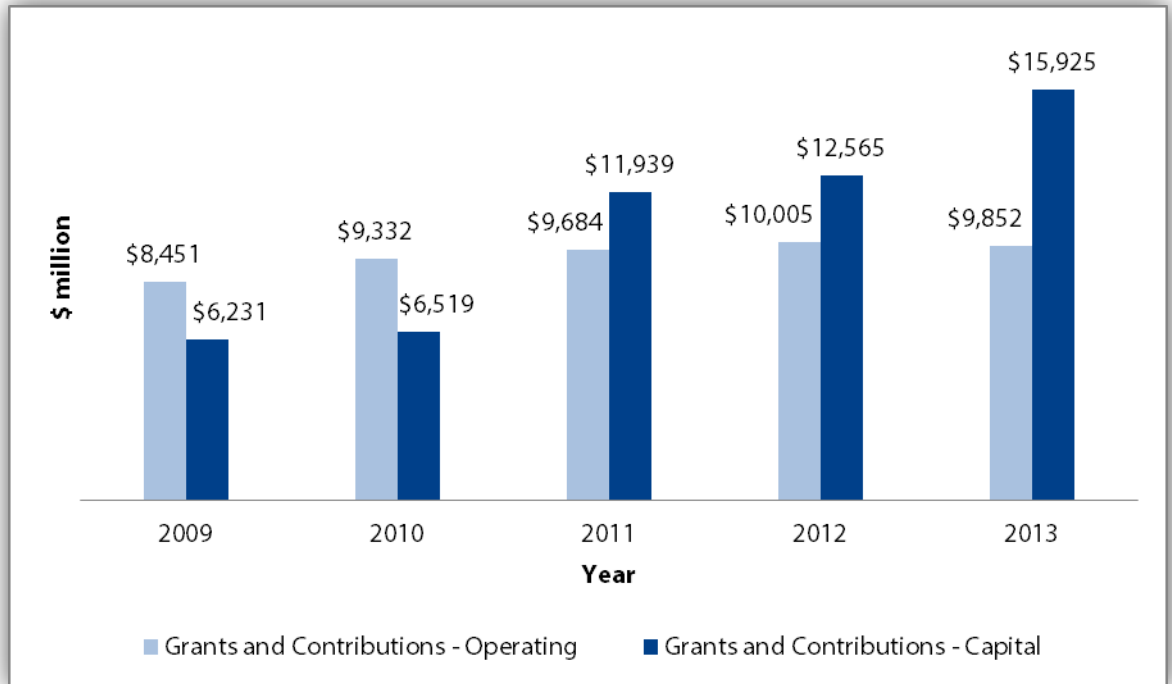
Entry fees for Council's pools are on par with neighbouring Councils, and are generally only subject to modest annual increases. Council is currently completing an Aquatic Services Review, which is looking at potential future operating models. Whilst it is expected that fees will be adjusted when aquatic services are enhanced through an indoor 25m pool, it will only go part way to covering the cost of providing this service which (like most public pools) is heavily subsidised by Council.

## **Grants**

Council's use of operating and capital grants form a substantial component of our annual revenue. Council proactively seeks grants to supplement our income and fund various works and services that are consistent with the priorities outlined in the Community Strategic Plan, Delivery Program and Operational Plan.

Council has undertaken additional training to ensure our grant application skills and maximise our opportunities in a competitive grant application environment.

**Figure 3.2.1 – Grants and Contributions Received (excluding non cash dedications)**



Councils' long term financial plan has modelled additional revenue from grants, as Council has become eligible for funding under a number of significant new programs. In February 2014, the NSW State Government announced Council had received a \$5.6 million grant from the Hunter Infrastructure and Investment Fund, demonstrating the validity of this approach.

As can be seen from Figure 3.2.1 above, Council has maintained a consistent level of capital grant funding. In 2012/13, this included funding from the NSW and Federal Governments for projects ranging from heritage courthouse restoration to roads, bus shelters and a wharf upgrade.

In 2012/13, close to \$10 million in operating grants and contributions was achieved. This was used in the delivery of events, gaol tours, environmental programs, heritage programs and a number of studies.

Council also receives a number of recurrent grants, including Financial Assistance Grant, Roads to Recovery, Road Safety, Community Options and others.

In the course of developing this application in February 2014, an announcement of a \$5.6 million from the Hunter Infrastructure and Investment Fund was made, to be used on upgrades to Maitland Number 1 Sportsground.

## **Asset sales**

Council is working with Urban Growth NSW to develop land in the Rutherford area. Work is expected to commence on development planning in 2014, with project construction to begin in 2015. A Project Control Group consisting of representatives from Council and Urban Growth NSW has been established. The development will include sale of land and also sale of land and home packages. These will be available to the wide range of people within the community. The timeframe from start to finish is estimated to be around four (4) years and Council will obtain approximately \$9 million from the venture with Urban Growth NSW.

Council is also examining the potential sale of a further land holding in the Rutherford area, anticipated to be in the order of \$5-6 million.

Council has retained these parcels as a strategic asset, with revenue generated from sales and/or development to be utilised for significant infrastructure projects. In the case of these landholdings, the potential revenue generated has been incorporated into Council's long term financial plan and will be allocated to construction of 'The Levee' project in Central Maitland.

In terms of other small land parcels, Council has more than 28,000 square metres of developable land in Central Maitland, valued at more than \$8 million. Some of this land is to be used for the development of affordable housing, in line with Council's grant commitments under the 'Building Better Regional Cities' program. Council secured \$11.3 million for infrastructure upgrades in the area, with an estimated 260 residential dwellings expected as a result. Approximately half of these dwellings will be on Council lands, subject to future negotiations with developers.

A further examination of Council's operational and community landholdings will be undertaken. The current value of operational land holdings is \$149 million (30 June 2013).

## **Asset disposal**

The disposal of any community asset is necessitated by a significant period of stakeholder consultation. Council has a number of community buildings that are used for the delivery of non-Council services, for example community-based organisations delivering childcare. Consideration has been given to reducing costs associated with the maintenance of these assets, versus the community benefit they provide. Council will undertake a review of these assets over the next few years. It is envisaged that any disposal this would only return a nominal amount to Council, with the more significant benefit being a reduction in the maintenance costs associated with these buildings.

## **Return of non-Council assets to the State**

Council currently has two large sites, managed under agreement from the NSW State Government. The first is the former Maitland Gaol, a site of historic and cultural significance to the City. In taking on management of the facility in 2001, Council's position was this should be at no cost to the people of the City. In the period since, this cost neutral position has been realised through introduction of innovative programs and events, lease arrangements, functions and the like. An emerging challenge is the maintenance of the built infrastructure on the site. Whilst Council has had some grant success, it is expected that future funding will be required to ensure the site is fit for purpose as a tourism destination, and this may require negotiation with the State Government as significant capital funding would be required. At this point in time, Council has not formally considered the return of the Gaol to the state, due to its sound financial management and the many social and economic benefits that come to the City as a result. This may, however, need to be re-examined should appropriate additional funding not be forthcoming.

The second significant site is Walka Water Works. This site, on Crown Land, is home to a former pumphouse, dam, miniature railway, parklands and bushland walking tracks. Council assumed responsibility for the management and maintenance of Walka in 2007. Maintenance of the site costs \$180,000 per annum. Council is currently calling for Expressions of Interest in developing a use for the former pump house on the site, following a study into appropriate uses. Whilst at this stage the annual costs of Walka are affordable, it is an issue that will require further consideration should Council's variation not be approved.

## **Investments**

Council maintains a Cash Investment Portfolio of approximately \$70 million. This portfolio is made up of a Section 94 monies, grants received in advance and internal reserves held for specific purposes (for example, employee entitlements).

Council has an Independent Advisor to advise Council on its investments. Council ensures that its investments are held as per investment advice given and Council's Investment Policy.

Overall, Council maintains its investment portfolio and manages cash flow to maximize return to the community but also guaranteeing the financial capital invested. In 2012/13, Council earned \$3.3 million in interest on its investments.

## **Alternative models of service delivery**

Council has a service sustainability program in place that supports departments in undertaking regular service reviews. An integral component of the program is a requirement to examine alternate models of service delivery, as appropriate for the activities being undertaken.

In concert with seeking alternative revenue sources, Council has proactively over many years sought alternative service delivery models to reduce the financial burden of service delivery to the community. These include Hunter Resource Recovery and Hunter Councils Inc, outlined below.

### **Hunter Resource Recovery**

Council has a proud record of pursuing shared or alternate models of service delivery in areas that will be of benefit to local residents and Council through reduced costs. Hunter Resource Recovery (HRR) is a joint venture recycling company that was established by Cessnock, Lake Macquarie and Maitland City Councils in June 1997 and joined by Singleton Council in July 2013.

This alliance was formed to minimise the four council's expenditure in developing an integrated kerbside recycling service. As a joint venture company, HRR is able to combine the resources of the four councils and provide a more cost effective service, particularly in rural and regional areas and also to provide "best practice" recycling technologies.

HRR now handles the management, co-ordination and implementation of recycling, waste minimisation and associated education strategies, representing an estimated 370,000 residents or a service area of 132,000 homes. The Board of Directors comprises of representatives from each Member council. The service represents one of the largest recycling contracts in Australia, with the service area covering three times the metropolitan area of Sydney

### **Hunter Councils Inc.**

The eleven local government areas of the Hunter Valley have worked together for over fifty years to ensure their communities benefit from positive co-operation and collaboration. Hunter Councils is a lead organisation in resource sharing. With the ever increasing pressure on local government to do more with less, Hunter Councils is constantly striving to reduce the cost of "doing business" for local government through offering economies and efficiencies. This has supported the development and growth of the following divisions of Hunter Councils:

- Environment Division
- Local Government Training Institute
- Regional Procurement
- Hunter Records Storage
- Screen Hunter
- Consultancy Services
- Local Government Legal
- Visitor Economy Hunter.

These services are provided to member Councils, and greatly reduce costs in many areas. Council continues to use Hunter Councils services wherever possible, and particularly in relation to records management, procurement, training, legal services and environmental programs.

### **Entrepreneurial activities**

Council's own entrepreneurial activities are generally limited to property leases, cafes, gift shops and programs associated with service delivery.

In terms of larger ventures, as outlined above, Council is an active member of Hunter Councils Inc which delivers a suite of benefits.

### **Developer contributions**

As IPART is aware, the planning system is currently under review with possible changes to developer contributions regimes.

Council's current City Wide Developer Contributions Plan was adopted in 2006, with an amendment in 2010. The plan outlines contributions and plans for recreation and open space; community and cultural services; roads and traffic facilities; cycleways and shared paths; and plan administration.

Council will be undertaking a review of its contributions plans in line with legislative changes, expected to be announced in 2014.

Council currently has \$36.3 million in its developer contribution (S.94) reserve. In the last financial year, interest of \$1.8 million was generated and returned to the reserve.

### **Voluntary Planning Agreements**

Council enters into Voluntary Planning Agreements (VPA) with developers wherever warranted and appropriate. On occasions this may provide some additional works or benefit to Council. The impact is generally cost neutral and certainly does not provide sufficient revenue to impact Council financial sustainability.

Contributions can be made through:

- Dedication of land
- Monetary contributions
- Construction of infrastructure
- Provision of materials for public benefit and/or use.\

### **Works in Kind Agreements**

As per Voluntary Planning Agreements Works in kind agreements are aligned to the Section 94 Contributions Plans and any agreement between Council and a developer are cost neutral and would not be considered as a source of alternative revenue.



## **Borrowings**

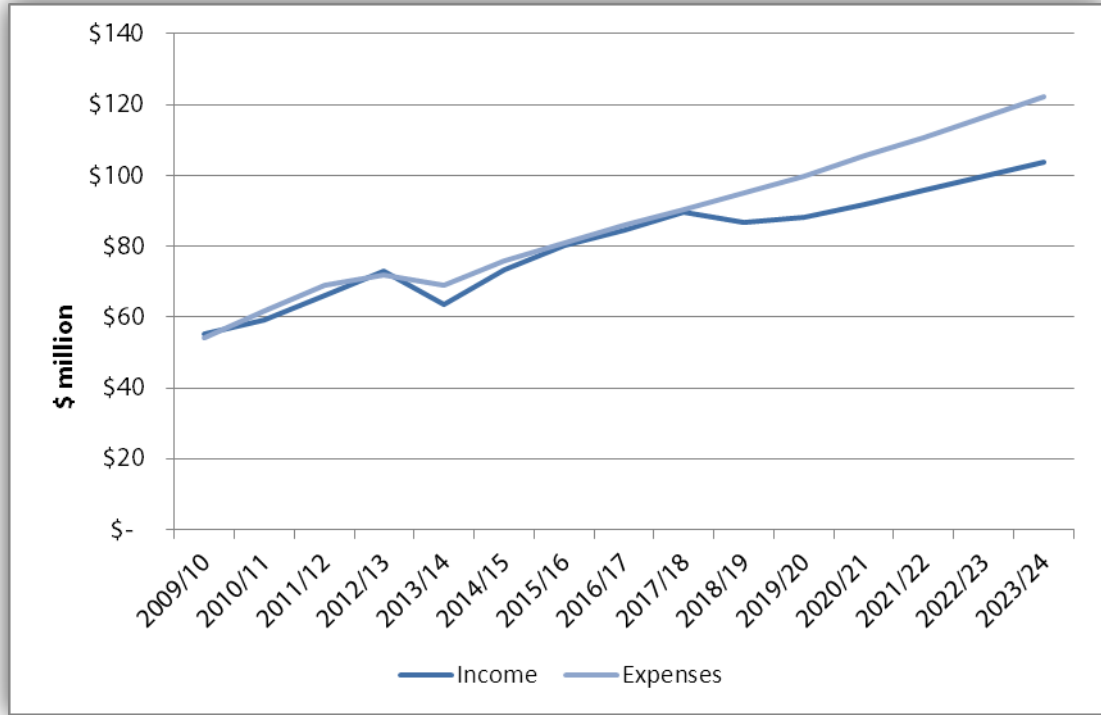
Loan borrowings are an important part of Council's long term financial plan and overall Resourcing Strategy. Over recent years, Council has retained its capacity to service an increased level of debt, anticipating significant infrastructure renewal in the City's CBD. Councils revised Long Term Financial Plan allows for an increased use of borrowed funds, increasing recurrent borrowings from \$1 million per annum to \$4.8 million per annum over the next ten years. This will lift Council's debt service ratio to 7.5% at the end of Year 10 in the LTFP.

## **Reducing or containing operating costs**

In line with all other Councils across the State (and as validated by recent sectoral reviews), operating costs are increasing at a rate greater than operating revenue. As outlined extensively in our community engagement for the special variation, the majority of these increases are non-discretionary and cannot be absorbed by a change to business practices. For example, increasing levies charged by the NSW State Government for NSW Fire Brigade, SES and Rural Fire Service cannot be offset by a change in service delivery model or increased user charges. Add to this the cost of insurances, fees paid to the Valuer-General, street lighting and utilities costs the challenges become even more evident.

Whilst the difference can be partially offset by efforts to drive efficiency and increase revenues, the gap is ever increasing. This is illustrated in following graph, which shows the widening gap between income and expenses under a 'rate peg only' scenario.

**Figure 3.2.2 – Annual Operating Expenses**



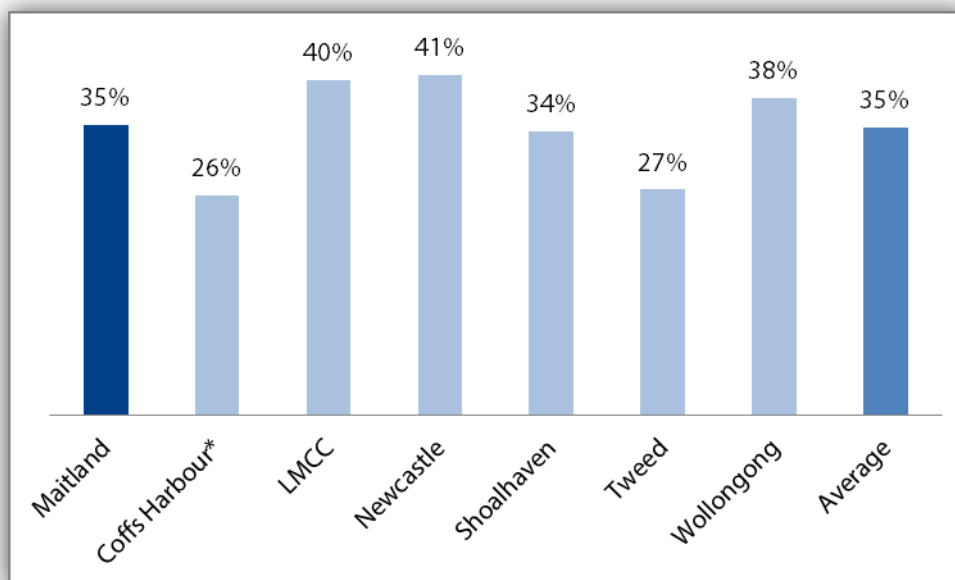
Should Council's application not be approved, Council will have an operating deficit in 2014/15 and years following, without drastic changes to service levels and service mix.

### **Employee costs**

As a service delivery organisation one of Council's largest costs are employee costs. Maitland City Council is committed to containing employee costs as demonstrated through the initiatives outlined in the Workforce Plan (part of Resourcing Strategy 2014 edition, Attachment 1b), which was held up as an example of good practice by the Division of Local Government.

Comparing Council against our Group 5 peers, our employees costs compare favourably against the average percentage, particularly when considering our population growth.

**Figure 3.2.3 – Employee costs as a percentage of total budget, Group 5 Councils**



\*Note Coffs Harbour 2013 Annual Report information not available on their website at time of compilation.

A more detailed examination of Council's efforts to contain costs can be seen in Section 7.

### Continual Service Delivery Review

Council has a service sustainability program in place that supports departments in undertaking regular service reviews. An integral component of the program is a requirement to examine alternate models of service delivery, as appropriate for the activities being undertaken. Council has also undertaken a range of externally led reviews, details of which have been listed in section 7 of this application.

### Incorporation of alternatives in IP&R documents

Council's draft Delivery Program 2013-17 and Operational Plan 2013/14 formally commenced consultation with the community on alternatives for the future.

This document presented the financial challenge in some detail, including identifying council's sources of revenue and expenditure, assumptions in the long term financial model, and expressed broad options available. The relevant component of this program is seen as Attachment 1c.

An excerpt from the General Manager's message on Page 4 follows:

*" ... Whilst our growth is occurring within a well-researched and well-founded strategic framework, it does not generate the revenue needed by Council to sustain service levels as the population increases, nor revenue that can be directed to addressing works needed to bring*

*the City's asset base to a 'fit for purpose' standard. It also doesn't allow us to pursue projects that would enhance the services we deliver, and increase our levels of service in areas that we know our community would like to see.*

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

*Like most councils across NSW we face increasing funding shortfalls over the period of the next ten years and beyond.*

*This can be addressed in a number of ways.*

*Firstly, we can look at changing and reducing our service levels, or the types of services we deliver.*

*Secondly, we can look at increasing our revenue to a level that ensures we have funding sufficient to maintain our current levels of service to a growing community.*

*Thirdly, we can look at ways to increase in our revenue to not only enable services to be maintained, but to extend services in areas of community need.*

*With rates revenue one of the only direct streams of funding available to Council, it is one area that needs to be closely examined.*

*We know this is a difficult conversation to have with ratepayers, but it is one that many Councils across NSW are having with their communities ... This won't be a quick conversation, and will continue throughout 2013/14.*

*And from Page 31 of the document:*

#### **OPTIONS TO ACHIEVE SERVICE SUSTAINABILITY**

*OPTION 1 – cuts to levels of service and/or a change of service mix, identifying savings through this reduction.*

*One option available to Council and the community is to reduce the nature and number of services delivered by Council, or to reduce the levels of service. This could be complemented by the sale of assets no longer required to deliver services. Under this option, reducing operating hours at some facilities, closure of some facilities, reducing maintenance levels, reducing expenditure on capital works, returning non-Council assets to the State (eg Walka Water Works and Maitland Gaol) would be explored.*

*OPTION 2 – sustaining services and services levels as at today, increasing revenue.*

*The second option available to Council and the community is to examine all potential sources of revenue required to sustain current services and service levels to our growing community over time. Under this option, a range of revenue sources would be explored including fees and charges, rating, the sale of non-core assets and changes to service delivery models.*

OPTION 3 – sustaining and enhancing services and levels of service, further increasing revenue.

*The third option available to Council and the community is to examine all potential sources of revenue required to sustain and enhance current services and service levels to our growing community over time. This would allow the realisation of strategic infrastructure projects that the community has identified as needed for the future. Under this option, a range of revenue sources would be explored including fees and charges, rating, the sale of non-core assets and changes to service delivery models.*

As will be covered extensively in Section 4.3, there was no support for changing expenditure priorities through reducing levels of service.

Council has been active in pursuing a range of alternatives to reduce the revenue required from a rating increase. These can be seen in a number of areas of the Delivery Program 2013-17, with examples of relevant objectives and actions listed below:

**Table 3.2.2– Examples of alternative revenues as incorporated in Delivery Program**

Ref. No.	Four Year Objective	Examples of Relevant Actions 14/15
10.3.2	To provide strong environmental leadership for the community, demonstrated by way of Council's own actions	<ul style="list-style-type: none"> <li>• Implement Organisational Energy Savings Plan</li> <li>• Investigate the establishment of a roadworks material management recovery centre within the city area</li> <li>• Facilitate inter-Council policies to reduce environmental impacts and increase sustainability</li> <li>• Explore options to install solar or other energy efficient lighting in Council facilities</li> </ul>
16.1.1	To identify and facilitate opportunities for community leaders to connect and collaborate	<ul style="list-style-type: none"> <li>• Establish networking opportunities for tourism and central Maitland traders to facilitate connections and identify partnering opportunities</li> </ul>
18.3.2	To optimise collaboration with other regional councils to maximise service provision and benefits to Council and the Hunter Region	<ul style="list-style-type: none"> <li>• Continue advocacy and leadership at Hunter Councils to achieve integrated and collaborative outcomes</li> </ul>
18.3.3	To explore and maintain innovative corporate sponsorships and partnerships to assist in funding Council activities and services to the community	<ul style="list-style-type: none"> <li>• Roll out a formalised corporate sponsorship program to the community and staff</li> </ul>
19.1.1	To ensure the principles of	<ul style="list-style-type: none"> <li>• Undertake strategic financial</li> </ul>

	sustainability underpin Council's financial, economic, social and environmental decision-making	planning - including a range of scenarios to meet priorities <ul style="list-style-type: none"> <li>• Undertake the annual review of rate income and apportionment across all rate categories</li> <li>• Continue to review Council's passenger fleet management, with a particular focus on reducing fleet costs</li> </ul>
19.2.3	To effectively manage Council's operational land holdings	<ul style="list-style-type: none"> <li>• Continually review Council's operational land holdings to realise potential sales for Council</li> </ul>
19.3.2	To ensure workplace systems and processes are efficient and effective	<ul style="list-style-type: none"> <li>• Ensure corporate planning and reporting systems provide an integrated performance monitoring and decision- making tool</li> <li>• Facilitate Service Sustainability Program to ensure a systems approach to operational service delivery</li> <li>• Research and implement a continuous improvement framework to support the delivery of Council's Delivery Program, Resourcing Strategy and Operational Plan</li> <li>• Lead and manage the development and implementation of organisational development strategies and change programs to support embedding of IP&amp;R within the organisation</li> </ul>

### Changing expenditure priorities

As will be further illustrated throughout this application, Council's proposal is to realise a sustainable financial position into the future, enabling the delivery of services to an expanding population over time.

The very nature of the proposal is underpinned by significant community consultation and strategic planning, and it is evident that changing expenditure priorities is not a viable alternative for the City.

In our case, the option of delivering deficit budgets and/or cuts to services is the only way to adjust priorities, and this was discussed with our community. This consultation, coupled with past inputs, clearly demonstrated that residents want services maintained at a minimum, and in key areas enhanced.

There was no evidence of widespread support to reducing expenditure in any service area, or shifting funding from one area to another.

### Importance of, and satisfaction with, services

Council measures the importance of, and satisfaction with, Council services and performance on an annual basis. This work is conducted by an independent provider, with Micromex Research undertaking the research since 2011. Over recent years, results have been consistent in terms of 'importance', with top ranking services and facilities as follows for 2013:

- 1 Maintaining local roads
- 2 Traffic flow/congestion
- 3 Overall condition of local road network
- 4 Revitalising Central Maitland/Mall
- 5 Long term planning for Maitland
- 6 Availability of car parking
- 7 Maintaining footpaths
- 8 The health of the Hunter River
- 9 Supporting local jobs and businesses
- 10 Financial management

### Performance Gap Ranking

As part of the research, program analysis of importance in comparison to satisfaction is undertaken to provide a 'performance gap'. This is illustrated in the table below.

**Table 3.2.3 – Service Performance 'Gaps' - Annual Community Surveys 2012 and 2013**

Ranking 2012	Ranking 2013	Service/Facility	Importance Mean	Satisfaction Mean	Performance Gap
2	1	Maintaining local roads	4.74	2.58	2.16
1	2	Traffic flow/congestion	4.58	2.44	2.14
3	3	Overall condition of local road network	4.50	2.78	1.72
4	4	Revitalising Central Maitland/Mall	4.22	2.58	1.64
7	5	Long term planning for Maitland	4.59	3.05	1.54
9	6	Availability of car parking	4.40	2.94	1.46

10	7	Maintaining footpaths	4.38	2.93	1.45
11	8	The health of the Hunter River	4.51	3.09	1.42
6	9	Supporting local jobs and businesses	4.60	3.19	1.41
12	10	Financial management	4.53	3.13	1.40
8	11	Community input to Council decision-making	4.28	2.89	1.39
5	12	Road safety	4.66	3.33	1.33
13	13	Engaging young people in planning	4.12	2.94	1.18
15	14	Recycling/waste minimisation	4.56	3.41	1.15
14	15	Provision of Council information to the community	4.30	3.16	1.14
16	16	Appearance of the City	4.28	3.20	1.08
18	17	Litter collection/graffiti removal	4.30	3.32	0.98
16	18	Sustainable transport	4.14	3.16	0.98
20	19	Support for volunteer programs	4.15	3.33	0.82
22	20	Environmental education programs	3.92	3.17	0.75
24	21	Parks and playgrounds	4.38	3.64	0.74
21	22	Promoting pride in the community	3.94	3.29	0.65
19	23	Protecting native vegetation	4.06	3.41	0.65
23	24	Improving biodiversity	3.88	3.25	0.63
25	25	Flood protection and preparedness	4.34	3.76	0.58
25	26	Connecting community leaders	3.75	3.18	0.57
29	27	Maintaining cycleways	3.61	3.04	0.57
27	28	Public transport across the City	3.70	3.21	0.49
28	29	Marketing and economic development	3.77	3.31	0.46
31	30	Enhancing heritage buildings	3.76	3.47	0.29
30	31	Ovals and sportsgrounds	4.07	3.84	0.23
35	32	Swimming pools	3.96	3.82	0.14



33	33	Community buildings/halls	3.73	3.60	0.13
32	34	Tourism/Visitors Information Centre	3.90	3.83	0.07
34	35	Festival and events programs	3.89	3.89	0.00
36	36	Library services	3.99	4.21	-0.22
37	37	Art Gallery/cultural opportunities	3.47	4.05	-0.58

Mean ratings: 1 = not at all important and very dissatisfied, 5 = very important and very satisfied

Examining the 12 largest performance gaps, we can identify that all the services or facilities have been rated as 'very high' to 'extremely high' in importance. Resident satisfaction for all of these areas is between 2.44 and 3.33, which indicates that their satisfaction for these measures is 'low' to 'moderate'.

In early 2013, Council also sought feedback on broad options.

Residents were read a more detailed funding explanation of the options available than is provided below, then asked how supportive they were of each option, and to rank the options in order of preference. There was a significantly higher level of support from both questions for option 3, which is to increase rates in order to enhance services and facilities.

Ratepayers were significantly more likely to support option 1 than were non ratepayers. Males were significantly more likely to support option 2 than were females. 18-34 year olds were significantly more likely to support option 3 than were those aged 55+.

OPTION 1 – Reduce services and maintain rates. This would mean a rate increase of around 3% as set each year by the State Government. It would not allow for new facilities and services to be introduced, and our asset backlog would not be addressed.

OPTION 2 – Maintain services at current levels and increase rates sufficiently to cover provision of these services to our growing population. This would mean a rate increase above the 3% set by the State Government. It would not allow for new facilities and services, and our asset backlog would not be addressed.


OPTION 3 – Enhance services and facilities, and increase rates sufficiently to cover increased provision of these to serve our growing population. This would mean a rate increase above the 3% set by the State Government, higher than that explored under Option 2. While the exact nature of changes would involve extensive community consultation, this option would enable extra services and facilities.


**Figure 3.2.4 – Support for SRV (first telephone survey)**


How supportive are you of Council proceeding with this option?

	Option 1	Option 2	Option 3
Mean ratings	1.88	2.87	3.46

Base: n=600

 = A significantly higher level of support than both options

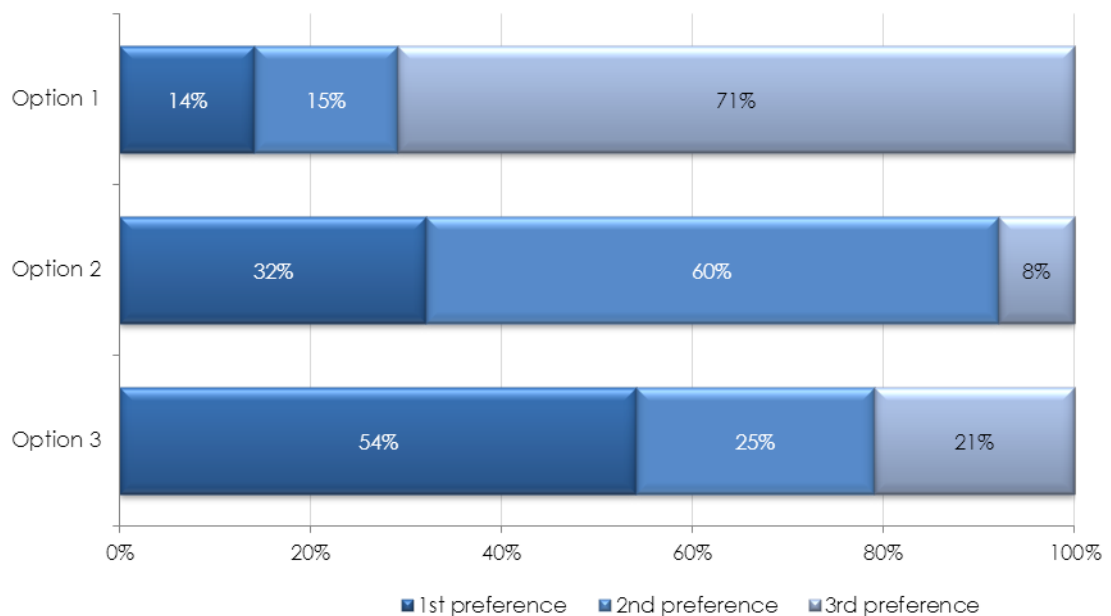
 = A significantly higher level of support

 = A significantly lower level of support

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

**Figure 3.2.5– Preference (first telephone survey)**

*Q. Please rank the 3 options in order of preference:*



As can be seen, just 14% of residents selected cuts to services as their first preference, with Option 3 attracting a significantly higher level of support.

Later in 2013, Council commissioned Micromex Research to test the special rate proposal, with a greater level of detail on its impacts on ratepayers. The results again

demonstrated a low level of support for reducing levels of service and/or changing expenditure priorities.

Respondents were read the following statement:

“Maitland is one of the fastest growing inland cities in Australia. Our population is expected to grow by 30% over the next 10 years and almost double by 2030.

Currently, Councils rating revenue covers less than half the cost of providing services to these new and existing residents. As such, Council is facing the challenge of balancing community expectations for services within the rate cap increase allowed by the State Government. This ‘cap’ is usually set to increase at around 3% per annum.

Looking at growth and other factors, Council has identified that there will be an operational shortfall of \$92 million over the next ten years, if current service levels are to be maintained. Consultation with the community has indicated that the majority of the community want services to be enhanced or maintained.

To respond to the challenge, Council is proposing to increase total rating revenue by 8.35% per year for seven years (this includes the allowed rate cap of 3%). This would be done as a ‘special rate variation’, submitted to the independent Pricing and Regulatory Tribunal for determination. At the same time Council is proposing to shift the proportion of rating paid by each rating category, to ensure equitable distribution. Council’s proposal would increase total rate revenue by 83%, over 7 years, with the special rate variation component being 53% of this amount.

The average rate increase of each rating category would be as follows:

- Residential urban would have an average increase of 8.94%, or \$116 per annum, for seven years
- Farmland high intensity would have an average increase of 6.52%, or \$235 per annum, for seven years
- Business would have an average increase of 7.03% or \$458 per annum, for seven years.

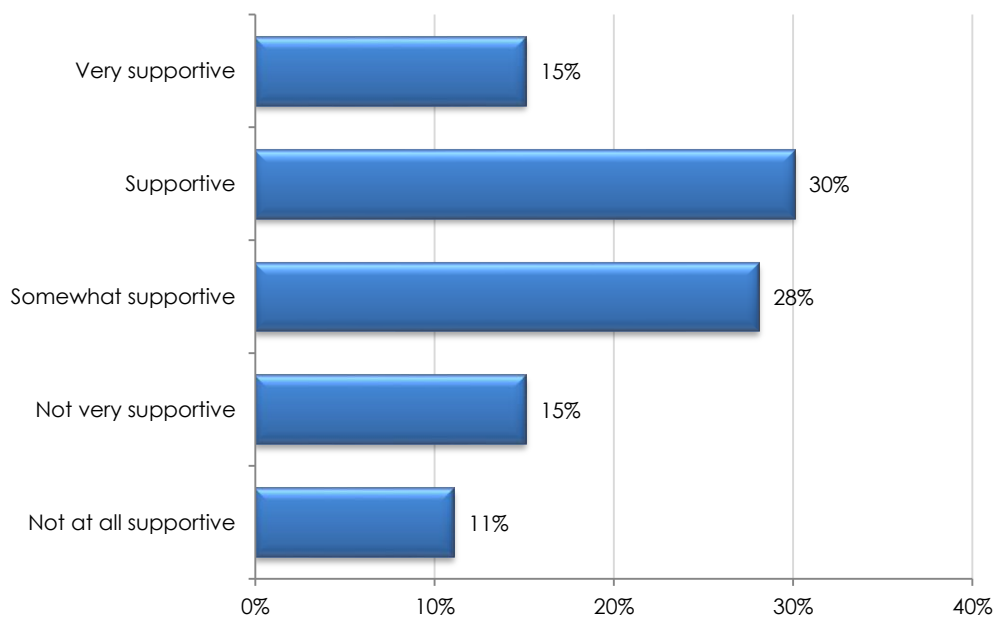
Under the proposal, all of Council’s current services would be maintained as programmed, with enhancements in the following key areas:

- Roads, kerbs and gutters, and drains \$11.5 million
- Footpaths \$2.1 million
- Community buildings, public toilets and amenities \$2.5 million

- Off road recreational cycleways, trails and shared pathways \$2 million
- Access to the Hunter River for recreation \$1 million
- Bus shelters \$350, 00
- Sporting facilities, parks, playgrounds and picnic facilities \$2.5 million
- Youth spaces (skate parks) and programs \$2 million
- Place activation in key sites across the CBD \$1 million

**Figure 3.2.6 – Preference (second telephone survey)**

How supportive are you of Council proceeding with this option?



The Micromex Research report concludes 'Residents had moderately high levels of satisfaction with the current levels of servicing provided by Council.

95% of residents believe it is important that Council continues to improve and enhance services.

Prior to contact, over 50% of residents were aware of Council's intention to see a special rate variation

74% of residents were at least somewhat supportive of Council proceeding with the proposed Special Rate Variation

82% of residents found it was at least somewhat important for Council to be allowed to introduce the Special Rate Variation.'

As can be seen from the above, changing expenditure priorities would require a reduction in levels of service, and this is not supported by the community.

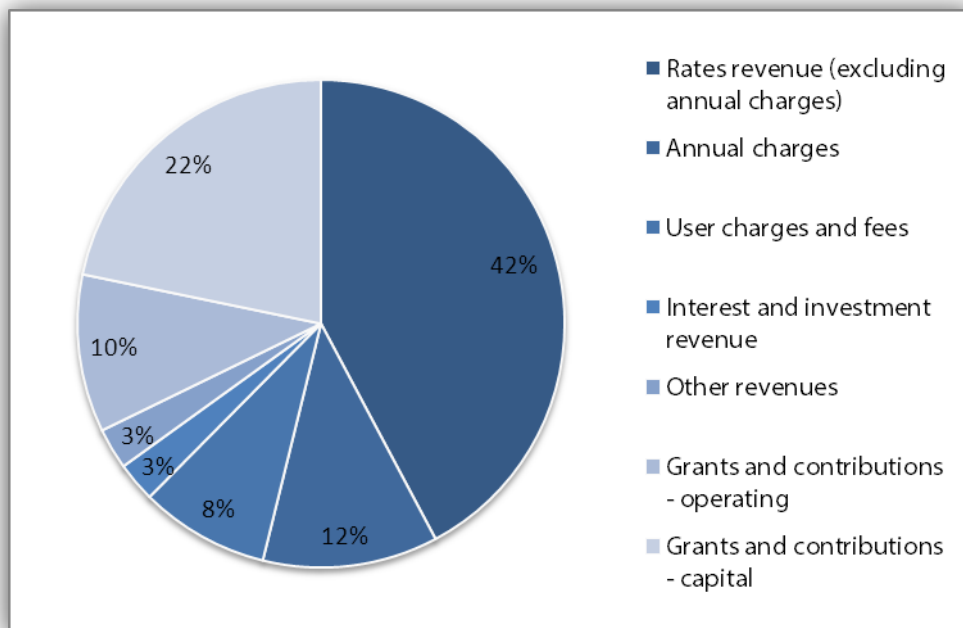
It should be noted that the final survey was undertaken on a proposal to increase rates revenue by 8.35% each year for seven years, whilst the application to IPART is for 7.25% each year for seven years. The potential impact of this lesser percentage amount on survey results is unknown.

### Conclusion

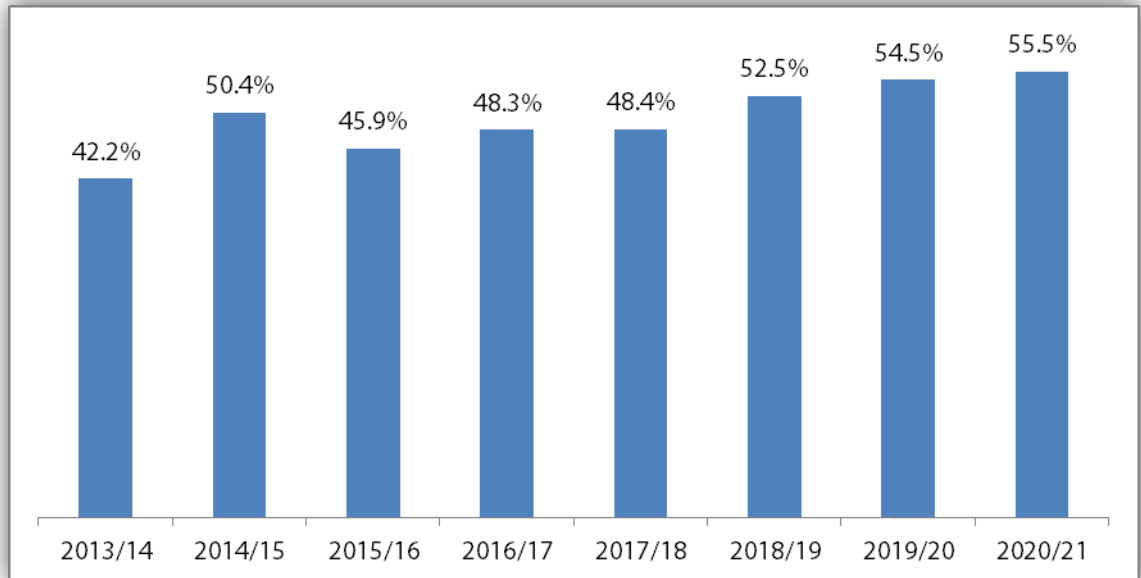
As has been shown, Council has explored and incorporated all genuine options for savings and revenues in its long term financial plan, and therefore SRV proposal.

Clearly there is a need to increase rating, complemented by other own source revenues and efficiency efforts, to a level that will enable Council's operations to be sustained.

**Figure 3.2.7 – Income categories, 2013/14**



**Figure 3.2.8 – Rates as a percentage of revenue, variation period**



Under the proposal, Council's rating revenue as a proportion of overall revenue will be lifted from 42.2% in 2013/14 to a projected 55.5% in 2020/21 (see Figure 3.2.8).

A significant challenge for Council in staging this consultation with the community has been our recent record in delivering balanced budgets. This has been as a result of agile management and changing of priorities, but has seen a significant reduction in reserve funds.

Council has been open with the fact that these reserves are now at levels that cannot be further reduced, and a number of reserves will require further revenue to 'top up' what has been utilised over recent years. Whilst funding from these reserves has been appropriately and conservatively utilised, they will be required for their purpose in upcoming years, for example in rehabilitating the current landfill site and replacement of our current information management system.

Maitland's residents and the incoming Council reviewed the aspirations of the Community Strategic Plan Maitland +10 early in 2013. This resulted in the original vision and themes for our City being confirmed. It was clear to see in the development of the draft Delivery Program 2013-17 that a vital conversation with the community was required in relation to the affordability of the services to meet the Delivery Plan Action.

It was apparent that the community wanted Council to maintain the existing services and plan for enhancement of others to cater for our growing community. Simultaneously, all possible options for sourcing revenue to pay for these services were investigated.

It was determined that without significant financial input Council would be financially unsustainable within three years, and Council would not be able to deliver vital services to the level desired.

As such, Council has determined a suite of measures including applying for a special rate variation was the only course of action to overcome Council's financial challenges.

### **3.3 State of financial sustainability**

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

The application should set out the council's understanding of its current state of financial sustainability, as well as long-term projections based on alternative scenarios and assumptions about revenue and expenditure. Such evidence can be drawn from the LTFP and from any external assessment, eg by auditors or TCorp.

Explain the council's view of its financial sustainability as it relates to the application for a special variation.

---

Maitland City Council has been fortunate in its ability to deliver balanced budgets over recent years, doing so in 2012/13 and 2013/14. As outlined earlier, balancing the budget has required agile management and changing of priorities, but has seen a significant reduction in reserve funds. Whilst funding from these reserves has been appropriately and conservatively utilised, they will be required for their purpose in upcoming years. As such, utilising reserves is no longer an appropriate option, and a deficit budget would result in 2014/15 financial year should a special variation not be realised.

Council has had a long term financial model in place since 2005. As such, the veracity of the model has been well-tested. The forecasts are sobering. Without changes, Council will face an operational deficit of \$122 million at the end of ten years. This is clearly untenable for Council and the community.

A primary factor contributing to Council's future financial position is residential growth. Whilst every new dwelling equates to rates, rates revenue at less than 43% of Council's total revenue means the full costs of providing services to these residents are not covered. Combined with the fact that assets are consumed or reach capacity at a higher rate from the increased population, the problem is exacerbated.

Council has examined all options for addressing the shortfall, but the annual revenue required is too great to be found through any alternate sources of revenue.

Opportunities for efficiencies have been explored, staffing numbers are comparatively low, services are aligned to community priority. It's clear that the solution is sustainable, significant own source revenue. The only place to achieve this is via rating revenue.

Council's proposal will see rating revenue increased to more appropriate levels, rising to 55% of total revenue in 2021/22. Accompanying this increase to rating revenue is a range of other measures to assist in reaching a position of financial sustainability. This included increasing the use of borrowed funds (whilst remaining comfortably within preferred debt service ratio thresholds) and increased grant funds. An annual productivity target equivalent to \$500,000 per annum will also be introduced.

---

Explain how TCorp's recent Report on the council's financial sustainability is relevant in supporting the decision to apply for a special variation.

---

T-Corp's 'Financial Assessment, Sustainability and Benchmarking Report' was completed in March 2013.

The report found that Council was in a moderately sustainable position, but that deficits were forecast from 2014 onwards. This confirms Council's own forecasts, and reinforces the need for the proactive approach taken by Council to look at all options to address financial issues and consulting with the community and key stakeholders in taking steps to ensure a position of financial sustainability.

Simply, more revenue is required from 2014/15 onwards if services are to be sustained and Council's efforts to address its infrastructure backlog maintained and the backlog reduced. Council is of the view the TCorp review reinforces the need for additional revenue, and the proactive steps Council is taking to prevent deficit budgets and reduced services.

Council notes TCorp's definition "A local government will be financially sustainable over the long term when it is able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community." This proposal will enable Council to reach such a position.

To quote the report:

*"The Council has been reasonably well managed over the review period based on the following observations:*

- Council reported a minor operating deficit in 2012 having reported surpluses for the previous two years, when capital grants and contributions are excluded*



- Council's underlying cash result(measured using EBITDA) has increased by \$5.3m since 2009 to \$14.5m in 2012
- The majority of Council's performance indicators were above benchmark over the review period
- Council's Cash Expense Ratio was below benchmark each year of the review period but Council also has a reasonable level of investments to support its liquidity position.

The Council reported \$52.3m of Infrastructure Backlog in 2012 which represents 9.6% of its infrastructure asset value of \$543.7m. Other observations include:

- Council's infrastructure backlog has increased by \$12.4m since 2009
- Public road assets made up 90.0% of the Infrastructure Backlog
- Compared to benchmark ratios, Council appears to be underspending on asset maintenance and it is likely that the Backlog valuation will grow.

The key observations from our review of Council's 10 year forecasts in its LTFP for its General Fund are:

- The forecast shows increasing deficit positions are expected each year from 2013,when capital grants and contributions are excluded
- The Own Source Operating Revenue Ratio is above benchmark for the entire forecast period
- Council's Capital Expenditure Ratio is above benchmark for the entire forecast period
- Even though Council plan to borrow \$16.5m over the period their Interest Cover Ratio remains strong over the entire forecast period with the DSCR only falling marginally below benchmark in 2022
- Council's Cash Expense Ratio is below benchmark for the entire forecast period indicating Council will not have sufficient liquidity (T-Corp Review 2013 pgs 4-5).

In our view, based on the current LTFP, the Council does not have the capacity to undertake any borrowings in addition to the \$16.5m already forecast in their LTFP.

Based on our review Council is in a reasonable Sustainable position. Our key observations are:

- Council's current LTFP shows a weakening financial position and forecasts operating deficits from 2014 for the remainder of the forecast period

- *Council's Interest Cover is above benchmark for the entire forecast period and the DSCR is above benchmark for nine of the 10 years forecast period indicating they have the capacity to service their current borrowings*
- *Council's Own Source Operating Revenue Ratio is above benchmark for the entire forecast period indicating Council do not rely heavily on revenue streams outside their control*
- *Council Capital Expenditure Ratio has been forecast above benchmark indicating Council will be spending at levels required on improving their existing infrastructure assets.*

*In respect of the Benchmarking analysis TCorp has compared the Council's key ratios, on a consolidated basis, with other councils in DLG group 5. The key observations are:*

- *Council's financial flexibility is reasonably sound as indicated by the Own Source Operating Revenue Ratio being well above benchmark and the group's average. The Operating Ratio is improving and outperforms the group in the medium term*
- *Council was in a moderately liquid position which is forecast to be below the group's average liquidity level over the medium term*
- *Council's DSCR and Interest Cover Ratio were above benchmark and the group's average over the review period which indicates Council has the capacity to service their current borrowings*
- *Council has a comparatively high level of Infrastructure Backlog when compared to its peer group. The Asset Maintenance Ratio is marginally below benchmark but outperformed the group's average until 2012. Council's Building and Infrastructure Asset Renewal Ratio and Capital Expenditure Ratio have been above benchmark and the group's average in the past four years."*

### **Specific risks identified by T-Corp**

The report raised a number of specific risks for Council, as follows:

- *Employment. During the community engagement processes for 'Maitland 2021', the community expressed their desires to reignite the Central Business District. Achieving a balance between local activity centres and major shopping precincts, ensuring service provision keeps pace with growth, and developing employment to meet the requirements of all local residents requires the ongoing cooperation of Council, state government agencies, local businesses and residents. Council has completed a report to assist with the development and funding for a 'business health check program' on individual communities.*
- *Population increase. LGA is projected to have significant growth in the next 10 years with the population expected to reach 90,000 by 2021. The anticipated*

*population increase combined with increased community expectations for improved service levels will place significant additional pressure on existing assets.*

- *New assets. Council plans that new assets required to meet population growth will be acquired from land developments and the re-construction needed will be funded by developer contributions and Council budgets. However acquiring these new assets will commit Council to fund ongoing operations and maintenance costs for the service life of the assets. These future costs are identified and considered in Council's LTFP however should there be a shortfall in funding, service levels will be insufficient to cater for the projected population growth, service levels may deteriorate and Backlog may increase.*

The T-Corp review concluded:

*"Based on our review of both the historic financial information and the 10 year financial forecast within Council's LTFP we consider Council to be currently moderately Sustainable but its current LTFP indicates a deteriorating position."*

A full copy of the T-Corp report can be seen as Attachment 1d.

In considering T-Corp's review in the context of this application, the following points are made:

- Reaching and maintaining a position of financial sustainability is the premise of this application, and Council's top priority
- Our performance ratios will be above benchmarks for the period of the variation
- Our operating budgets are projected to be balanced for the period of the variation and beyond
- Our backlog will be constrained to current levels, or slightly reduced over the period of the variation
- Our asset renewal and maintenance programs will have additional funding allocations, as a result of increased loan borrowings and the variation
- Our investments will be maintained, with sufficient liquidity
- Our borrowings will be increased, supported by increased revenues (particularly rates), whilst maintaining a debt service ratio in the mid point of DLG thresholds
- Our operations will be subject to annual, documented productivity savings
- Employment Centres – Maitland City Centre revitalisation is underpinned by Council's investment in a series of changes to infrastructure and housing stimulus (funded via loan borrowings, revenue from asset sales, and developer contributions). It is also supported by substantial Federal grant funds. Council is continuing its economic development program, and is exploring a range of models for partnerships with business and industry. Additionally, Council is investing in changes to infrastructure in other activity centres, including Rutherford, East Maitland, Telarah and Lorn, whilst employment lands are being developed in Thornton and

Rutherford/Lochinvar. Additionally, Stocklands will be investing more than \$350 million in a shopping centre upgrade for its centre at Greenhills. Our local economy is diverse, and Council is committed to partnerships with State and Federal Governments and local businesses and residents to drive employment. More information on the local economy is contained in Section 4.5.

- The risk of population growth, community expectations and infrastructure impacts is addressed through this variation proposal, with sufficient funding to be generated to maintain services, and deliver improved services in areas of priority, to a growing community.
- New assets. Council's new assets are underpinned by whole-of-life cost analysis. Council's long term financial plan, and asset management strategy incorporate assets that Council is expected to receive over the period of the variation. For example, additional staff and maintenance costs have been factored for a new indoor pool. Council has Asset Management Plans for all asset classes, flowing from its adopted Asset Management Policy and Strategy. Council is confident sufficient funding has been allocated in these plans and the resulting capital works program (as contained in the Delivery Program). This proposal will ensure Council's operational sustainability, and will see additional funding allocated to capital and maintenance programs over the variation period.

Under this package, Council anticipates it would improve its current moderate position to sound in terms of financial sustainability, and maintain a neutral outlook.

Reaching a sound position will be possible due to projected modest operating surpluses, combined with the ability to address any adverse conditions as they arise through operational changes. Our management of core business risks is sound (with a range of improvements as outlined in Section 7). The quality of Council's services will be maintained and enhanced, and our backlog gradually addressed.

How will the special variation affect the council's key financial indicators over the 10-year planning period? Key indicators may include:

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

Council's performance will remain within desired threshold ranges for the period of the variation across key performance ratios.

Over the period of the variation, rates as a proportion of Council revenues will increase. Our outstanding rates levels should hold at around 3%, with Council continuing to replace assets at a faster rate than being consumed. Our debt service ratio will be below 10% and we will have the capacity to meet short term financial commitments.

Our long term financial plan models three scenarios. These are a rate peg only/conservative scenario under which Council would have a deficit of \$122 million at the end of ten years; our planned scenario incorporating a 7.25% increase each year for 7 years, increasing revenue by \$131 million and providing a surplus at end of ten years; and an optimistic scenario of an 8.35% increase each year for 7 years, increasing revenue by \$139 million, providing a surplus at end of ten years and allowing for accelerated backlog works.

As outlined in our Long Term Financial Plan, without a variation our financial performance would be compromised. Our unrestricted current ratio would fall below accepted thresholds in 2016/17, indicating that Council would be unable to meet its short terms commitments. In 2014/15, our operating performance would be negative 3.6%, heading to negative 9.89% in 2018/19, and almost negative 18% at the end of ten years.

The Long Term Financial Plan can be seen in Attachment 1b (Resourcing Strategy), from page 46.

### Operating performance ratio within accepted limits

The operating performance ratio measures Council's achievement of containing operating expenditure within operating revenue. This ratio excludes capital grants and contributions, in order to focus on operational performance. The Division of Local Government benchmark is greater than negative 4%, with Council within this threshold for the period of the variation. Council also notes, however, TCorp's view that Councils, over the long term need to achieve a breakeven position (at least 0% Operating Ratio).

**Table 3.3.1 Operating performance ratio**

Year	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
	(\$'000 )	(\$'000 )	(\$'000 )	(\$'000 )	(\$'000 )	(\$'000 )	(\$'000 )	(\$'000 )	(\$'000 )	(\$'000 )
Operating revenue excluding capital grants and contributions - operating expenses \$	(681)	2,984	4,347	7,570	1,729	1,176	1,835	988	(285)	(1,666)
Operating revenue excluding capital grants and contributions \$	75,306	84,236	90,857	98,700	97,991	102,210	108,867	113,255	117,804	122,402
Ratio	(0.90)	3.54	4.78	7.67	1.76	1.15	1.69	0.87	(0.24)	(1.36)

### Unrestricted current ratio – falling below 1.5 in Year 9

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.

As can be seen in the table below, beyond the period of the special variation Council's ratio falls below this threshold and will need to be addressed in the later years of the ten year financial plan.



**Table 3.3.2 – Unrestricted current ratio**

Year		14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
		(\$'000 )	(\$'000 )	(\$'000 )	(\$'000 )	(\$'000 )	(\$'000 )	(\$'000 )	(\$'000 )	(\$'000 )	(\$'000 )
Current assets less all external restrictions	\$	34,308	32,120	32,263	32,619	25,316	24,435	23,560	22,697	21,666	19,427
Current liabilities less specific purpose liabilities	\$	9,836	10,819	11,471	12,041	12,774	13,186	14,020	14,839	15,798	15,393
	<b>Ratio</b>	<b>3.49</b>	<b>2.97</b>	<b>2.81</b>	<b>2.71</b>	<b>1.98</b>	<b>1.85</b>	<b>1.68</b>	<b>1.53</b>	<b>1.37</b>	<b>1.26</b>

**Debt service ratio – satisfactory at 6-7%**

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 10% is satisfactory, between 10% and 20% is fair and above 20% is of concern.

As can be seen below, Council is forecast to remain in the 'satisfactory' range.



**Table 3.3.3 – Debt service ratio**

Year		14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
		(\$'000 )	(\$'000 )	(\$'000 )	(\$'000 )	(\$'000 )	(\$'000 )	(\$'000 )	(\$'000 )	(\$'000 )	(\$'000 )
Debt service cost	\$	4,494	4,879	5,605	6,104	6,458	6,937	7,257	7,814	8,333	8,924
Revenue from continuing operations (exc. Capital & grants)	\$	72,901	81,875	88,441	96,228	95,461	99,623	106,222	110,551	115,038	119,576
	Ratio	6.16%	5.96%	6.34%	6.34%	6.77%	6.96	6.83%	7.07%	7.24%	7.46%

#### Rates and annual charges ratio – increasing from 0.65 to 0.70

The rates and annual charges ratio is a measure of the extent to which Council is dependent 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.

**Table 3.3.4 – Rates and annual charges ratio**

		14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
		(\$'000 )	(\$'000 )	(\$'000 )	(\$'000 )	(\$'000 )	(\$'000 )	(\$'000 )	(\$'000 )	(\$'000 )	(\$'000 )
Rates and annual charges	\$	54,489	59,042	62,911	67,705	72,982	76,702	82,441	85,889	89,461	93,099
Revenue from continuing operations	\$	84,002	99,512	102,164	110,039	109,363	113,616	120,307	124,731	129,317	133,953
	Ratio	0.65	0.59	0.62	0.62	0.67	0.68	0.69	0.69	0.69	0.70



### Rates and annual charges outstanding percentage approx. 3%

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. As can be seen, Council will remain well below the 5.0%.

**Table 3.3.5 – rates and annual charges outstanding percentage**

		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
		(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Rates and annual charges outstanding	\$	1,718	1,873	1,989	2,140	2,303	2,404	2,576	2,680	2,786	2,893
Rates and annual charges collectable	\$	56,390	61,110	65,145	70,066	75,505	79,399	85,251	88,883	92,572	96,329
<b>Ratio</b>	<b>%</b>	<b>3.05%</b>	<b>3.06%</b>	<b>3.05%</b>	<b>3.05%</b>	<b>3.05%</b>	<b>3.03%</b>	<b>3.02%</b>	<b>3.02%</b>	<b>3.01%</b>	<b>3.00%</b>

### Broad liabilities ratio

The broad liabilities ratio examines Council's overall debt, combined with the cost to clear backlog works, in comparison to operating revenue.

**Table 3.3.6 Broad liabilities ratio**

		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
		(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Total debt plus cost to clear infrastructure backlog	\$	85,502	88,169	91,132	92,231	92,719	92,802	94,100	95,861	95,354	93,788
Operating revenue	\$	84,002	99,512	102,164	110,039	109,363	113,616	120,307	124,731	129,317	133,953
<b>Ratio</b>	<b>%</b>	101.79	88.60	89.20	83.82	84.78	81.68	78.22	76.85	73.74	70.02

**Asset renewals ratio above 1.00**

The asset renewals ratio assesses a 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 of 1.00 or greater to be satisfactory, indicating that the assets are being renewed faster than they are being consumed (depreciated).

**Table 3.3.7 – Asset renewals ratio**

		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
		(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Asset renewals (building & infrastructure)	\$	16,520	21,652	20,094	22,586	16,290	18,472	19,377	18,152	17,108	16,866
Depreciation, amortisation & impairment	\$	10,590	10,908	11,235	11,573	11,920	12,277	12,646	13,025	13,415	13,818
<b>Ratio</b>		1.56	1.98	1.79	1.95	1.37	1.50	1.53	1.39	1.28	1.22

### **Potential sectoral reform – impacts on financial sustainability**

As IPART is aware, the NSW State Government has signalled the need to reform the local government sector. Whilst changes are yet to be formally announced, recommendations have been made. Some of these recommendations (in particular those of the Independent Local Government Review Panel), may impact on Maitland City Council, should they be realised. Primarily, this concerns a potential merger with Dungog, and boundary adjustments in the Beresfield and Wallalong areas.

However, as IPART would appreciate, engagement for an SRV process is lengthy and exhaustive, and any delay in action in addressing issues of financial sustainability simply exacerbates the problem.

Council notes Recommendation 47 of the Independent Local Government Review Panel's Final Report which is "Seek evidence-based responses from Hunter and Central Coast Councils to the Panel's proposal for mergers and boundary changes, and refer both the proposals and responses to the proposed Ministerial Advisory Group for review, with the possibility of subsequent referrals to the Boundaries Commission (ILGRP Final Report pg 110).

Council also notes the proposed implementation package as proposed by the Panel, and a three year timeframe.

Council will be making a submission in regard to the Panel's final report, but this will be after the lodgement of our SRV application. In making a submission to the Panel in June 2013, Council's adopted report stated "it should be emphasised that Council is firm in its view that the residents of Maitland should not face increased costs or decreased levels of service as a result of any sectoral change. That being said, Council is committed to realising systemic change that will bring benefits to current and future citizens of NSW and looks forward to further contributing to this process."

Council has acknowledged the significant asset and financial sustainability issues facing its neighbouring Council of Dungog, and has stated it is open to dialogue should the Council and residents of Dungog wish to do so.

Council will continue to be an active participant in the reform process, but it is clear there is no potential financial gain from any mergers or boundary adjustments that would assist in addressing the identified financial challenge that this SRV application proposes to address. It is Council's position that its application to IPART should not be assessed in the context of possible mergers and/or boundary adjustments with neighbouring councils.

### 3.4 Capital expenditure review

Councils undertaking major capital projects are required to comply with the DLG's Capital Expenditure Guidelines, as outlined in DLG Circular 10-34. A capital expenditure review is required for projects that are not exempt and cost in excess of 10% of council's annual ordinary rates revenue or \$1 million (GST exclusive), whichever is the greater. A capital expenditure review is a necessary part of a council's capital budgeting process and as such should have been undertaken as part of the Integrated Planning and Reporting requirements in the preparation of the Community Strategic Plan and Resourcing Strategy.

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

Yes ☐ No ☒

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

Yes ☐ No ☐

## 4 Assessment criterion 2: Community awareness and engagement

In the DLG Guidelines, criterion 2 is:

*Evidence that the community is aware of the need for and extent of a rate rise. This must be clearly spelt out in IP&R documentation and the council must demonstrate an appropriate variety of engagement methods to ensure opportunity for community awareness/input. The IP&R documentation should canvas alternatives to a rate rise, the impact of any rises upon the community and the council's consideration of the community's capacity and willingness to pay rates. The relevant IP&R documents must be approved and adopted by the council before the council seeks IPART's approval for a special variation to its general revenue.*

To meet this criterion, councils must provide evidence from the IP&R documents<sup>2</sup> that the council has:

- ▼ Consulted and engaged the community about the special variation using a variety of engagement methods and that the community is aware of the need for, and extent of, the requested rate increases
- ▼ considered and canvassed alternatives to the special variation
- ▼ provided opportunities for input and gathered input/feedback from the community about the proposal
- ▼ considered the impact of rate rises on the community

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<sup>2</sup> The relevant documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and, where applicable, Asset Management Plan

- ▼ considered the community's capacity and willingness to pay.

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

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

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

The council should have explained to its community:

- ▼ that there is a special variation due to expire at the end of this financial year or during the period covered by the proposed special variation
- ▼ that, if the special variation were not approved so that only the rate peg applied, the year-on-year change in rates would be lower, or that rates may fall
- ▼ if applicable, that the expiring special variation is being continued (in full or in part), in the sense that it is being replaced with another that may be either temporary or permanent, or that the value is included in the percentage increase being requested in the following year.

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More information about how community engagement might best be approached may be found in the *DLG Guidelines*, the *IP&R manual*, and our *Fact Sheet Community Awareness and Engagement*, September 2013.

## 4.1 The consultation strategy

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

Please provide relevant extracts of the IP&R documents that explain the council's engagement strategy and attach relevant samples of the council's consultation material.

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In reaching the position of seeking a 7.25% special variation each year for seven years to be retained permanently in the base, Council has undertaken a comprehensive and substantial engagement program. The goal was to ensure every resident and ratepayer in Maitland was aware of the financial challenge facing the organisation and the potential role rates would play in addressing the challenge, as well as ensuring equitable opportunities for response.

Importantly, the engagement for the project continued the conversation that Council had initiated in 2010, when developing its first ten year community strategic plan and Delivery Program. Council has been clear and consistent in expressing the fundamental challenge facing the city, which in essence is that rates revenue covers less than half the cost of providing services to our residents.

The engagement program developed by Council was commenced in late 2012, and phased over 2013, with the stages summarised below

The engagement strategy and plan has been attached (Attachments 2 and 2a) to this application.



**Table 4.1.1 – Consultation Stages**

Stage	Description	Details
Confirming values and desired direction	Confirming community values	Testing of future aspirations and strategies during the review of the Maitland +10 community strategic plan
Phase 1	Understanding issues – a Sustainable Council for a Sustainable City	Release of detail on the financial challenges for the future, and the primary options available to solve – being increase revenue or decrease expenditure, detailed in Council's draft Delivery Program 2013-17 and a range of support materials
Phase 2	Developing funding and service options – Funding our Future	Seeking community input into preferred levels of service. Release of three options – maintain revenue and reduce services under a rate peg scenario, assumed at 3.2% per annum; increase rates and maintain services through a 7.25% rating increase each year for seven years and; increase rates and enhance services through a 8.95% rating increase each year for seven years.
Phase 3	Finding the solution – Funding our Future	Release of rating revenue proposal to increase 8.35% each year for seven years, incorporating adjustments to apportionment between rating categories for community consultation.
Phase 4	Programming services – Funding our Future	Release of draft Delivery Program 2013-17 (Revised) and Operational Plan 2014/15, based on rating proposal. Further community consultation staged. Release of Independent Local Government Review Plan final report.
Phase 5	Confirming direction – Funding our Future	Adjustment of revenue strategy following consultation and review. Increased borrowings, increased grants and productivity commitment allows for service package as planned to be delivered, whilst increasing total rates revenue by 7.25%. Developing a revised four year Delivery Program, incorporating a revised proposal of an increase to 7.25% each year for seven years, incorporating adjustments to rating categories, and releasing for consultation
Phase 6	Delivering the services	Executing the revised Program from July 2014, including annual reporting

## **Preparation – Confirming community values through revision of the community strategic plan**

During December 2012 and January 2013, the relevance of the existing ten year community strategic plan was tested with the community.

The previous Council adopted the Maitland community's first strategic plan 'Maitland 2021' on 22 February 2011, which had involved a range of activities from surveys through to sustained, deliberative techniques.

Methods included:

- Attendance at a range of festivals and events to test broad community values and develop a City vision
- Media releases/articles to raise awareness and seek input
- Social media to raise awareness and seek input
- Community reference panel – a sustained, deliberative group that considered issues, community feedback and collaborated to develop the plan
- Presentations to a range of stakeholder groups/forums – to raise awareness, test strategies and gain input
- Website content and on-line forums – to raise awareness and gain input
- Mail-out to all households in the LGA, including an invitation to comment via face-to-face attendance or postage paid mail back - to raise awareness and gain input
- Eight drop-in sessions staged across the city – to gain input
- Correspondence with major stakeholders, seeking feedback.

Given the extensive engagement that underpinned the development of the original plan 'Maitland 2021', the review of the plan focused on testing whether the currency of the original plan's proposed outcomes and strategies still addressed local issues and pressures. In essence, consultation was designed to ask the community whether or not the themes contained in the CSP were still relevant to the residents of Maitland today and their future.

The techniques deployed for the review provided a number of avenues for the community to participate in the review. These included:

- Consultation through Council's website and Maitland 'Your Say' website
- Newspaper advertisements
- Media releases/articles

- Social media campaign
- Direct correspondence with major stakeholders
- Council Administration Building and library branch displays

During the period, 1,100 people viewed Council's engagement Facebook page posts/status updates. Council's online engagement platform Maitland Your Say received 517 visits from 240 visitors to the site, of which five actively participated in the forums, seven people took the quick poll and 54 documents were downloaded.

The majority of the feedback received throughout the engagement period, however, related more to the detailed services provided by Council via its Delivery Program.

A summary of the comments received included:

- Unconnected pathway networks;
- Concerns relating to road infrastructure not keeping up with the city's growth;
- Desire from the community to have a stronger focus on a connection to the river for recreation activities and events;
- A concern about the city's capacity for tourism to be grown with a view that this will be hindered by the lack of accommodation;
- Lack of dog-friendly parks in the city.

As a result of the engagement outcomes the following changes were made to the community strategic plan:

- Changing the title to be 'Maitland +10'
- Renaming of two themes to 'Proud people, great lifestyle' and 'Our built space'
- Adding of a new strategy under Outcome 2 to include the celebration and utilisation of the Hunter River for a range of recreation and leisure activities
- Inclusion of a new strategy under Outcome 14 aiming to enhance accommodation offerings across the city, in particular within our City centre
- Updating of the strategy under Outcome 15 to align with the work achieved over the past few years to include seeing the CBD reclaim its place as the heart of the City, through changes to the built form and streetscapes, along with active partnerships
- Change to the wording of Outcome 19 from 'A council for now and future generations' to 'A sustainable Council for a sustainable city'.

The community feedback received was not only considered in the amendments to the community strategic plan, but in Council's response in its Delivery Program.

Many of the issues raised reinforced the direction being taken by Council, with desires for enhanced service levels (for example in connecting footpath networks, place activation and new riverside recreation) reflected in the special rate variation proposal.

### **Phase 1- A sustainable Council for a sustainable City – understanding the issues**

Following the adoption of the revised 'Maitland +10', Council's organisational response to the plan in the form of a new Delivery Program was released.

The release of the draft 2013-2017 Delivery Program and Operational Plan 2013/14 was the point at which the new Council very firmly revealed the extent of the financial challenge facing Council and the City.

The Delivery Program and Operational Plan were compiled after workshops and briefings with Councillors and officers. Importantly, the contributions of the community to the review of the ten year community strategic plan were actively considered and responded to within these documents.

A key element of the program was the presentation of the financial challenges facing Council and the community in continuing to provide services. The program highlighted that Council, like many other Local Government Areas across NSW, faces a significant challenge in financially sustaining services to our fast-growing City over time. The draft program presented the three primary options available to address projected financial deficits over the next ten years. Simply, these involved addressing the shortfall through reducing expenditure or increasing revenues. Whilst no changes to revenue (including rating and fees & charges) were suggested in the first year of the program, the release of the program signalled the start of a significant conversation that Council needed to have with the community over 12 months, if significant deficit budgets were to be avoided from 2014/15 onwards.

These key strategic planning documents were placed on public exhibition from 24 April to the 14 June 2013.

The consultation and engagement activities held invited the Maitland community to participate and attracted considerable interest and feedback. Residents were advised of their opportunity to participate through the following avenues:

- Attendance at a Community Information Session held at the Maitland Town Hall on 8 May 2013 at 5:30pm
- Regular status' updates/posts on Council's Maitland Your Say Facebook Page

- Article provided in Council's newsletter, Momentum that is delivered to all households within the Maitland Local Government Area
- Advertisements in the Maitland Mercury on Friday 3 May 2013 and in the Hunter Post and Lower Hunter Star the week beginning Monday 6 May 2013
- Media releases were distributed and media attention received on Wednesday 24 April 2013 and Wednesday 8 May 2013.
- Information provided on Maitland City Council's corporate and engagement websites
- Posters and displays were placed in the Council administration building and the Maitland library branches.

The community information session attracted five participants, with the majority of active participation seen on-line through comments on Council's 'Maitland Your Say' Facebook page, and the high number of visits to the Maitland Your Say hub. Although the information on the hub attracted a high proportion of visits, minimal comments were made. This can be seen to indicate that those who visited and reviewed the information had some level of satisfaction with the draft plans.

Topics explored by residents during consultation included the investigation into future equine facilities for the City; highway infrastructure; city centre revitalisation and waste management.

Based on the various tactics used to promote the ways of participation in the public exhibition period, the engagement methods and the level of participation that both directly and indirectly supported the draft plans, no changes were made to the draft Delivery Program 2013-17 and Operational Plan 2013/14 as a result of consultation.

An additional key component of this phase of engagement was the use of independent researchers Micromex to test desired levels of service and support for associated rate increases. This was incorporated as part of Council's Annual Community Survey for 2013.

During this survey, residents were read a detailed funding explanation of the options available, then asked how supportive they were of each option, and to rank the options in order of preference. There was a significantly higher level of support from both questions for option 3, which is to increase rates in order to enhance services and facilities.

Ratepayers were significantly more likely to support option 1 than were non ratepayers. Males were significantly more likely to support option 2 than were females. 18-34 year olds were significantly more likely to support option 3 than were those aged 55+.

OPTION 1 – Reduce services and maintain rates. This would mean a rate increase of around 3% as set each year by the State Government. It would not allow for new facilities and services to be introduced, and our asset backlog would not be addressed.

OPTION 2 – Maintain services at current levels and increase rates sufficiently to cover provision of these services to our growing population. This would mean a rate increase above the 3% set by the State Government. It would not allow for new facilities and services, and our asset backlog would not be addressed.


OPTION 3 – Enhance services and facilities, and increase rates sufficiently to cover increased provision of these to serve our growing population. This would mean a rate increase above the 3% set by the State Government, higher than that explored under Option 2. While the exact nature of changes would involve extensive community consultation, this option would enable extra services and facilities.

**Figure 4.1.1 – Support for SRV (first telephone survey)**

Q. How supportive are you of Council proceeding with this option?

	Option 1	Option 2	Option 3
Mean ratings	1.88	2.87	3.46

Base: n=600

 = A significantly higher level of support than both options

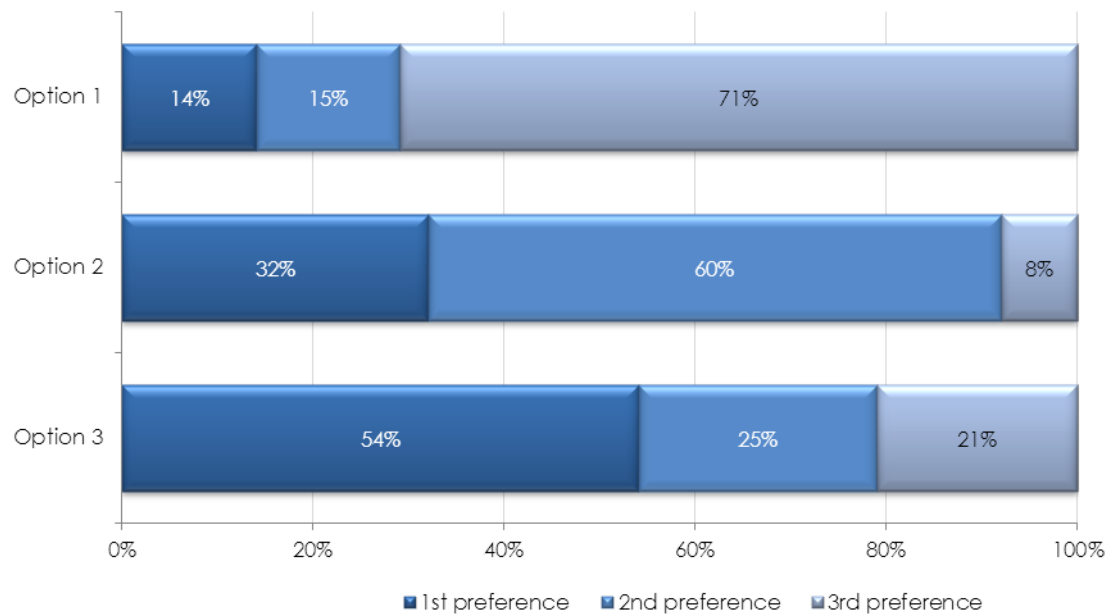
 = A significantly higher level of support

 = A significantly lower level of support

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

**Figure 4.1.2 – Preference (first telephone survey)**

*Q. Please rank the 3 options in order of preference:*



As can be seen, just 14% of residents selected cuts to services as their first preference.

The results of this survey were instrumental in Council deciding to proceed with further community engagement, as it demonstrated the community was prepared to further explore issues and potentially see an increase in rates.

A copy of all promotional material used in Phase 1 can be seen as Attachment 2c.

Results of engagement from Phase 1 can be seen as Attachments 2.c.i, 2.c.ii and 2.ciii.

A copy of the survey report from Micromex can be seen as Attachment 2.civ.

Outcomes of this phase are incorporated in the full Engagement Report, Attachment 2b.

## **Phase 2 – Funding our Future – developing funding and service options**

Taking into account the results of Phase 1, attention turned to the presentation of options for community consideration that allowed for direct community input into desired levels of service at a strategic level, examine options for funding, and establish the implications of options on rating over a period of seven years.

Importantly, these options were developed in-line with past community consultation results and adopted strategies of Council. A seven year period was also presented for its alignment with the current and subsequent elected Council and their Delivery Programs, as well as for the certainty it would give residents in regard to rating for the period. A rating increase spread over seven years is also considered to be a more gradual and affordable increase for ratepayers.

Given the significance of the proposals, Phase 2 aimed to ensure the opportunity for all residents to be informed of the challenge, and consulted on their preferred option.

The following options were explored:

- 1) Delivering services as programmed - 7.25% rate increase per year for seven years (average rate increase \$89/ annum), retained permanently in the base
- 2) Delivering enhanced or improved services, building on what is programmed - 8.95% rate increase per year for seven years (average rate increase \$116/annum) retained permanently in the base
- 3) Delivering reduced services and/or deficit budgets - 3.2% rate increase (assumed rate peg) per year for seven years (average rate increase \$35.00 per annum).

## **Phase 2 Engagement Process**

Phase 2 engagement between Council and the residents and ratepayers of Maitland concluded on the 4 October 2013. During the almost eight week period, broad community input was received into desired strategic levels of service and options for funding over a period of seven years. Over 1,200 people actively participated in the consultation either through completion of surveys providing feedback, face-to-face, online or via correspondence.

A summary of the engagement methods used during this period follows:



**Table 4.1.2 – Consultation Methods – Stage 2**

Method	Description	Participation
'Funding our Future' booklet	16 page booklet distributed to residential households across the LGA via Australia Post	26,354 booklets distributed
Press advertising	Advertisements in the Herald, Post and Mercury, outlining the options and workshop dates	11 advertisements run, with total circulation of 67,811
Maitland Your Say – project hub	Project hub established on Maitland Your Say engagement site, featuring information sheets and rating calculator	1,445 page visits
Maitland Your Say - forum	Three forums	12 participants in forums, with 202 page views
Detailed survey	Detailed survey seeking resident input into desired service levels, rates, fees and future projects	419 completed
Postage paid ballot/survey	Quick survey, provided as part of the 'Funding our Future' booklet	208 completed
Facebook	Posts on Maitland Your Say facebook page	26 posts attracting a total of 16,810 views
Focus groups	Three adult and one youth focus groups, independently facilitated by Micromex	38 participants
Community information sessions	Open discussion and presentations by senior staff	12 attendees and 5 sessions held across the LGA at Rutherford, East Maitland, Thornton and Central Maitland
Business information sessions	Presentation to Business Leaders Luncheon and drop-in session for business owners	90 attendees at Business Leaders luncheon, two attendees at business drop-ins
Shopping centre displays	Staffed booths at shopping centres in Rutherford, Greenhills and Central	7 one-on-one discussions

	Maitland	
Hotline	Calls received through the Maitland Your Say hotline set up for the project	6 one on one phone discussions
Static displays and information	Posters, publications and information at Council sites and facilities	Customers able to see and take printed information or complete surveys online
2 media releases issued, 12 stories in press, 6 stories in radio/TV	2 media releases issued, 12 stories in press, 6 stories in radio/TV	2 media releases issued, 12 stories in press, 6 stories in radio/TV
Momentum	Article in Council newsletter	Distributed to every household in the LGA
Direct mailout to community leaders	Correspondence outlining the challenge and opportunity to participate	Distribution to approximately 230 community organisations as outlined on our community directory. Four submissions received outlined concerns on affordability. One letter of support received from the Maitland Chamber of Business.
Submissions	Received via online, email or post	Five received.

Copies of the promotional materials used in Phase 2 can be seen as Attachment 2.d.

## Phase 2 - Engagement Results

As can be seen from the above, every practical effort was made to ensure broad community awareness and seek input into desired levels of service, as well as feedback on the rating proposal.

With over 1,200 residents contributing to the discussion via surveys, on-line or face-to-face discussions, results showed the majority of residents would like to see Council's services maintained, and some particular areas enhanced, moving forward. A range of additional issues were identified to be addressed by Council. These included issues pertaining to organisational efficiency, affordability and general awareness of the services provided by Council, as well as ensuring infrastructure from all levels of government and utilities keeps pace with residential growth.

The table below provides a summary of the results received from both the detailed survey and the postage paid survey from the 'Funding our Future' publication. The results from both surveys have been combined.

**Table 4.1.3 – Consultation Results, Stage 2**

	<b>Programmed</b>	<b>Enhanced</b>	<b>Results/issues</b>
<b>Roads, bridges, footpaths, bus shelters, kerbs and gutters, drains</b>	Maintenance and construction programs are delivered in line with current adopted capital works program, including bridge/ guard rails, drainage, footpaths, road reconstruction, rehabilitation and reseals, as well as traffic facilities. Current annual budget approximately \$9 million.	As programmed, plus funding is increased by \$20 million over seven years. Additional funding allocated for footpaths, particularly in older suburbs where the network is disconnected, as well as road works, particularly road resurfacing and reconstruction. Additional funding is also available for bridge repairs, and funding available for improving and replacing our stormwater drainage network.	Of the surveys completed, 413 respondents outlined their thoughts on the service level for roads, bridges, footpaths, bus shelters, kerbs and gutter and drains. Respondents aspirations for enhancements in this area were clear with the results as follows:  Programmed – 40%  Enhanced – 53%  Neither/reduce – 7%
<b>Central Maitland revitalisation</b>	The Levee is constructed, featuring new street furniture, lighting, parking and café facilities, as well as a building connecting High Street to the River Bank. An upgrade of the Maitland Railway Station precinct and Athel D'Ombra Drive is completed, supported by new residential housing.	As programmed, plus new programs for activating the CBD are introduced, as well as increased activities on the river walk and river bank. An additional \$1 million over seven years is directed to this area.	Of the surveys completed, 426 respondents expressed their thoughts on the service level for Central Maitland revitalisation. Respondents were more supportive of enhancements for this area with results as follows:  Programmed – 32%  Enhanced – 48%  Neither/reduce – 20%
<b>Environmental and Sustainability Programs</b>	A range of community and school education programs is delivered across the city. This includes seedling giveaways, weed removal, roadside vegetation management and native vegetation establishment, energy and water saving reduction programs.	As programmed, plus an additional \$500,000 is allocated over seven years, in particular to partnership programs relating to the health of the Hunter River and surrounds.	Of the surveys completed, 392 respondents shared their views on the service level for environmental and sustainability programs. Respondents were more inclined to support a programmed option with results as follows.  Programmed – 49%  Enhanced – 37%

			Neither/reduce – 14%
<b>City pride (litter collection, street sweeping, dumping, graffiti and gardens)</b>	Litter collection, street sweeping and graffiti removal is maintained at current levels. Litter collection is focused on high visibility locations, and response times to reports of dumping and graffiti remain at current levels. Graffiti removal is also undertaken in partnership with local service clubs.	Additional funding of \$1.5 million over seven years allows for litter collection, street sweeping and graffiti removal programs to be more frequent and widely spread, including a focus on maintenance of median and verges of the New England Highway.	Of the surveys completed, 404 respondents provided their thoughts on the service level for city pride. Respondents were more supportive of the programmed option for this area with results as follows.  Programmed – 55%  Enhanced – 39%  Neither/reduce – 6%
<b>Recreational cycleways, trails and shared pathways</b>	Development of cycleways continues as currently programmed, allowing for a gradual expansion of network.	Further expansion of the recreational cycleway network occurs through an additional \$2 million over seven years, focused on establishing connected off road networks.	Of the surveys completed, 412 respondents provided their views on the service level for city pride. Respondents were more supportive of an enhanced option for this area with results as follows.  Programmed – 35%  Enhanced – 47%  Neither/reduce – 18%
<b>Sporting facilities, parks, playgrounds and picnic facilities</b>	Maintenance of sporting facilities, parks and playgrounds occurs at current levels.	As programmed, plus an additional \$2.5 million over seven years allows for new park furniture, exercise stations, improved access and parking etc across the city. Maintenance is also increased at key sites.	Of the surveys completed, 408 respondents outlined their thoughts on the service level for sporting facilities, parks, playgrounds and picnic facilities. The majority of respondents were looking for enhancements in this area with the results are as follows  Programmed – 43%  Enhanced – 52%  Neither/reduce – 5%
<b>Youth spaces (skate parks) and programs</b>	Maintenance of youth spaces remains at current levels, focused on key facilities.	As programmed, plus development of new youth facilities (including skate parks) through an	Of the surveys completed, 414 respondents expressed their thoughts on the service level for youth spaces. A

		additional \$2 million over seven years. Facilities developed at Green Hills, Thornton and Central Maitland.	<p>minor difference in opinion was provided between the programmed and enhanced options with results as follows.</p> <p>Programmed – 43%</p> <p>Enhanced – 41%</p> <p>Neither/reduce – 16%</p>
<b>Emergency management and response</b>	Contributions to NSW Fire Brigade, State Emergency Service and Rural Fire Service area maintained. Council maintains SES buildings, contributes to planning processes and is geared to assist in times of emergency.	As programmed, plus additional funding of \$400,000 over seven years can be directed to facilities, flood risk education and planning initiatives.	<p>Of the surveys completed, 398 respondents shared their views on the service level for emergency management. Respondents were strongly supportive of a programmed option with results as follows.</p> <p>Programmed – 58%</p> <p>Enhanced – 35%</p> <p>Neither/reduce – 7%</p>
<b>Tourism, visitor services and economic development</b>	Maitland Visitor Information Centre operates seven days per week. Maitland Gaol operates seven days per week, offering a range of programs and experiences.	As programmed, plus an additional \$350,000 over seven years allows for new product development and related marketing.	<p>Of the surveys completed, 400 respondents provided their thoughts on the service level for Tourism, visitor services and economic development. Respondents were more supportive of the programmed option for this area with results as follows.</p> <p>Programmed – 54%</p> <p>Enhanced – 34%</p> <p>Neither/reduce – 12%</p>
<b>Heritage</b>	Heritage programs including publications, restoration grants are maintained at current levels.	An additional \$750,000 over seven years allows for the introduction of façade improvement programs and other initiatives to enhance and promote local heritage.	<p>Of the surveys completed, 403 respondents submitted their views on the service level for heritage. Respondents were more supportive of a programmed option for this area with results as follows.</p> <p>Programmed – 43%</p> <p>Enhanced – 39%</p> <p>Neither/reduce – 18%</p>

<b>Community buildings, public toilets and amenities</b>	Continuing final year of program from rate variation of 2010/11 works.	Additional maintenance, renovations, extensions and construction will be undertaken through an additional \$2.5 million over seven years.	<p>Of the surveys completed, 393 respondents expressed their thoughts on the service level for community buildings, toilets and amenities. A minor difference in opinion was provided between the programmed and enhanced options with results as follows.</p> <p>Programmed – 46%</p> <p>Enhanced – 49%</p> <p>Neither/reduce – 5%</p>
<b>Pools/aquatic services</b>	East Maitland Pool season extends from Sept- April. Additional indoor heated 25m pool constructed at Maitland Pool, allowing year round use.	As programmed, plus Indoor learn to swim and water play area constructed at Maitland Pool through additional \$2 million over ten years.	<p>Of the surveys completed, 423 respondents outlined their views on the service level for pool/aquatic services. Respondents' preference between the programmed and enhanced options was minimal with results as follows.</p> <p>Programmed – 44%</p> <p>Enhanced – 40%</p> <p>Neither/reduce – 16%</p>
<b>Community events</b>	The following community events are delivered - Aroma, Australia Day, Bitter and Twisted, New Year's Eve. Steamfest, Taste, Riverlights.	As programmed, plus potential new events are introduced to the city's events calendar, and current events expanded through new entertainment and activities. An additional \$500,000 is spent over seven years.	<p>Of the surveys completed, 405 respondents provided their views on the service level for community events. A minor difference in opinion was provided between the programmed and enhanced options with results as follows.</p> <p>Programmed – 47%</p> <p>Enhanced – 43%</p> <p>Neither/reduce – 10%</p>
<b>Library services</b>	Services and programs are maintained at East Maitland Library, Thornton Library, Rutherford Library and	Services and programs are enhanced with funding increased by \$750,000 over seven years. Library opening hours are increased and digital	Of the surveys completed, 403 respondents outlined their thoughts on the service level for library services. The majority of respondents were looking for this area to

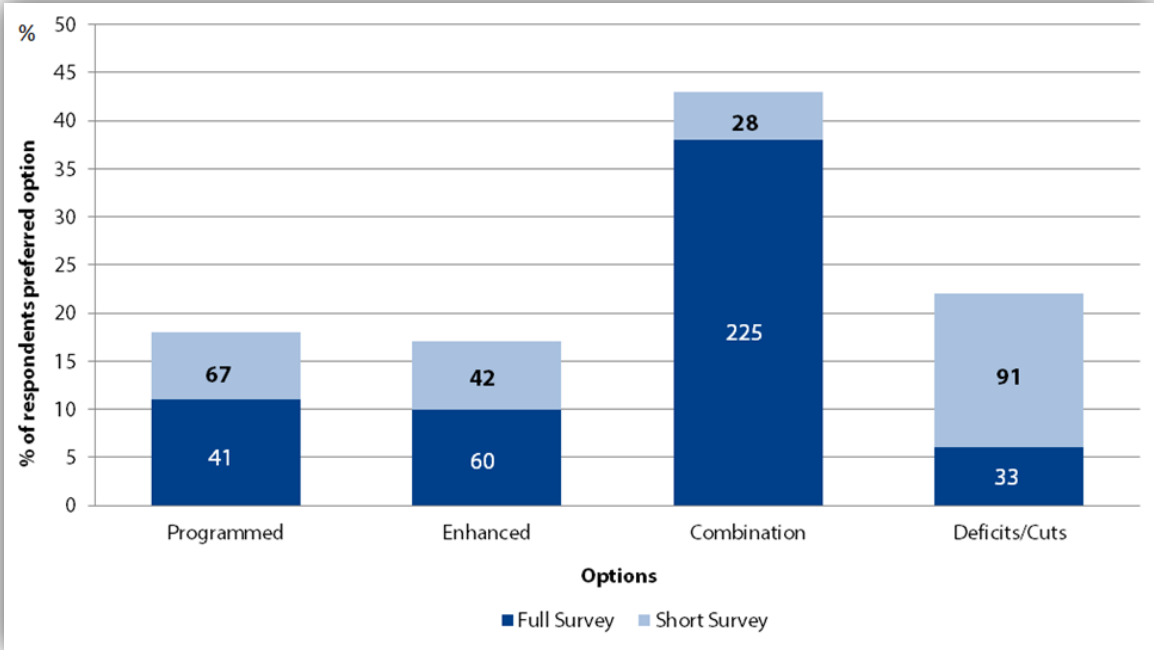
	Maitland (Central) Library.	collections expanded.	<p>remain as programmed with the results as follows</p> <p>Programmed – 58%</p> <p>Enhanced – 31%</p> <p>Neither/reduce – 11%</p>
<b>Art Gallery and Cultural Services</b>	<p>Maitland Regional Art Gallery (MRAG) is open Tues-Sun 10.00am-5.00pm</p> <p>Exhibitions are regularly refreshed, with a range of programs for children and adults.</p>	<p>As programmed, plus new public art programs can be initiated, seeing sculptures and other elements introduced across the city. An additional \$750,000 is directed to this area over seven years.</p>	<p>Of the surveys completed, 409 respondents outlined their thoughts on the service level for art gallery and cultural services. Respondents clearly preferred the programmed option with the results as follows</p> <p>Programmed – 51%</p> <p>Enhanced – 28%</p> <p>Neither/reduce – 21%</p>
<b>Cemeteries</b>	<p>Management of Council's cemeteries at East Maitland, Morpeth and Rutherford for burials, with maintenance of Glebe, Oakhampton, Hiland Crescent, Louth Park and Campbell's Hill cemeteries.</p>	<p>As programmed, plus an additional \$500,000 over seven years allows for implementation of key actions from Council's Cemetery Strategy, including identification of an increased range of interment options.</p>	<p>Of the surveys completed, 393 respondents outlined their thoughts on the service level for cemeteries. More respondents were looking for this area to remain as programmed with the results as follows</p> <p>Programmed – 65%</p> <p>Enhanced – 22%</p> <p>Neither/reduce – 13%</p>
<b>Suburban Town Centres</b>	<p>Maintenance and renewal programs of local suburban town centres occurs in line with current programs.</p>	<p>An additional \$500,000 over seven years allows for improved suburban town centre appearance.</p>	<p>Of the surveys completed, 392 respondents outlined their views on the service level for suburban town centres. Respondents' preference between the programmed and enhanced options was minimal with results as follows.</p> <p>Programmed – 48%</p> <p>Enhanced – 44%</p> <p>Neither/reduce – 8%</p>

<b>Customer service delivery transactions, requests, applications and permits and Community Engagement</b>	Processes for lodging customer service requests, development applications and permits and other advice from Council staff remain at current levels. Community Engagement is focused on key projects.	New and improved processes for lodging customer service requests, development applications and permits and other advice from Council staff are introduced, with a focus on online service delivery. Community Engagement and participation is expanded. An additional \$500,000 over seven years is allocated to this area.	Of the surveys completed, 391 respondents provided their thoughts on the service level for customer service. Respondents were more supportive of the programmed option for this area with results as follows.  Programmed – 49%  Enhanced – 41%  Neither/reduce – 10%
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All survey respondents were asked to share their thoughts on their overall preferred option for 'Funding our Future', choosing between delivering services as programmed, delivering enhanced services, delivering combined programmed and enhanced services or delivering reduced services and/or deficit budgets. Of the 587 people who provided a response to this question, 43% selected a combination of programmed and enhanced services while only 21% selected reduced services and deficits. 19% of respondents nominated programmed, while 17% selected enhancement of all services as their preference. The table below outlines the overall results received for each option within both the detailed (full survey) and reply paid (short) survey. The surveys and detailed results can be seen as Attachment 2.d.iii.



Figure 4.1.3 –Survey Results Combined, Stage 2



The engagement results for Phase 2 can be seen in Attachments 2.d.i – 2.d.vii.

### Phase 3 – Funding our Future – finding the solution

These results, examined in concert with the adopted strategies of Council and future growth, led to the development of a refined proposal:

The following service package was presented:

**Table 4.1.4 – Service package for consultation, Phase 3**

Sustaining Council services	Description
<b>Asphalt resurfacing of roads*</b>	Annual resurfacing programs are enhanced through an additional \$3.85 million over seven years to enhance quality and amenity.
<b>Bus shelters*</b>	Council's program to address accessibility issues and improve bus stops, footpaths and kerbsides is enhanced through an additional \$350,000.
<b>Business support</b>	Council's business support services, including finance, information technology, governance, information management, risk and insurances, human resources and corporate planning are maintained and enable frontline operations.
<b>Cemeteries</b>	Management of Council's cemeteries continues as programmed at East Maitland, Morpeth and Rutherford for burials, with maintenance of Glebe, Oakhampton, Hiland Crescent, Louth Park and Campbell's Hill cemeteries. No additional funding will be directed to this area, meaning implementation of Council's Cemetery Strategy will be staged over time, with no immediate changes to interment options.
<b>Central Maitland revitalisation</b>	The Levee is constructed, featuring new street furniture, lighting, parking and café facilities, as well as a building connecting High Street to the River Bank. An upgrade of the Maitland Railway Station precinct and Athel D'Ombra Drive is completed, supported by new residential housing.
<b>City pride (litter collection, street sweeping, dumping, graffiti and gardens)</b>	Litter collection, street sweeping and graffiti removal is maintained at current levels. Litter collection is focused on high visibility locations, and response times to reports of dumping and graffiti remain at current levels. Graffiti removal is also undertaken in partnership with local service clubs.
<b>Community buildings, public toilets and amenities *</b>	Enhancing currently programmed works, additional maintenance, renovations, extensions and construction will be undertaken through an additional \$2.5 million over seven years.
<b>Community events</b>	Community events will continue to be delivered as programmed, including- Aroma, New Year's Eve. Steamfest, Taste, and Riverlights in Central Maitland, Australia Day in Maitland Park and

	Bitter and Twisted at Maitland Gaol.
<b>Community services</b>	Planning and support for specific community groups continues, with Council working in partnership with a range of groups across the City.
<b>Customer service delivery - transactions, requests, applications and permits and community engagement</b>	Processes for lodging customer service requests, development applications and permits and other advice from Council staff remain at current levels. Community engagement is focused on key projects.
<b>Cultural Services/MRAG</b>	Maitland Regional Art Gallery (MRAG) continues operations as currently programmed, being open Tues-Sun from 10.00am-5.00pm. Exhibitions are regularly refreshed, with a range of programs for children and adults. An on-site café and gift shop also operate.
<b>Emergency management and response</b>	Contributions to NSW Fire Brigade, State Emergency Service and Rural Fire Service are maintained. Council maintains SES buildings, contributes to planning processes and is geared to assist in times of emergency.
<b>Environmental and sustainability programs</b>	A range of community and school education programs continues to be delivered across the city. This includes seedling giveaways, weed removal, roadside vegetation management and native vegetation establishment, energy and water saving reduction programs.
<b>Footpaths*</b>	Expanding Council's current annual program of works, the construction of footpaths in older suburbs supported via an additional \$2.1 million over seven years.
<b>Health and safety</b>	Council's community health and safety initiatives are maintained at current levels, including food surveillance, health inspections and immunisation programs.
<b>Heritage</b>	Heritage programs including publications, restoration grants are maintained at sustained at current levels.
<b>Library services</b>	Services and programs for children and adults are maintained at East Maitland Library, Thornton Library, Rutherford Library and Maitland (Central) Library.
<b>Line marking and delineation*</b>	An expansion of Council's line marking and delineation (including reflective markers and signage) is possible through an additional \$700,000.
<b>Major road reconstruction*</b>	An additional \$7 million allocated to major projects on urban and rural roads over seven years, extending Council's current four year program.
<b>Place activation *</b>	An additional \$1 million over seven years is directed to activating key spaces in the City, focused on attracting people to the CBD, as

	well as increased activities on the river walk and river bank.
<b>Planning and development</b>	Council's development assessments and building controls are maintained at current levels, supporting the city's growth.
<b>Pools/aquatic services</b>	East Maitland Pool season extends from Sept- April. Additional indoor heated 25m pool constructed at Maitland Pool, allowing year round use.
<b>Recreational cycleways, trails and shared pathways *</b>	Development of recreational cycleways is enhanced through an additional \$2 million over seven years, focused on establishing connected off road networks.
<b>River access *</b>	Improved access to the Hunter River from Council owned lands is possible, through the allocation of an additional \$1 million over seven years.
<b>Sporting facilities, parks, playgrounds and picnic facilities *</b>	Maintenance of sporting facilities, parks and playgrounds is sustained at current levels, plus an additional \$2.5 million over seven years allows for new park furniture, exercise stations, improved access and parking across the city.
<b>Suburban town centres</b>	Maintenance and renewal programs of local suburban town centres occurs in line with current programs.
<b>Tourism, visitor services and economic development</b>	Tourism and visitor services are maintained, with Maitland Visitor Information Centre and Maitland Gaol operating at seven days per week, offering a range of programs and experiences. Economic development programs continue at current levels.
<b>Urban growth</b>	Long term land use and infrastructure strategic planning is maintained, ensuring sustainable development across the LGA.
<b>Waste management and recycling</b>	Collection and disposal of waste and recycling continues, with service levels to be enhanced over time. However, it should be noted that this service area is subject to a separate waste management charge (as listed on rates notices), and is not a component of the special rate variation package.
<b>Youth spaces (skate parks) and programs *</b>	Maintenance of existing youth spaces continues at current levels, while development of new youth facilities will result from an additional \$2 million over seven years. Possible facilities developed at Green Hills, Thornton and Central Maitland.

*\* Service level enhanced. Remaining services sustained at current levels to an increased population over time.*

To ensure community awareness, the full range of Council services was incorporated into the proposal for of consultation.

### **Phase 3 proposal – impact on rating**

During the consultation period, a number of key stakeholders, including the Maitland Business Chamber, suggested that farmland and business rating is high when compared to neighbouring and similar Local Government Areas.

This had been recognised and acknowledged by Council in the past. Just as average residential rating is comparatively low (when compared to neighbouring Councils and other regional cities), average farmland and business rating is comparatively high.

It was timely for Council to consider how this apparent disparity could be addressed in establishing a rating scenario for the next seven years.

Council's rating regime should be equitable, and consider the impacts of growth and land use changes on all ratepayers. Maitland has grown and in some key areas, land that was once levied as farmland has been developed into residential lots. However, the proportion of rating paid by farmland ratepayers has not been accordingly and sufficiently reduced through an expansion of the residential segment. Simply, this has led to a situation where fewer farmland ratepayers are paying the same proportion of rates – leading to the current comparatively high level of rating.

Business rating is also comparatively high, with 2013/14 business rate payers making more than 20% of the financial contribution, yet holding 10% of land value.

Considering the feedback from all ratepayers, and a strong community desire to see services sustained and enhanced over time, an overall increase to Council's rating income of 8.35% each year for seven years was proposed. It was also determined that as total rates income increased over the period of the SRV, that the proportion of rates paid by each rating category be adjusted to better reflect the overall value of land held by these ratepayers, ensure equitability and support economic development.

The following table illustrates the percentage increases in dollar terms on average land values within each rating category, as released for consultation under the 8.35% proposal.

**Table 4.1.5 – Impact on rates, Phase 3 proposal**

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	
	Average Land Value	Actual Rates 13/14	Estimate d Rates 14/15	Estimate d Rates 15/16	Estimate d Rates 16 /17	Estimate d Rates 17/18	Estimate d Rates 18/19	Estimate d Rates 19/20	Estimate d Rates 20/21	Ave Rates Increase
<b>Resident ial urban</b>	\$148,000	\$960.38	\$1,048.1 1	\$1,143.0 6	\$1,245.8 0	\$1,357.0 0	\$1,477.3 3	\$1,607.6 1	\$1,748.6 4	\$112.61
<b>Resident ial non urban</b>	\$296,500	\$1,662.5 6	\$1,801.0 3	\$1,950.7 7	\$2,113.8 5	\$2,290.2 6	\$2,481.0 3	\$2,688.2 1	\$2,912.8 2	\$178.61
<b>Farmland d high intensity</b>	\$686,000	\$2,954.5 5	\$3,136.3 6	\$3,333.3 3	\$3,547.3 5	\$3,778.4 1	\$4,030.3 0	\$4,303.0 3	\$4,598.4 8	\$234.85
<b>Farmland d low intensity</b>	\$445,000	\$2,166.6 7	\$2,291.6 7	\$2,430.5 6	\$2,576.3 9	\$2,736.1 1	\$2,909.7 2	\$3,104.1 7	\$3,305.5 6	\$162.70
<b>Business ordinary</b>	\$303,500	\$5,261.0 6	\$5,616.8 1	\$6,001.6 8	\$6,419.0 5	\$6,871.1 5	\$7,360.7 8	\$7,891.3 2	\$8,466.1 1	\$457.86
<b>Mining</b>	\$1,039,000	\$152,000	\$165,000	\$179,000	\$193,500	\$209,500	\$227,000	\$246,000	\$266,500	\$16,357.14

To summarise, in Table 4.1.6:

**Table 4.1.6 –Average impact on rates, Phase 3 proposal**

	Average rates increase % per year	Average annual rates increase \$ per year
Residential urban	8.94%	\$112.61
Residential non urban	8.34%	\$178.61
Farmland high intensity	6.52%	\$234.85
Farmland low intensity	6.22%	\$162.70
Business ordinary	7.03%	\$457.86
Mining	8.35%	\$16,357.14
<b>Total rate revenue</b>	<b>8.35%</b>	<b>\$10.4 million</b>

### Phase 3 engagement process

Over 940 people actively participated in Phase 3 either by completing surveys or providing feedback face-to-face, online or via correspondence. To ensure continued community awareness of the process and Council's proposal to increase rates, the following methods were used:

**Table 4.1.7 –Engagement activities and participation, Phase 3**

Method	Description	Participation
<b>Methods promoting consultation</b>		
'Funding our Future'	DL brochure distributed to residential households across the LGA via Australia Post	DL brochure distributed to 27,858 households.
Press advertising	Advertisements in the Herald, Post and Mercury, outlining the options and workshop dates	7 advertisements throughout the engagement period, 1 in the Herald, 3 in the Post and 3 in the Mercury. There was an average of one advertisement run each week.
Information on the October 2013 rate	Information regarding Councils proposal to increase	25,513 rate assessments were distributed in October

notice	rates above the rate peg was included on the information slip attached to the rates notice. This included details on the community information sessions.	with this information included.
Static displays and information	Posters, publications and information at Council sites and facilities	Customers able to see and take printed information or complete surveys online
Media releases issued, stories in press, stories in radio/TV	Two Council issued media releases were distributed, one at the commencement of the seven year rating proposal and one further promoting the community information sessions.	The Mercury printed eight articles over the engagement period, The Herald four, and The Post one. The proposal was discussed on 5 local radio stations.
Direct mailout to community and business leaders	Distribution to approximately 222 community organisations as outlined on our community directory and the Business Chamber network	One letter received outlining concerns on affordability.
Databases of those that responded in Phase 2	Email distribution to approximately 213 participants who completed the survey in Phase 2 on the options available to Council. This email outlined the results from Phase 2 and the seven year rating proposal.	Nil direct response back from this email but over 250 people visited Maitland Your Say within two days of this email was distributed.
Database of Maitland Your Say registered members	Email distribution to approximately 364 registered members of Maitland Your Say outlining the consultation period and the ways in which they could participate.	Nil direct response back from this email but over 250 people visited Maitland Your Say within two days of this email was distributed.
Methods providing feedback and comment		
Maitland Your Say – project hub	Project hub established on Maitland Your Say engagement site, featuring information sheets and rating calculator	698 visits to the site by 415 people during the consultation period of which 61 became registered members. There were 101 visitors who downloaded 231 documents which included the package of services, DL brochure, Funding Our Future publication and rates proposal.



Maitland Your Say - on-line survey	An online survey on Maitland Your Say which is similar to the telephone survey.	167 people completed the survey.
Maitland Your Say - forum	Three forums on Maitland Your Say seeking thoughts on the service package under the proposal, the seven year rating package itself and community awareness of the proposal's contribution if it was approved to go ahead.	22 comments over the three forums from 12 people, with the majority of comments on the topic asking residents what they thoughts of the seven year rating proposal. These comments primarily opposed the proposal and were looking for Council to 'live within its means'. 217 visitors to the site viewed these forum comments.
Maitland Your Say – quick poll	Quick poll asking visitors to the site whether they support the services under the seven year rating proposal.	35 of those that visited the site took the quick poll with 14.3% supportive of the services Council is proposing under the seven year rating proposal and 85.7% not supportive of the services.
Maitland Your Say - submissions	Formal email or letter responses to either Maitland Your Say or addressed to the General Manager or Mayor	36 submissions were received via email and post outlining issues of affordability and the need for Council to 'live within its means'.
Telephone survey	Randomly selected survey undertaken by independent consultant Micromex Research. The survey asked participant how important it was that Council introduces a special rate variation and how supportive they were with proceeding with an application.	The telephone survey had a sample size of 400 residents. 28% of participants were somewhat supportive and 45% were supportive or very supportive of Council proceeding with an application for a special rate variation. 57% of participants thought it was important or very important that Council be allowed to introduce a special rate variation and 25% thought it was somewhat important.
Facebook	Posts on Maitland Your Say facebook page providing information on the consultation, seven year rates proposal and ways residents could share their thoughts.	16 posts were provided with an average reach of 540 per post. Of all the posts uploaded there was an average of 30 clicks per post and 6 comments, likes or shares per post. 67 people visited Maitland Your Say as

		a result of these posts. Comments received were generally opposed to the proposal stating concerns of affordability and Councils need to live within its means.
Community information sessions	Two open discussions and presentations by senior staff	A total of 58 people attended the information session, 23 to the morning session and 35 to the evening session. Those that attended we generally not supportive of the proposal stating concerns of affordability and that Council needs to live within its means
Staff information session	One presentation with open discussion by senior staff	Over 20 people attended the session.
Hotline	Calls received through the Maitland Your Say hotline set up for the project	Approximately 20 calls were made to the hotline number outlining concerns of affordability.

Copies of promotional materials used in this Phase can be seen as Attachment 2.e.

### **Phase 3 engagement results**

#### Telephone survey

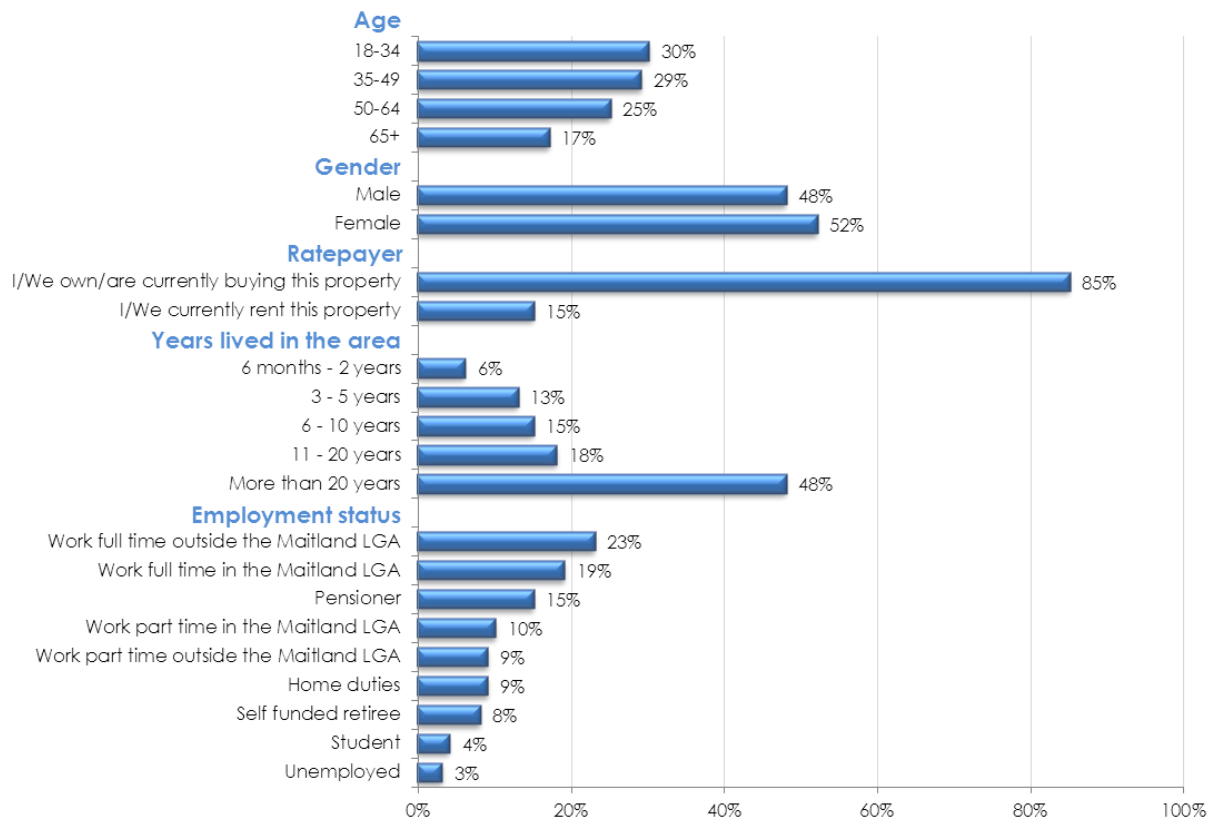
Council commissioned Micromex Research to conduct an independent telephone survey on the proposal. This involved contact with randomly selected residents, between 18th and 21st November 2013. A random community sample size of 400 (as analysed in the survey) provides a maximum sampling error of plus or minus 4.9% at 95% confidence. This means that if the survey was replicated with a new sample of Maitland residents, that 19 times out of 20 we would expect to see the same results.

To quote Micromex “the research findings documented in this report should be interpreted by Maitland Council and IPART as not just the opinions of 400 residents, but as an accurate and robust measure of the entire Maitland community’s attitudes.”

As demonstrated in the following tables, a majority of respondents (74%) were somewhat through to very supportive of Council proceeding with the application, with 26% being not very or not at all supportive.

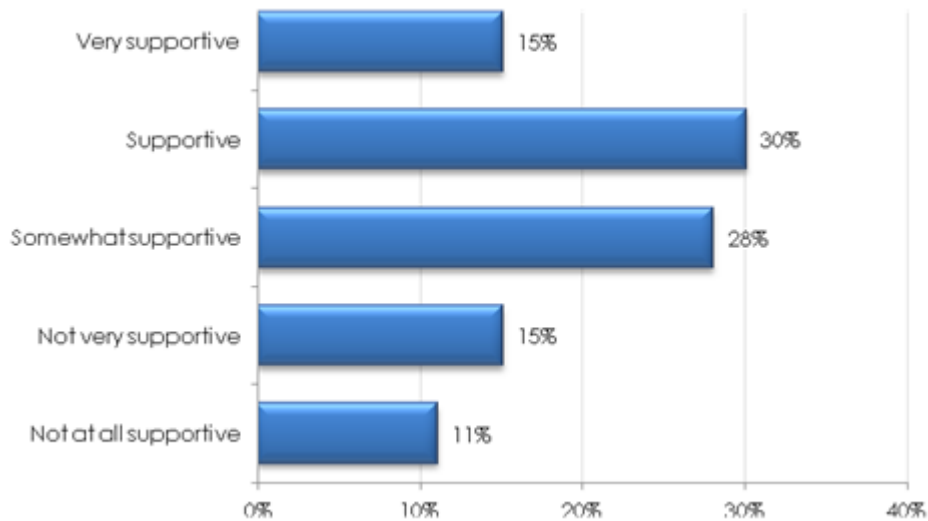
In terms of the importance of the proposal, the vast majority (82%) of respondents thought it was somewhat through to very important, while 18% thought it was not very or not at all important.

**Figure 4.1.4 — Micromex survey profile (weighted to reflect 2011 ABS community profile)**



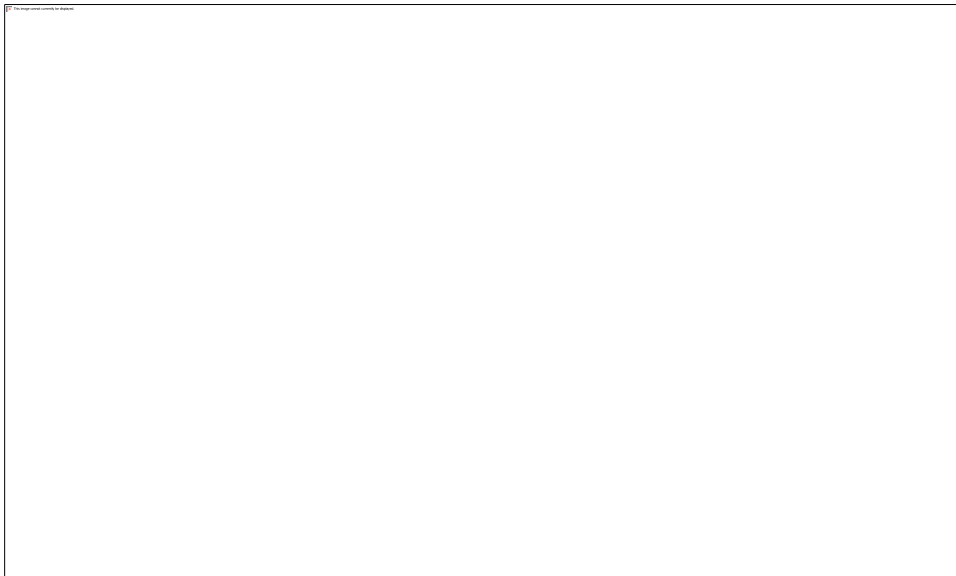
**Figure 4.1.5 — Micromex survey , support for SRV**

*How supportive are you of Council proceeding with this application?*



**Figure 4.1.6— Micromex survey , importance of SRV**

*Based on what you have been told, how important do you believe it is that Maitland Council is allowed to introduce this special rate variation?*



Micromex states “residents had moderately high levels of satisfaction with the current levels of servicing provided by Council. 95% of residents believe it is important that Council continues to improve and enhance services. 74% of residents were at least somewhat supportive of Council proceeding with the proposed Special

Rate Variation. 82% of residents found it was at least somewhat important for Council to be allowed to introduce the Special Rate Variation."

Micromex has concluded "there is clear community support for Council to receive permission from IPART for a rate increase." The complete report can be seen as Attachment 2.e.iv.

#### Comparison to past telephone survey results

In Phase 1 of the engagement process, a detailed question on Council services and a potential rate increase was incorporated into the annual community survey. This was designed to test community views on services and rating increases.

This research found, as a first choice, 32% of respondents would prefer to maintain services through an increase in rates, whilst 54% would prefer an even greater increase in rates to enhance services as their first choice. Just 14% of respondents selected cuts to services or deficit budgets as their first preference.

Whilst the percentage of respondents that were not supportive of a rating increase had risen slightly from the first survey, the majority remained supportive of Council's efforts to maintain and enhance key services over time.

#### Online survey

The survey used in the statistical telephone research was also available online through Maitland Your Say. 167 residents voluntarily completed the survey online. The majority of residents were at least somewhat supportive of the level of service Council currently provides and believe it is important for Council to provide currently programmed and enhanced services to our growing population. The majority (92%) thought it was somewhat important, important or very important for Council to be financially sustainable (i.e. not in deficit) into the future.

However, those that completed the voluntary online survey were less supportive of Council proceeding with an application for a special rate variation. 76% (127 respondents) did not support Council proceeding with an SRV, and 70% (117 respondents) did not think it was important that Council was allowed to introduce a special rate variation. The complete results of the voluntary online survey can be seen as Attachment 2.e.i.

It should be noted that these results contrast to the randomly selected telephone survey results.

The remaining engagement results from Phase three can be seen as Attachment 2.eii, 2.ev and 2.evi.

## Phase 4 Funding our Future – Programming services

The release of Council's Delivery Program 2013-17 (Revised) and Operational Plan 2014/15, for community comment marked the commencement of Phase 4 of the consultation.

Council placed these documents on exhibition after confirming its intent to apply for this special rate variation.

The community was able to provide feedback online through forums, a quick poll or providing a submission via the 'Maitland Your Say' website; by attending Community Information Sessions; calling our hotline; or liking or commenting on the 'Maitland Your Say' Facebook page. Residents were advised of their opportunity to participate in the public exhibition through the following tactics:

**Table 4.1.8 — Phase 4 consultation methods and participation**

Method	Description	Participation
<b>Methods promoting consultation</b>		
Press advertising	Advertisements in the Herald, Post and Mercury, outlining the options and workshop dates.	9 advertisements throughout the engagement period in the Maitland Mercury, Hunter Post and Newcastle Herald.
Information on the January 2014 rate notice	Information regarding Council's proposal to increase rates and the Program was included on the information slip attached to the rates notice.	25,425 rate assessments were distributed in January with this information included.
Static displays and information	Posters, publications and information at Council sites and facilities.	Customers able to see and take printed information or complete surveys online.
Media releases issued, stories in press, stories in radio/TV	Two media releases issued and published on Council's corporate and engagement websites and via Social Media.	Print – 9 Articles Radio – 12 Reports Television – 1 Report (NBN News – Newcastle).

Direct correspondence	Email correspondence to Maitland Your Say registered members advising of exhibition period	Email distributed to 400 members
<b>Methods providing feedback and comment</b>		
Maitland Your Say – project hub	Project hub established on Maitland Your Say engagement site, featuring the draft program and operational plan, background information and rating calculator.	The hub received 491 visits, 1037 page views from a total 371 visitors. There were 355 document downloads which included 126 downloads of the draft Delivery Program 2013-17 (Revised).
Maitland Your Say - forum	Two forums on Maitland Your Say seeking views on the Program and the seven year rating package itself and community awareness of the proposal's contribution if it was approved to go ahead.	Six comments from five participants were received with all comments provided on the Delivery Program package topic.
Facebook	Posts on Maitland Your Say facebook page providing information on the consultation, seven year rates proposal and ways residents could share their thoughts.	A total of twelve (12) status updates were posted as a reminder to residents and ratepayers of the opportunity for them to have their say in relation the draft Delivery Program 2013-17 (Revised). The total reach (number of people who saw the posts) for the period was 6,290 with 674 people engaged in the conversation by clicking on the posts, commenting on the posts or liking or sharing status updates (posts). Of this 674, only 14 page 'likers' provided comments. The post relating to the information sessions on 20th January

		2014 was boosted (increased promotion in people's news feed) enabling it to be seen by 4,386 people.
Community information sessions	Two open discussions and presentations by senior staff.	Two sessions held on 21st January 2014 at 10:00am and 6:00pm. The first session attracted six (6) community members, whilst thirteen (13) community members came along to the evening session. Local media was also present at both events, including NBN Newcastle at the morning session. Councillors were also present at both sessions to hear first-hand from members of the community.
Hotline	Calls received through the Maitland Your Say hotline set up for the project.	Five (5) calls were made to this line during the period.
Submissions	Submissions received through Maitland Your Say, email or mail.	A total of fourteen (14) submissions were received.
Public Access	Opportunities for members of the public to address Council on items in meeting Agendas pertaining to the SRV	Four people addressed Council on issues pertaining to the variation, speaking against the officer's recommendations, at the meeting of 11 February 2014.

### Engagement Outcomes

Approximately 1,060 people had direct involvement during the public exhibition period, whether by attending the community information sessions, visiting Maitland Your Say, participating in social media or downloading documentation. Council's 'Maitland Your Say' Facebook page proved popular, with residents providing many comments during this phase of engagement. Detail of the engagement outcomes is provided below.

The submissions referred mostly to the rating proposal, with concerns raised about general affordability of the proposal especially for those on a fixed income, the need for Council to further investigate efficiencies and cost containment strategies and the



belief that the community does not generally support the proposal. A submission was received specifically relating to the Delivery Program Package outlining the need to have more actions undertaken in the Woodberry area.

The promotional collateral distributed during this phase is included as Attachment 2.f.

Details of the engagement results are included in Attachment 2.fi-2.fiv.

### Phase 5: Confirming direction – Funding our Future

Taking into consideration all of the issues raised throughout the consultation, changes to the final rating proposal were suggested on the close of Phase 4. These changes have been made to address key issues of community concern, in particular issues of affordability and the reasonableness of the proposal, as well as the need to ensure innovation and efficiency. Taking into account these changes, Council will be able to deliver the service package outlined in the Delivery Program, with an increase to total rates revenue of 7.25% each year for seven (7) years, retained permanently in the base. Phase 5 engagement aimed to provide information to the community about the revised rating proposal prior to and post the Council meeting the following night, 11 February 2014.

The collateral distributed for information during this phase is included as Attachment 2.g.

It is important to note the receipt of a letter of support for the revised proposal from the Maitland Chamber of Business during this phase. This letter has been included in Attachment 2.g.i

### Overall consultation – methods and participation

As has been illustrated, Council has made all possible efforts to ensure community awareness. This is summaries in the Table following.

**Table 4.1.9 – Overall consultation methods and participation**

Method	Description	Participation
<b>Methods promoting consultation</b>		
'Funding our Future'	16 page booklet distributed to residential households across the LGA via Australia Post during Phase 2.	26,354 booklets distributed.
'Funding our Future'	DL brochure distributed to	DL brochure distributed to

	residential households across the LGA via Australia Post during Phase 3.	27,858 households.
Press advertising	Advertisements run in the Herald, Hunter Post, Lower Hunter Star and Maitland Mercury throughout each phase of the engagement providing key information and how residents could participate.	<p>Thirty advertisements were placed. This included twelve in the Maitland Mercury, twelve in the Hunter Post, one in the Lower Hunter Star and five in the Newcastle Herald. Of these, the average circulation per advertisement was:</p> <ul style="list-style-type: none"> <li>- Maitland Mercury – 3,178</li> <li>-Hunter Post – 24,991</li> <li>-The Herald – 36,368</li> <li>-Lower Hunter Star - 23,731</li> </ul>
Information on the October 2013 rate notice	Information regarding Councils proposal to increase rates above the rate peg included on the information slip attached to the October and January rates notices.	25,513 rate assessments were distributed in October and 25,425 rate assessments were distributed in January.
Momentum	Articles in Council's July, October and December newsletter edition.	Distributed to over 27,000 households in the LGA.
Static displays and information	Posters, publications and information at Council sites and facilities.	Customers able to see and take printed information or complete surveys online.
Media releases issued, stories in press, stories in radio/TV	Eight media releases were distributed, two in each phase. The first at the commencement of the phase and the second to promote the community information sessions.	<p>A total of 50 articles were printed with the Maitland Mercury printing 33 articles (circulation of 3,696), The Herald 12 (circulation of 36,368), and The Hunter Post 5 (circulation of 24,991).</p> <p>Sustainable Council for a Sustainable City/Funding our Future was discussed on 6 local radio stations within 38 items of 'news'. Each story had an average reach of 15,000 people.</p> <p>NBN Newcastle ran a news story once during phase 3 and once during phase 4.</p>

		<p>The stories had an average reach of 72,000 people.</p> <p>13 Letters to the Editor over all phases.</p>
Direct mail out to community and business leaders	Distribution to approximately 222 community organisations as outlined on our community directory and the Business Chamber network during phase two and three.	222 distributed.
Databases of those that responded in Phase 2 and provided an email address for future involvement	Email distribution to approximately 213 participants who completed the survey in Phase 2 on the options available to Council. This email outlined the results from Phase 2 and the seven year rating proposal.	Nil direct response back from this email but over 250 people visited Maitland Your Say within two days of this email being distributed.
Database of Maitland Your Say registered members	Three emails were distributed to over 350 registered members of Maitland Your Say outlining the consultation period and the ways in which they could participate.	<p>Nil direct response back from these emails.</p> <p>At the conclusion of the consultation the membership had reached 400.</p>
<b>Methods providing feedback and comment</b>		
Maitland Your Say – project hub	Project hubs were established for each phase on Maitland Your Say featuring detailed advice about the phase, information sheets, links to other sites (IPART, DLGP), information sheets, documents/publications and the rating calculator.	2,200 site visits were made across the four hubs. In total there were 1,299 document downloads which included downloads for the package of services, DL brochure, Funding Our Future publication and rates proposal.
Maitland Your Say - on-line surveys	Two online surveys were conducted. The first sought resident input into priority areas, service levels and impacts on rating. The second, similar to the telephone survey in phase three, tested resident support for the seven year rating proposal.	167 people completed the second online survey in Phase 3.
Maitland Your Say -	A total of fourteen forum topics	44 comments were received

forum	were opened for community comment through the four phases. The forums on Maitland Your Say asked participants to provide their thoughts on the Delivery Program; the service package under the proposal; the seven year rating package itself and community awareness of the proposal's contribution if it was approved to go ahead.	from 29 participants in forums.
Maitland Your Say – quick poll	A total of four Quick polls were provided across the four hubs. Quick polls asked participants about rating revenue, previous participation and whether they supported the seven year rating proposal.	In total 60 people took a Quick Poll.
Maitland Your Say - submissions	Formal email or letter responses to either Maitland Your Say or addressed to the General Manager or Mayor.	64 submissions were received via email and post.
Detailed survey	Detailed survey seeking resident input into desired service levels, rates, fees and future projects. This survey was also conducted online.	419 completed.
Postage paid survey	Quick return ballot survey, provided as part of the 'Funding our Future' booklet.	208 completed.
Telephone survey	Two randomly selected surveys undertaken by independent consultant Micromex Research. The first examined participants' initial thoughts on the three options available to Council; reduce services and increase rates slightly, maintain services and increase rates or enhance services and increase rates. The second survey tested community support for the seven year rating proposal.	The first telephone survey had a sample size of 600 and the second a sample size of 400 residents. 28% of participants were somewhat supportive and 45% were supportive or very supportive of Council proceeding with an application for a special rate variation. 57% of participants thought it was important or very important that Council be allowed to introduce a special rate variation and 25% thought it was somewhat important.
Shopping centre displays	Staffed booths at shopping centres in Rutherford, Greenhills and Central	7 one-on-one discussions

	Maitland.	
Focus Groups	Three adult and one youth focus groups, independently facilitated by Micromex.	38 participants.
Hotline	Calls received through the Maitland Your Say hotline set up from phase two.	31 one on one phone discussions.
Facebook	Posts on Maitland Your Say Facebook page providing information on the consultation, seven year rates proposal and ways residents could share their thoughts.	A total of 64 posts were provided throughout the phases A total of 2,904 were actively engaged in these posts, liking, sharing, clicking or commenting. 68 people provided comment through Facebook throughout the campaign.
Community information sessions	Presentations and open discussions were held at the Town Hall and libraries (Thornton, Rutherford and East Maitland). The events were advertised in the media, on Councils Maitland Your Say site, Facebook page and Maitland Your Say events calendar.	10 information sessions were held across the four phases with an approximate total of 94 people attending.  NB: 2 sessions were abandoned due to zero attendance.
Business information sessions	Presentation to Business Leaders Luncheon and drop-in session for business owners.	90 attendees at Business Leaders luncheon and two attendees at business drop-ins session.
Staff information sessions	Staff briefings were held over the ten months of consultation to inform staff of the next steps, where to direct residents to participate and where they could also participate as a resident. Briefings were provided by Executive Managers followed by distribution of information sheets. One formalised staff information session was held on 11 November 2013 which duplicated the information provided in the community information sessions for this phase outlined in section 6.2.4.	Over 20 people attended the session.
Public Access	Opportunities for members of the public to address Council	Four people addressing Council on issues pertaining

	on items in meeting Agendas pertaining to the SRV	to the variation over the course of consultation.
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As can be seen from the above, every practical effort has been made to ensure broad community awareness and seek input into desired services levels and the options available to Council to become financially sustainable, as well as feedback on the seven year rating proposal and revised Delivery Program 2013-17. The potential reach of 'inform' activities is shown in Figure 4.1.7.

Over 3,400 people actively participated in the consultation at some point during the past ten months, as illustrated in Figure 4.1.8. It should be noted that this number may include an overlap of participation for people that participated in a number of methods across a number of phases.

**Figure 4.1.7 — Potential reach of 'inform' activities**

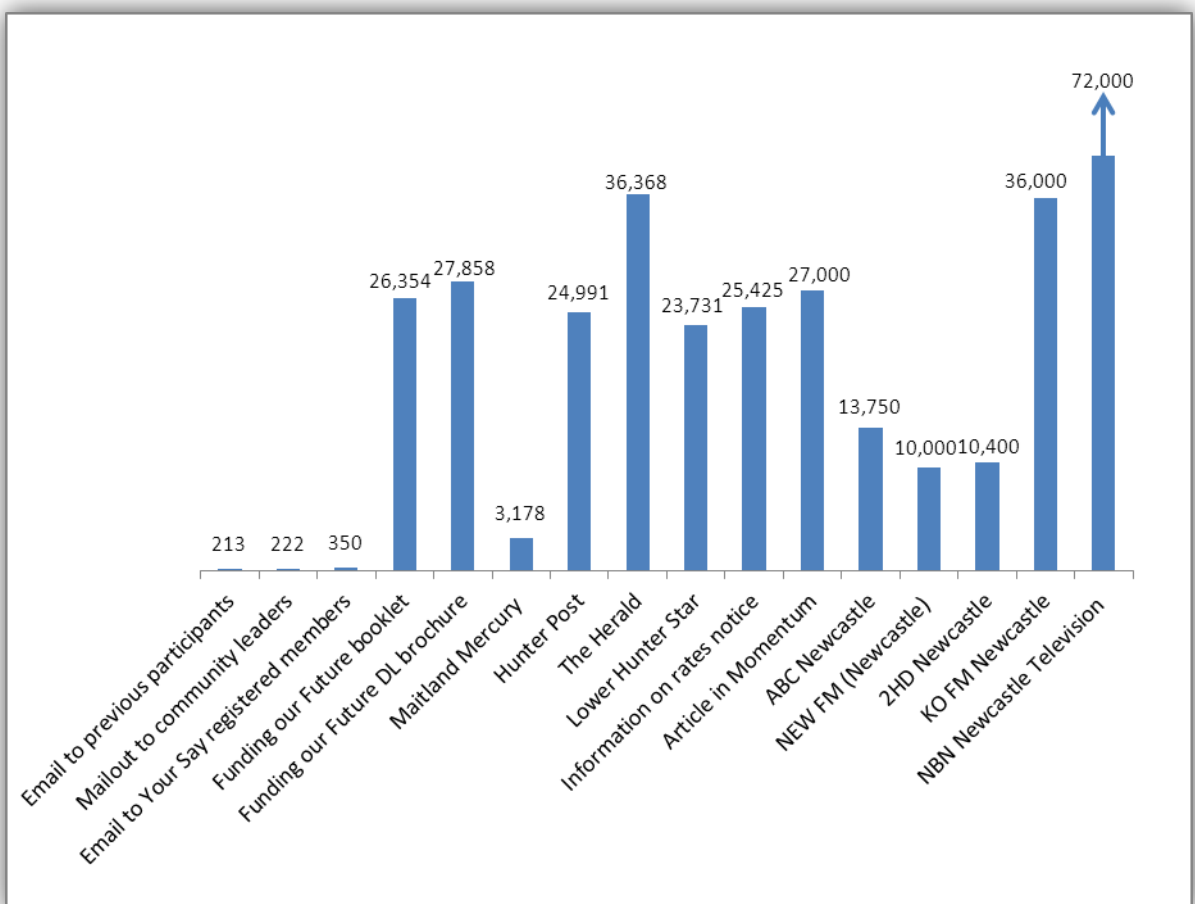
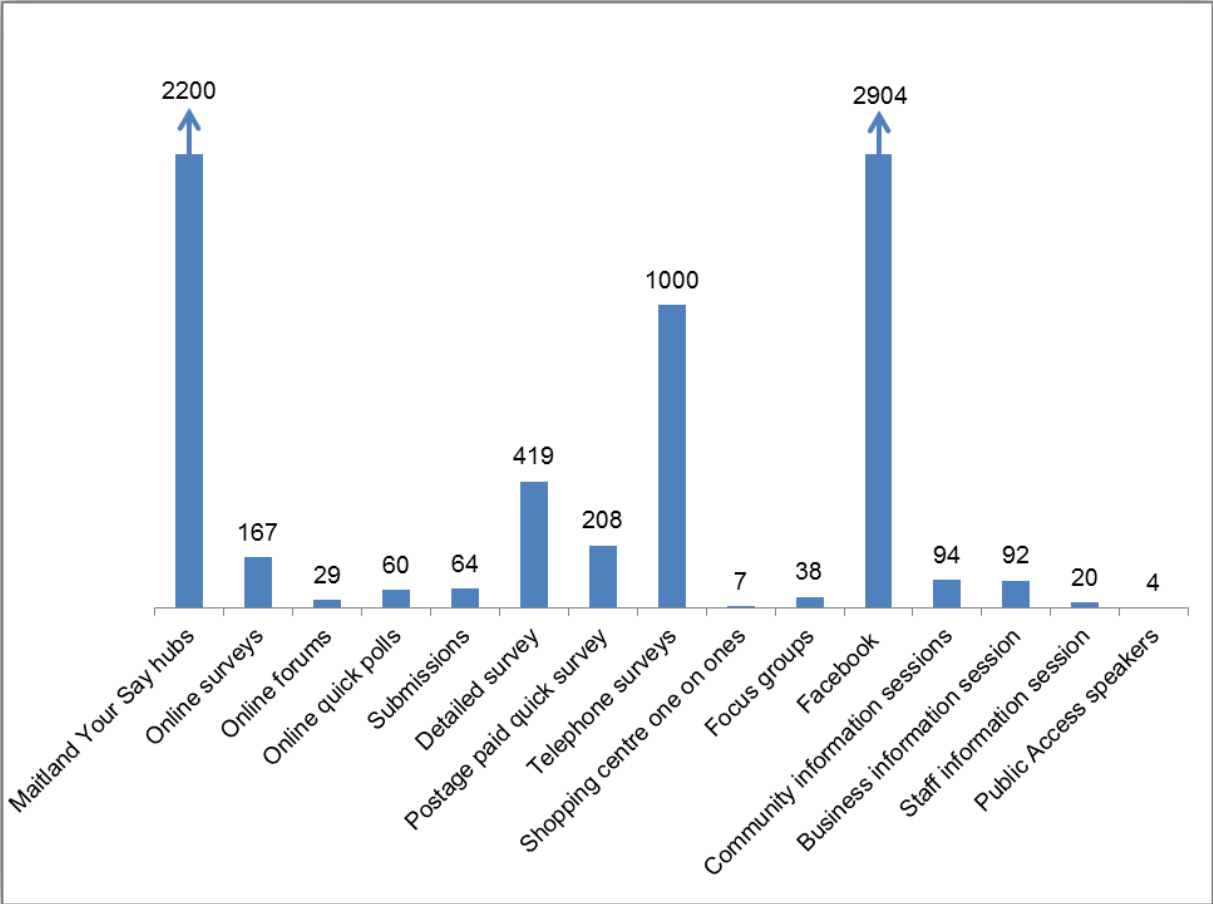


Figure 4.1.8 — Participation in engagement activities



A summary of the issues raised throughout the entire consultation are covered in Section 4.3 A full engagement report can be seen as Attachment 2.b. Copies of submissions received over the period can be seen in Attachments 2.ci, 2d.ii, 2e.iii and 2f.ii.

## 4.2 Alternatives to the special variation

Indicate the range of alternatives to the requested special variation that the council considered and how you engaged your community about the various options.

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In staging consultation with the community, Council was careful to present alternatives that avoided the well-trodden path of 'cherry picked' services to be cut, and that would be sure to generate community backlash. Council sought advice from IPART on this matter, and was advised to present a scenario that outlined deficit budgets and/or service cuts, without being specific as to the operational implications of these.

This alternative was presented in Phases 1 and 2 of the consultation, using the methods outlined previously.

In Phase 2 consultation, which presented three scenarios for feedback, this alternative was described as follows:

*"Delivering reduced services and/or deficit budgets - 3.2% rate increase per year for seven years (average rate increase \$35.00 per annum).*

*Preventing operational deficits through reducing levels of service or stopping the delivery of some services all together has been explored by Council and the community in earlier consultations. Under this scenario, each and every service would need to be reduced to realise the annual savings required - being up to \$10 million per annum every year for the next ten years.*

*Based on community feedback to date, as well as our expected population growth, Council has not presented a reduction of the 18 listed services as a detailed option.*

*Council is, however, keen for community feedback on any areas that our residents feel can be examined for service level reduction; areas for cost savings; and strategies for increasing revenue in other areas." (Funding our Future booklet, page 9, as distributed to every household in the LGA).*

Further discussion on the feedback on alternatives can be seen under Criterion 4.3.



### **4.3 Feedback from the community consultations**

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

Where the council has received submissions from the community relevant to the special variation during the engagement process, the application should set out the views expressed in those submissions. It should also identify and document any action the council has taken, or will take, to address issues of common concern.

#### **Consultation feedback**

As has been documented in Section 4.2, Council's engagement efforts were exhaustive. More than 3,400 people actively participated in the consultation at some point during 2013 and 2014. If those who were actively engaged on Maitland Your Say, Facebook page by liking, sharing or clicking on a post are included, participation increases to more than 6,200. It should be noted that this number may include an overlap of participation for people that participated in a number of methods across a number of phases.

The results of each Phase have been incorporated in Section 4.2, as the results were instrumental in informing the next stage.

A full engagement report can be seen as Attachment 2.b.

At the conclusion of consultation, Council is confident of the level of community support for the service package to be delivered, as well as community support for a rating increase to enable Council services to be maintained and enhanced into the future.

A summary of the issues raised throughout the entire consultation period can be seen below. Copies of the 64 submissions received over the period can be seen as Attachments 2.c.i, 2.d.ii, 2.e.111, 2.f.ii and 2.g.i.

**Table 4.3.1 — Issues to emerge during consultation**

Issue	Details and response
Affordability	<p>The issue of affordability was a primary issue of concern for a number of residents. Whilst acknowledging that some individual ratepayers may find it challenging to adjust household budgets to accommodate rating increases, Council is of the view that a capacity to pay a higher level of rating exists within the broader community. This is evidenced by an examination of household incomes and sources of income; comparisons of rating with neighbouring and peer Councils; a review of Socio-Economic Indexes as published by the Australian Bureau of Statistics, and Council's own low levels of outstanding rates. The Western Research Institute was also commissioned to conduct an independent analysis of the proposal.</p>
Amalgamations	<p>The prospect of amalgamations and future impacts on rating was raised. 2013 saw a range of reviews initiated that will impact on local government in NSW. In January 2014, the Independent Local Government Review Panel released its final report, with a suggestion that an amalgamation of Dungog and Maitland should be further examined, along with potential boundary changes in Beresfield and Wallalong. These are proposals only, and any changes to local government boundaries, services and rating would be subject to lengthy consultation and analysis. Thus, this issue has not been actively considered during the development of the special rate variation proposal.</p>
Asset Management	<p>One respondent suggested that Council should take a more thorough look at asset management practices and whole of life costs. However, a change to Council's organisation structure has seen changes in asset management strategy, capital works planning, design and delivery. Council's asset management practices are also modelled on best practice.</p>
Ceasing projects that are programmed	<p>Comments were received suggesting that significant capital works such as The Levee and indoor pool at Maitland Aquatic Centre should not be pursued, as they contribute to the deficit position. However, the construction of the pool has identified funding from Developer Contributions, whilst construction of 'The Levee' is using reserves, revenue from asset sales and loan borrowings. These sources are not suitable for funding ongoing operations.</p>
Community awareness of the proposal/community engagement	<p>Some respondents felt Council should have done more to inform and engage the community, for example a personally addressed letter to ratepayers. Council has, however, made all reasonable efforts to ensure community awareness of the proposal over the past ten months, as highlighted throughout this application. This has included two publications letter box</p>

	drops to all households (one featuring a postage paid ballot), information on rates notice 'tear off' slips (which are direct mailed to ratepayers), press advertising, presentations to groups, shopping centre booths, attendance at events, community information sessions, press, television and radio coverage, use of social media and detailed information of the Maitland Your Say website.
Cuts to services	A range of disparate service areas were put forward by individual participants to prevent or mitigate a rates increase. Largely, these suggestions were based on life stage (for example, those with children having a different view on service requirements than older people) There was, however, no consistency in the areas suggested. The suggestions ranged from ceasing workforce growth, to stopping construction of cycleways, introducing fees for libraries and MRAG or not proceeding with an indoor pool.
Developers paying more	A number of submissions suggested that developers should pay more toward infrastructure, and then also ongoing service provision. This is not an option available to Council within current legislation.
Efficiency of Council	A number of respondents suggested that Council had not demonstrated its efficiency to the community. Council has undertaken a series of efficiency reviews, and all available data (such as employee numbers per capita, processing times for development applications) supports Council's position as a lean and efficient organisation. This information was made available during consultation processes. In response, Council is committed to improving information provision to the community pertaining to efficiency, as well as introducing an annual productivity target in 2015/16 (subject to SRV approval). IPART will include more detailed information on organisational efficiency and productivity.
Equity	It was suggested that Council's services were not provided equitably, and that some areas of the City were not provided with the same level of service in areas such as road maintenance, footpath construction and the like. This is a localised perception, with Council taking action to ensure better understanding of service direction and asset management decisions.
Exploration of alternative sources of revenue	Many suggested that alternative revenue sources should be used to solve or offset the financial challenge. Council's long term financial model explores alternatives for revenue and savings and incorporates a range of non-rating revenue sources (including asset sales, public private partnerships, increased fees and charges, increased borrowings and increased grants). These alternatives are not sufficient to address the increasing gap between revenue and expenditure alone, but will play a part in assisting achieve financial sustainability. The use of grants and borrowings was increased in Council's LTFFP following consultation.

Fairness	A number of residents raised the issue of the 'fairness' of the proposal, while residents were also facing increases in other household expenses such as electricity, gas, food, insurances etc. Council acknowledges that these are cost imposts on households, however without cuts to services (which would also have a detrimental impact and may be seen as 'unfair'), there is no real alternative to the increase. It is worthwhile noting that the majority of household expense increases are undertaken without community consultation, unlike the process Council has undertaken to ensure services are aligned to community expectations and supported by a funding proposal to deliver on them. In response, Council examined its policy framework for residents experiencing financial hardship to ensure an appropriate response to individual ratepayers experiencing difficulty.
'Fear mongering'	A participant suggested that presenting cuts to services was 'fear mongering'. Council has made every possible effort to provide information on factors contributing to the financial challenge, without identifying specific service areas for reduction (which could prompt such a response).
Grants	It was suggested that Council could be more active in seeking grants. Council has received more than \$22 million in grants over the past 12 months alone, with an additional \$5.6 million announced from the Hunter Infrastructure and Investment Fund in February 2014. Whilst Council has taken steps to ensure all relevant opportunities for funding are actively pursued, in response Council has incorporated achievement of \$13 million in grants as a revenue source in the LTFP.
Hardship	A number of respondents suggested that the increase was 'too burdensome' and may result in hardship. Council has reviewed a range of socio-economic indicators which suggest there is a capacity to pay across the community. In a further response, a review of relevant policies has also been undertaken to ensure those that are experiencing genuine hardship can make appropriate arrangements with Council. Council has revised its Debt Recovery, Pensioner and Hardship Policies to ensure appropriate and compassionate responses to individual cases of hardship, tailoring individual arrangements as permissible under the Local Government Act to provide appropriate assistance to any ratepayers experiencing hardship.
Live within your means	Whilst some residents suggested Council should 'live within its means', there was no consistent view as to how this should be achieved through reduced expenditure – effectively being cuts to services.
Past Special Rate Variation	A number of respondents questioned the need for a variation, as one had been received in the past. As IPART would be aware, a two year variation was received in 2011/12, generating an additional \$16 million allocated to a series of infrastructure projects. The purpose of this variation application is to secure financial sustainability for Council's operational

	service delivery, rather than tackling infrastructure backlogs. Council is committed to continuing to report on its use of past SRV funds, as well as highlight service delivery enhancements possible under this application.
Pensioner rebate	A number of respondents suggested that Council should increase the pensioner rebate. Council has, however, determined the increasing of the rebate is considered a welfare matter for the NSW State and/or Federal Governments. Council has sent a letter to the NSW State Government asking for reconsideration of the rebate, but was advised this was not currently under consideration by the State. Regardless, Council has formalised its position on the rebate in a new 'Pensioner Concession Policy', which outlines the procedures to be used in applying the rebate to pensioner ratepayers.
Percentage increases	A number of residents suggested that presenting percentage increases as summed and/or compounded was deceptive. Council disputes this, having made every effort to present the financial impacts of proposals as clearly as possible, enabling every ratepayer to calculate this via an online rates calculator and presenting average dollar impacts to all households via the DL brochure. Council has acknowledged debate on the presentation of percentage increases, and adjusted public materials to incorporate a summed and compounded percentage total. Regardless, Council has very clearly presenting the annual dollar impacts of all proposals, and notes the challenge of presenting information on rating calculations and the role of the rate peg in a simple manner.
Reasonableness	A number of participants suggested Council's proposal is not reasonable, due to the percentage impact and the period of time. Council gave a great deal of consideration to this issue, and ultimately reduced the percentage increase being sought from 8.35% to 7.25% for seven years. This reduced the impact on average annual residential rates by \$20, and took the annual average increase to under \$100 per annum. Council also took heed of feedback from farmland ratepayers, and worked to minimise the impact on these ratepayers to also be under \$100 per annum.
Role of revaluations	Rating calculations are complex, with a range of factors contributing to individual rate calculations. There was concern expressed by some residents that should property revaluations occur during the course of the variation, rates would increase even more than proposed. As IPART is aware, Council's total rate revenue would only be increased by 7.25% per annum, and levied across all rated properties. The impact of the increase would vary according to the increase or decrease in property values in comparison to other properties within the LGA. This means that a resident could in fact pay less rates, if their property value did not increase as much as other properties within the LGA.
Size of the increase	A number of objections related the size of increase, suggesting a more moderate increase would be appropriate. As can be

	seen, the percentage increase as signalled in late 2013 was decreased, and in fact reduced substantially for ratepayers in the farmland category (being under 3%).
Staff costs	A number of respondents linked the rate increase to increases in staffing costs. There is, however, no direct link between a rate variation and increases in staffing costs, with wage and salary increases are subject to award conditions.
Survey/s structure	There was some criticism on both the structure of surveys, and the methods used. Council has made every effort to develop robust instruments. The two randomly selected telephone surveys were developed and deployed by Micromex, in- line with past SRV surveys completed for other clients. Additionally, advice was taken on the structure of the survey used in Phase 2.
Value for money	A number of residents suggested they couldn't see value for money, in terms of the services provided or used by them as individuals. It should be noted that rating is not a 'fee for service', but rather contributes to the overall functioning and amenity of a City.

Council actively considered all issues raised by residents via all means in developing a final SRV application.

In particular, Council focused on the issues of reasonableness, hardship, efficiency and productivity, alternative revenues and provision of information to the community.

Council's application for 7.25% increase to total rates revenue each year for seven years, incorporating an adjustment to apportionment between rating categories, is as a result of these considerations.

## 4.4 Considering the impact on ratepayers

Indicate how the council assessed the impact of the special variation on ratepayers, and where this was addressed within the community awareness and engagement processes. Where the impact will vary across different categories and/or sub-categories of ratepayers, the council should consider the circumstances of the various different groups.

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Council has developed a proposal involving an adjustment of rating burden between rating categories. This was designed to address comparatively high levels of business and farmland rating, and comparatively low levels of residential rating. This adjustment to apportionment was made clear during all community engagement, including the provision of an on-line rating calculator that would enable ratepayers within all categories to assess the impact of the variation on their rates on an annual basis.

Prior to developing our application for a 7.25% annual total rate revenue increase for seven years, Council commissioned the Western Research Institute (WRI) to undertake an assessment of the impact of its initial proposal of an 8.35% increase to total rates revenue each year for seven years, incorporating the proposed changes to apportionment.

WRI used a number of criteria in undertaking this assessment. Their report states *“under the (8.35%) SRV, the proposed rate increases will be going some way to catch up with price increases for households and input cost increases for businesses in some price/cost categories. The rates increase proposed under the SRV will have insignificant impacts on Maitland community and non-farm businesses in terms of ability to pay rates and financial bottom line.”*

The report did, however, highlight that farm-based businesses may be more substantially impacted by the variation.

This report was published in full by Council as part of consultation, whilst an information sheet summarising findings was also made available.

### Impact on residential rating

Examining residential rates as a proportion of total household expenditure, WRI found that under the (8.35%) proposal, for all households the cost of residential rates will be 1.10% of total household expenditure in 2020/21.

For all categories of government support recipients, the expenditure ratio will range from 1.75% to 2.52%, and on average will be 2.14% in 2020/21.

As illustrated in the table below, these percentages are slightly lower than today. The methodology behind this calculation is complex, and can be seen in the WRI Report



(Attachment 2.h, and supplementary report 2.h.i). WRI used data from the Australian Bureau of Statistics on household expenditure, CPI growth and expected growth in disposable incomes to develop this model, which considers levels of income for both wage and salary earners, as well as pensioners.

**Table 4.4.1 — WRI assessment of Phase 4 8.35% rating proposal against levels and sources of income**

	Lowest quintile	Second quintile	Third quintile	Fourth quintile	Highest quintile	All households	Second and third deciles
Initial (2013/14)	2.15	1.50	1.13	0.92	0.74	1.14	1.81
After 7 years (2020/21)	2.04	1.44	1.09	0.88	0.71	1.10	1.73
Change (2013/14-2020/21)	-0.11	-0.06	-0.04	-0.04	-0.02	-0.04	-0.08

#### Sources of income

	Wages and salaries	Own unincorporated business income	Other income	All households
Initial (2013/14)	0.96	0.94	1.02	1.14
After 7 years (2020/21)	0.92	0.89	0.98	1.10
Change (2013/14-2020/21)	-0.03	-0.04	-0.04	-0.04

#### Sources of government transfers

	Receives age Pensions	Receives disability and carer payments	Receives unemployment and study payments	Receives family support payments	Receives other payments
Initial (2013/14)	2.64	2.13	2.09	1.87	2.60
After 7 years (2020/21)	2.52	2.03	1.95	1.75	2.46
Change (2013/14-2020/21)	-0.13	-0.10	-0.14	-0.12	-0.14

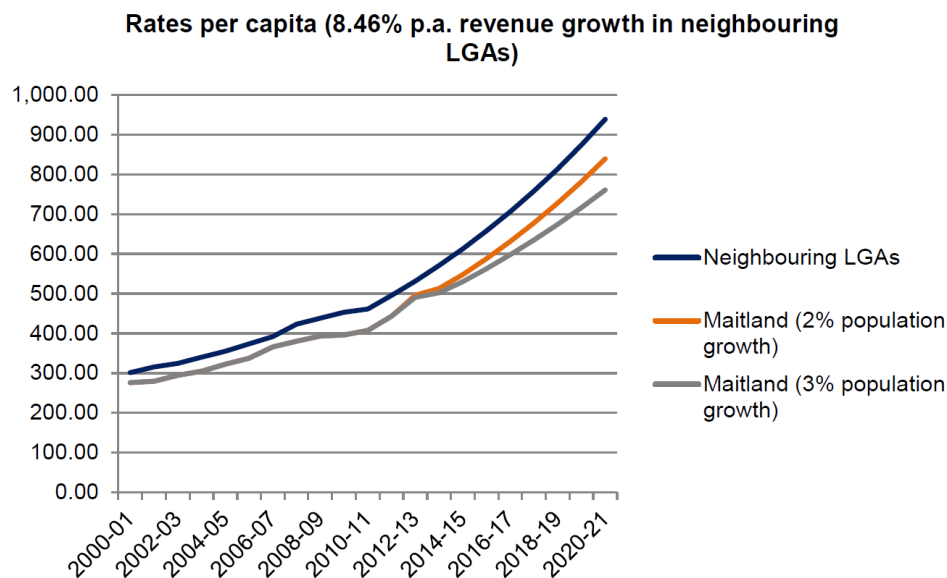
Note. Changes are calculated as rates/household expenditure ratio in 2020/21 minus rates/household expenditure ratio in 2013/14.

WRI also examined the rating increase in comparison to likely rate increases in neighbouring Councils, as well as similar (Local Government Comparative Group 5) Councils. This analysis found that under the 8.35% proposal, Maitland residential rates will be in line with Group 5 LGA levels in 2020/21, and above neighbouring LGA levels by 8.5%.



However, due to the unique growth trajectory of Maitland, WRI also examined rates per capita over the period of the variation (noting that rates per capita in the Maitland LGA has historically been below that of neighbouring Councils). This analysis found that rates per capita will continue to be below that of neighbouring LGA levels, under either a 2% or 3% population forecast.

**Figure 4.4.1 — Rates per capita comparison to neighbouring and peer LGAs**



WRI notes that over the 2001-11 period, rates per capita in Maitland LGA were below that of the neighbouring LGAs. Under the scenario of 8.46% revenue growth rates in neighbouring LGAs, Maitland rates per capita will continue to be below neighbouring LGAs levels in 2021.

The WRI Report was published as part of Phase 4 engagement, enabling the community to review the methodology and conclusions.

In terms of affordability, Council received feedback from pensioners, independently funded retirees and others on a fixed income that the increase would have a negative impact.

In response to this feedback, Council has:

- Reduced the percentage increase sought by 1.1% per annum
- Reviewed its hardship and debt recovery framework, which has seen revised and new policies covering hardship; Debt Recovery and Pensioner Concessions.
- Ensured financial impacts are reasonable, considering the range of factors including comparative rating and other price rises

### Impact on farmland rating

In response to the WRI report, and feedback from farmland ratepayers, Council more firmly established the need to mitigate the impact of the variation on farmland ratepayers.

There are 531 farmland high and 143 farmland low ratepayers in Maitland LGA (representing 2.3% of all ratepayers).

Data from the ABS reveals 25 agriculture/fisheries and forestry businesses in the LGA employ one or more people. If taken as an indication of business activity, it could be suggested that many of the City's farmland ratepayers have off-farm sources of income and that in many instances living in a rural environment is a lifestyle choice. This would be an appropriate assumption for the 143 farmland (low intensity) ratepayers.

However, Council has considered the implications as outlined and as a result, determined to apply a significantly lower percentage increase to the proportion of farmland ratepayers.

Under Council's application, farmland high intensity rates will increase by an average of 2.81% or \$90.20 per annum, and farmland low by 2.67% or \$62.71. This is on par with the dollar increases to be applied to residential ratepayers.

### Impact on business rating

In developing an initial package, Council was aware of the need to ensure an equitable and affordable rating proposal for business ratepayers. Council was also aware that business ratepayers were paying a comparative higher level of rating than in neighbouring LGAs.

Council has worked over recent years to phase our subcategories in the business rate, to ensure a 'level playing field', as geographically the LGA is small.

Council provided information to the Maitland Business Chamber for distribution to members, attended Business Chamber Breakfasts to discuss the challenge and presented to a Business Leaders Luncheon.

Council also levies two special rates in the CBD. These ratepayers, in particular, were targeted with information in the CBD newsletters distributed by Council during consultation.

In undertaking modelling for Council WRI stated *"For non-farm businesses, the proposed rates increases will leave rates as a proportion of non-farm value added below 1%, indicating an insignificant impact on business viability."*

Council received a letter of support from the Maitland Business Chamber, which is the peak business and industry group in the LGA. The letter states "We are writing

to advise of Maitland Business Chamber's support for Council's proposed rate increases over upcoming years for financial sustainability to maintain and improve services across our LGA ... Our view is that rate increases are essential and will contribute to the growth and vitality of the city". A copy of the letter can be seen in Attachment 2.g.i.

As such, with clear support of the Maitland Business Chamber coupled with very little feedback from individual businesses, Council is of the view that the 6.13% increase for business ratepayers is both reasonable and affordable.

### **Impact on mining rating**

Council has just two ratepayers in the Mining category. Whilst the increases appear substantial in dollar terms, it is considered reasonable to apply a 7.24% annual increase on these rates. Council did not receive any feedback from these ratepayers on the proposal.

## 4.5 Considering the community's capacity and willingness to pay

Indicate how the council has assessed the community's capacity to pay for the rate increases being proposed, and also assessed its willingness to pay.

Evidence on capacity to pay could include a discussion of such indicators as SEIFA rankings, land values, average rates, disposable incomes, the outstanding rates ratio and rates as a proportion of household/business/farmland income and expenditure, and how these measures relate to those in comparable council areas. As many of these measures are highly aggregated, it may also be useful to discuss other factors that could better explain the impact on ratepayers affected by the proposed rate increases, particularly if the impact varies across different categories of ratepayers.

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Council has carefully considered issues of capacity and willingness to pay. After consideration of all available indicators and consultation, Council is confident a capacity and willingness to pay exists within the Maitland community and across all rating categories.

### Capacity and willingness to pay – residential ratepayers

There is no doubt that the majority of residents do not want to pay higher 'taxes' to any level of government. In the case of rating in Maitland, however, it is clear there is widespread community support for the services provided by Council and an appreciation of the need to increase rates to ensure service delivery and contribute to the growth and prosperity of the City.

In presenting this proposal, Council notes:

- The median weekly household income for Maitland, at \$1292, the highest in the Lower Hunter and the highest within Group 5
- The median average mortgage repayment is \$1733, lower than the Group 5 average and on par with other Lower Hunter LGAs
- The median weekly rent is \$259, which is close to the Group 5 average and on par with Lower Hunter LGAs
- With higher incomes and average/below average rent and housing loan repayments, Maitland would have a higher level of disposable income than others within the Lower Hunter and Group 5
- Council's average residential rates are comparatively low.

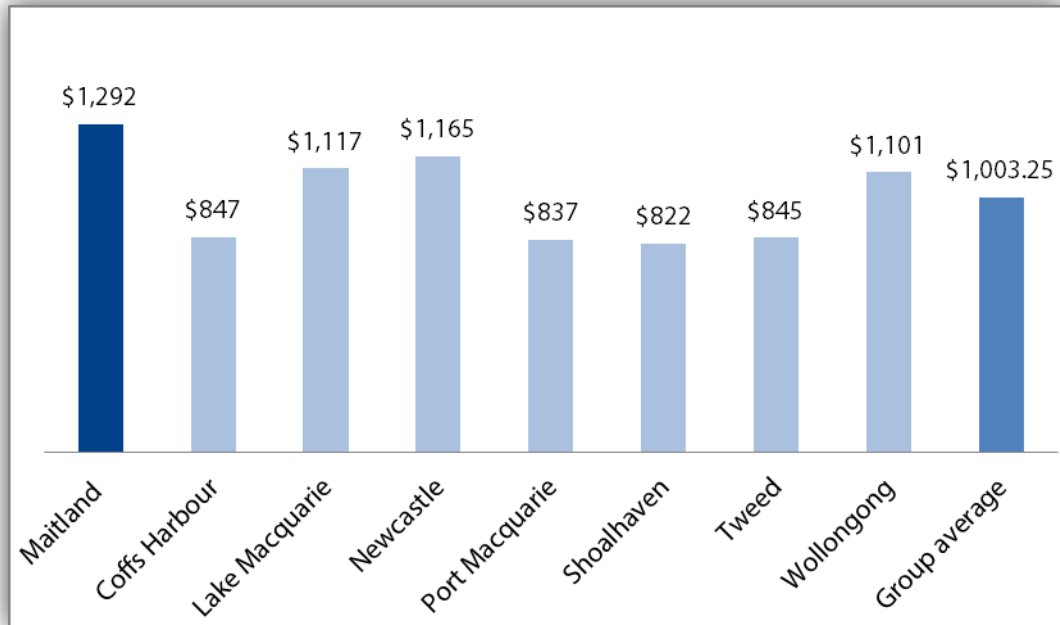
**Table 4.5.1 Weekly household income comparison, Group 5 Councils**

Weekly Household Income	Maitland %	Coffs Harbour %	Lake Macquarie %	Newcastle %	Shoalhaven %	Tweed %	Wollongong %	Port Macquarie %
Up to \$599	20	29	24	24	32	31	26	31
\$600-\$1249	24	30	25	24	30	30	23	31
\$1250-\$1999	19	17	18	18	16	16	17	16
\$2000-\$2499	9	6	8	8	5	6	8	5
\$2500+	18	8	15	16	7	7	16	8
Incomplete	10	10	10	10	11	11	10	10
Total %	100	100	100	100	100	100	100	100

As can be seen in Table 4.5.1 above, Council has a lower percentage of households in the lower household income ranges, and a higher percentage in the \$2000+ per week range.

As illustrated in the Figures 4.5.2 and 4.5.3, below, median weekly income is relatively high, and should be examined in concert with residential rating levels in Figures 4.5.4 and 4.5.5 which show Council rates.

**Figure 4.5.1 Weekly household income comparison, Group 5 Councils**



**Figure 4.5.2 Weekly household income comparison, Lower Hunter Councils**

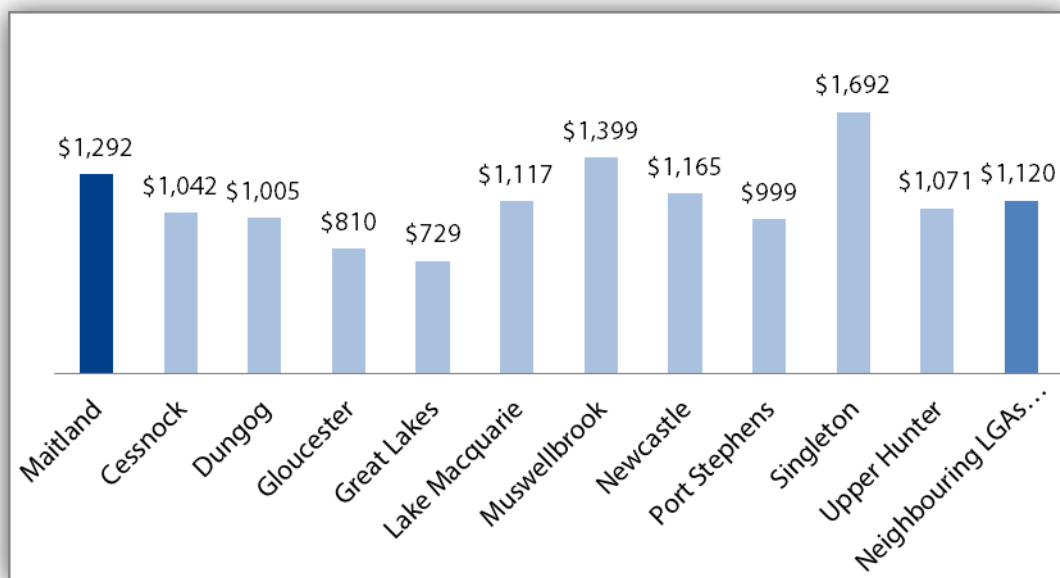


Figure 4.5.3 Rating, Hunter Region Councils 11/12

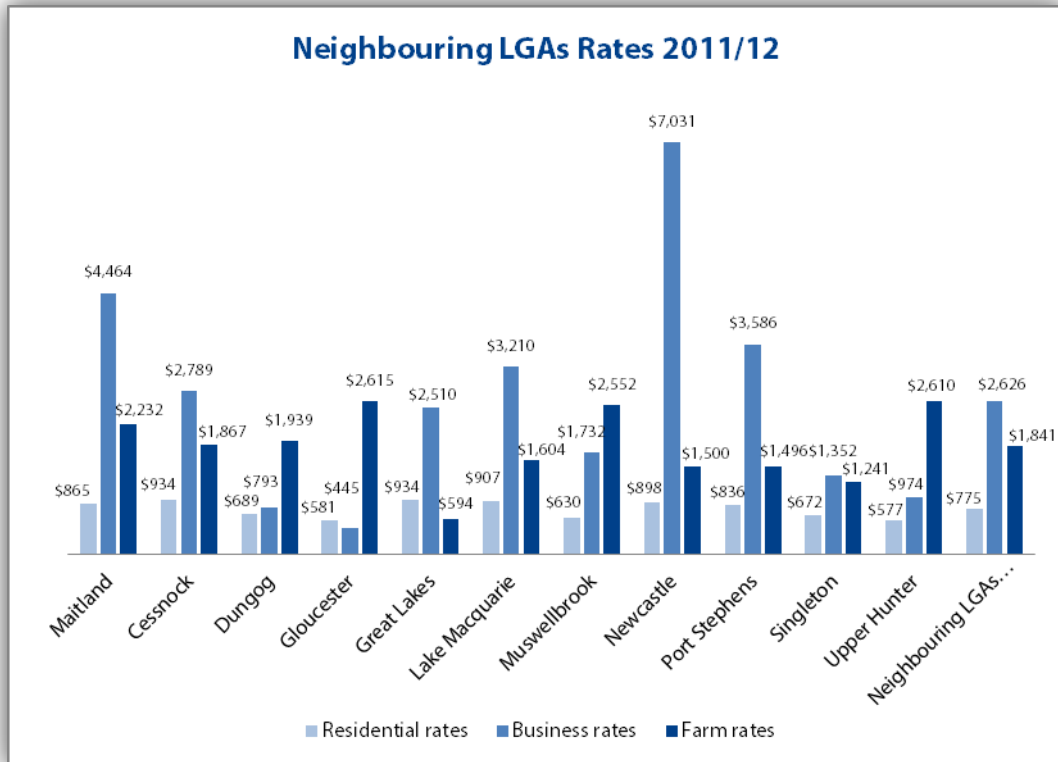
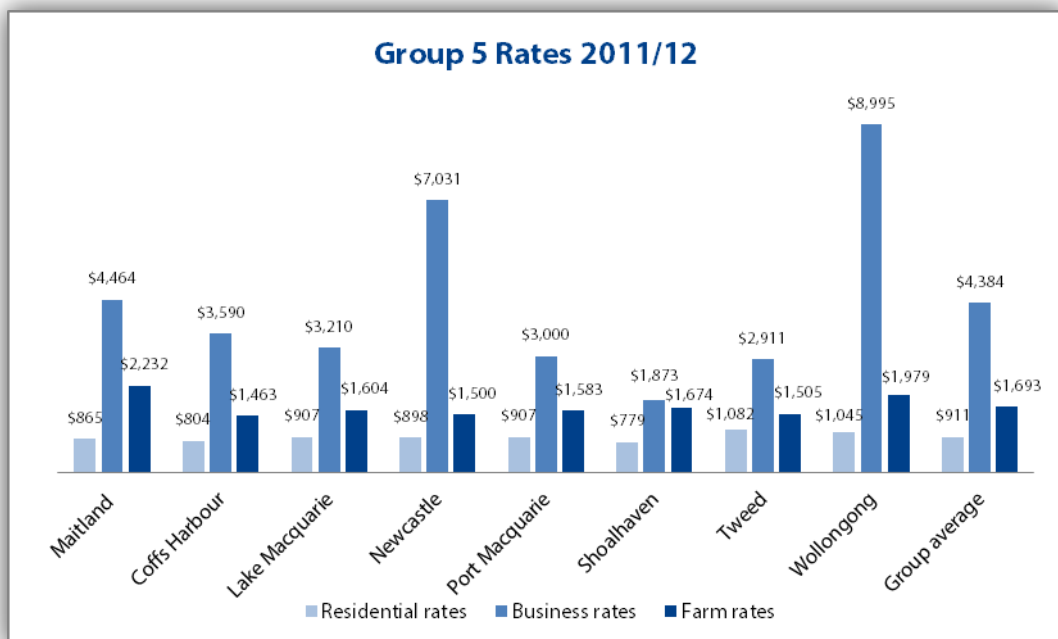
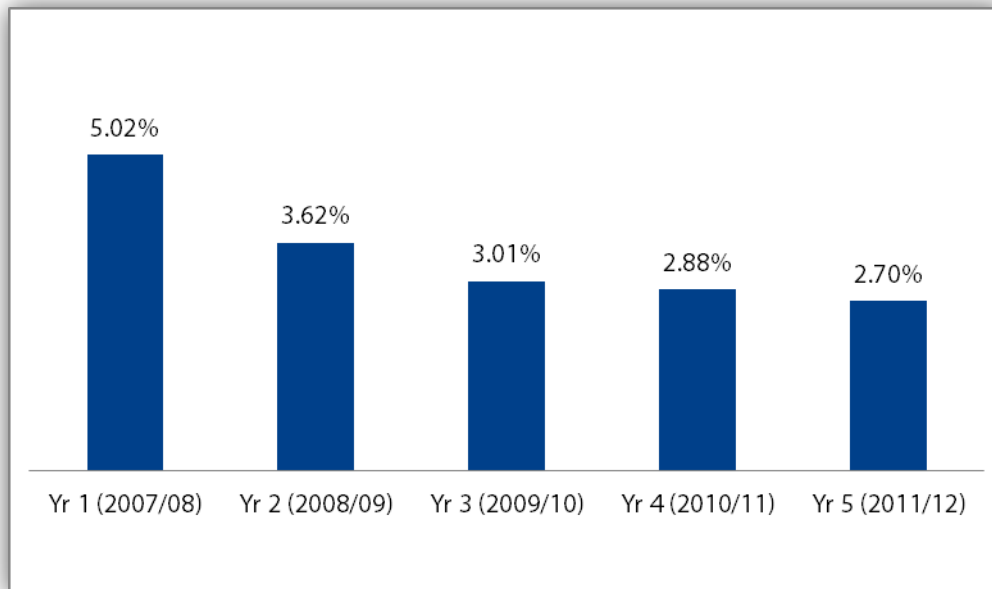


Figure 4.5.4 – Rating, Group 5 Council 11/12



Additionally, Maitland has the lowest level of outstanding rates among Group 5 and neighbouring LGAs and 18th lowest outstanding rates in the NSW.

**Figure 4.5.5 Outstanding rates over five years to 2011/12**



SEIFA data also indicates that Maitland is (equally) the least disadvantaged and has the highest level of economic resources of all Councils within its Group.

As mentioned in the preceding section, Council commissioned Western Research Institute (WRI) to review the reasonableness of the then 8.35% SRV proposal. In terms of residential ratepayers, WRI found:

*"...the proposed rates increases are not expected to impose a significant burden on households, as they will change household expenditure on rates by less than one percentage point (for all households), suggesting that overall household expenditure will not be unduly compromised." (WRI Report pg 3).*

*"...residential rates in Maitland LGA will be in line with residential rates in Group 5 LGAs and above the residential rates in neighbouring LGAs (Cessnock, Port Stephens, Dungog, Newcastle and Lake Macquarie)." (WRI Report pg 4)*

*"WRI notes that Maitland LGA is dissimilar to neighbouring LGAs, experiencing substantial land releases and the highest population growth among its respective peers in recent years. A rates per capita (rather than average rates) assessment has been undertaken as a potentially more appropriate indicator to compare rates in Maitland LGA and its peers. Findings suggest that in 2001 and 2011 the rates per capita in Maitland LGA were the second lowest among six neighbouring LGAs, while in 2021 Maitland rates per capita are expected to be second lowest or lowest (provided neighbouring LGAs grow in line with the*



*average rates increase permitted by IPART over the last 3 years, and Maitland population grows at 2% or 3% per annum). Also, by 2021 Maitland rates per capita will be below neighbouring LGAs average rate per capita.” (WRI Report pg 4)*

*“WRI notes that Maitland City Council has a debt recovery and hardship policy in place that assists ratepayers experiencing financial difficulties in meeting their rate commitments to make regular payments. Also, Maitland City Council provides, upon application, up to \$250 in annual rebate to ratepayers who hold a pensioner concession card and who meet eligibility criteria contained in the Local Government Act. As a result, rates as a proportion of total expenditure are likely to be smaller for these ratepayer categories than the numbers in Table 3.1 above indicate.*

*It is shown that:*

- Under the proposed SRV the total cost of residential rates incurred by the households in the lowest quintiles will not exceed 2.04% of the total expenditure respectively by 2020/21.*
- For those households receiving the age pension, the costs will stand at 2.52% of total expenditure under the proposed SRV.*
- For all categories of government support recipients, under the proposed SRV the rates/household expenditure ratio will range from 1.75% to 2.52% in 2020/21 and on average will be 2.14%.*
- For all households, the cost of residential rates will be 1.10% of total expenditure under the proposed SRV in financial year 2020/21.*
- Despite the fact that residential rates as a proportion of the household expenditure are above 1% for many household categories, the proposed increase of residential rates in Maitland LGA is likely to have a moderate impact, because:*
- Under the proposed SRV, rates as a percentage of total household expenditure will decline by 0.04 percentage points between 2013/14 and 2020/21 in the ‘All households’ category, by 0.11 percentage points in the low-income category and by 0.13 percentage points in the pensioner category.*

*Therefore, under the proposed SRV the reasonableness criterion will be satisfied. (WRI Report pg 16-17)*

WRI also examined and modelled the ranking of Maitland LGA against its peers in terms of rates/household expenditure, assuming that Maitland LGA increases its rates under the proposed SRV, while rates in Group 5 and neighbouring LGAs increase under two alternative scenarios.

- Scenario 1. Rates in Group 5 LGAs increase by 8.54% per annum over 2014/15 – 2020/21 period (the average rates increase permitted by IPART in 2011-13 for several Group 5 LGAs – Coffs Harbour, Shoalhaven, Lake*

Macquarie, Newcastle and Port Macquarie-Hastings). Rates in neighbouring LGAs increase by 8.46% per annum over 2014/15 – 2020/21 period (the average rates increase permitted by IPART in 2011-13 for several neighbouring LGAs – Cessnock, Lake Macquarie and Newcastle).

- Scenario 2. Rates in Group 5 and neighbouring LGAs increase in line with 7 year past trend (5.00% and 4.61% per annum respectively) over 2014/15 – 2020/21 period.

**Table 4.5.2: Rates as a proportion of total household expenditure in Maitland and peer LGAs (as modelled by WRI)**

LGA	Current (2013-14)	Scenario 1 - After 7 years	Scenario 2 - After 7 years
Coffs Harbour City Council	1.37	1.29	1.05
Lake Macquarie City Council	1.23	1.15	0.90
Maitland City Council	1.14	1.10	1.10
Newcastle City Council	1.11	1.04	0.79
Port Macquarie-Hastings Council	1.53	1.44	1.16
Shoalhaven City Council	1.29	1.22	0.99
Tweed Shire Council	1.95	1.84	1.84
Wollongong City Council	1.37	1.30	1.01
Cessnock City Council	1.30	1.22	1.01
Port Stephens Council	1.17	1.10	0.72
Dungog Shire Council	1.06	0.99	0.93
Ranking of Maitland City Council	9th highest	9th highest	3rd highest

As shown in above, the rates/household expenditure ranking of Maitland LGA against its peers will worsen if the SRV is implemented, with Maitland LGA moving from 9th highest to 3rd highest rate/household expenditure ratio (out of 11 LGAs), assuming peer LGAs grow at Scenario 2 growth rate. If peer LGAs grow at Scenario 1 growth rates, the ranking of Maitland LGA will not change.

However, a different ranking results examining rating on a per capita basis, and projecting over time.

**Table 4.5.3 Rates per capita of population (\$) in Maitland and peer LGAs**

LGA	2001	2011	2021
Maitland City Council (2% p.a. population growth)	276	407	839
Maitland City Council (3% p.a. population growth)	276	407	761
Cessnock City Council	307	480	945
Port Stephens Council	293	455	856
Dungog Shire Council	284	504	1043
Newcastle City Council	373	545	1097
Lake Macquarie City Council	247	389	834
<b>Ranking of Maitland City Council</b>			
- 2% p.a. population growth	2nd lowest	2nd lowest	2nd lowest
- 3% p.a. population growth	2nd lowest	2nd lowest	lowest

*“As shown above, in 2001 and 2011 Maitland LGA had the second lowest rates per capita, reflecting strong population growth in the area. If peer LGAs increase their rates revenue at a rate that corresponds to rates increases permitted by IPART in 2011-13, Maitland will continue to have second lowest rates per capita or (if its population increases at 3% per annum) will have the lowest rates per capita in 2021.*

*Overall, it appears that, despite high rates/household expenditure ratios, in the year 2020/21 (i.e. by the end of SRV implementation period), households across all classification categories will be able to pay the rates without unduly compromising their overall expenditure.” (WRI Report pg 19)*

### Capacity and willingness to pay – business ratepayers

Council's analysis, supported by the work undertaken by WRI, has demonstrated both a capacity and willingness to pay a higher level of rating. Maitland is in a fortunate position of growth, with a positive outlook for our local businesses.

Following modelling of the earlier proposal, Council again requested WRI examine the revised rating proposal in the context of local businesses viability. This shows that rates as a percentage of value added will increase by 0.08% over the period of the variation.

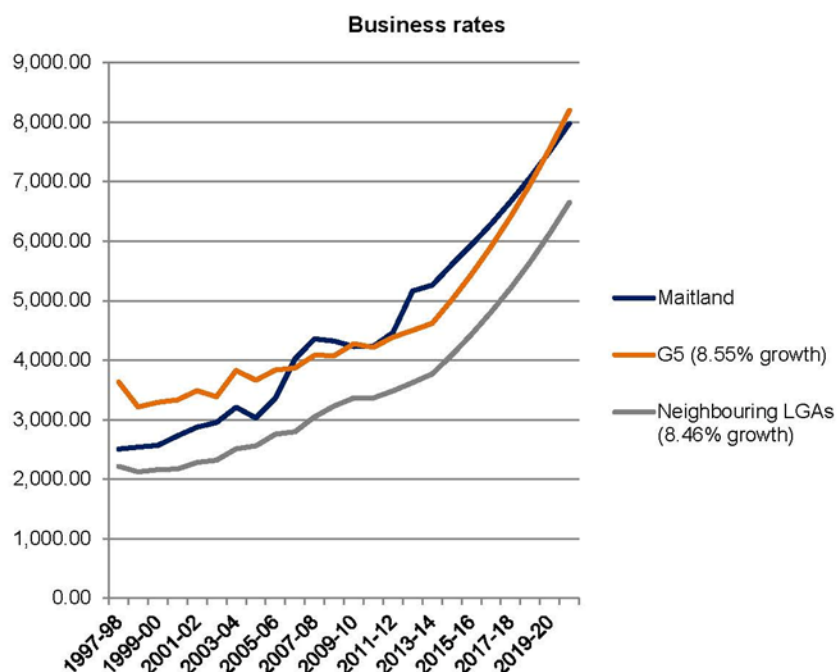
**Table 4.5.4 Business rates and business viability (as per final proposal)**

Year	Business rates (\$)	No. of businesses	Value added (\$'000)	Rates/value added (%)
2013-14	5,261	1,798	2,417,970	0.27
2014-15	5,616	1,840	2,534,731	0.28
2015-16	6,001	1,884	2,657,129	0.29
2016-17	6,418	1,928	2,785,439	0.30
2017-18	6,870	1,973	2,919,944	0.32
2018-19	7,360	2,020	3,060,945	0.33
2019-20	7,890	2,067	3,208,754	0.34
2020-21	8,465	2,116	3,363,700	0.35
Change (2013/14-2020/21)			0.08	

WRI found *"The proposed rates increases under the SRV are considered serviceable for non-farm businesses and will not have a significant impact on their financial bottom line. Overall the reasonableness criterion is satisfied in the case of business rates"* (WRI Supplementary Report pg 7).

Council notes that our business rating is comparatively high. Again, WRI considered Council's final rating proposal in the context of peer and neighbouring Councils. This analysis suggests that Maitland business rates will be above neighbouring Councils, but below Group 5 LGA levels by 2.7%.

**Figure 4.5.6– Business rates – neighbouring and peer LGAs**



In developing the final package, Council has made efforts to flatten increases on business ratepayers and has the support of the Maitland Business Chamber.

Council has also reduced its annual commercial waste charge by 50%, with the commercial waste charge set at \$545 (inc. GST) for 2014/15 (down from \$1089 in 2013/14). Council currently provides 1,379 services.

The economic environment for our local businesses is one that is largely driven by residential growth. New residents require new services and facilities – not only from Council, but the private sector.

### **Residential growth driving economic development**

Council has worked hard to provide an enabling framework for residential growth, supported by appropriate employment and industrial lands.

One of the most significant features of Maitland is its strategic location, being not only close to Australia's largest domestic market, but well positioned to access international markets through the Port of Newcastle and Newcastle Airport and the mining, rural and tourism sectors via the Pacific and New England Highways.

Maitland is situated only 30 minutes from the centre of Newcastle and its deep water, international port, 20 minutes from the passenger and freight services of Newcastle Airport and only two hours drive from Sydney.

Maitland lies at the junction of an impressive railway network. Fast and efficient freight and passenger services to Newcastle, Sydney, New England and Queensland are fully established, making it easy to transport goods, materials and people.

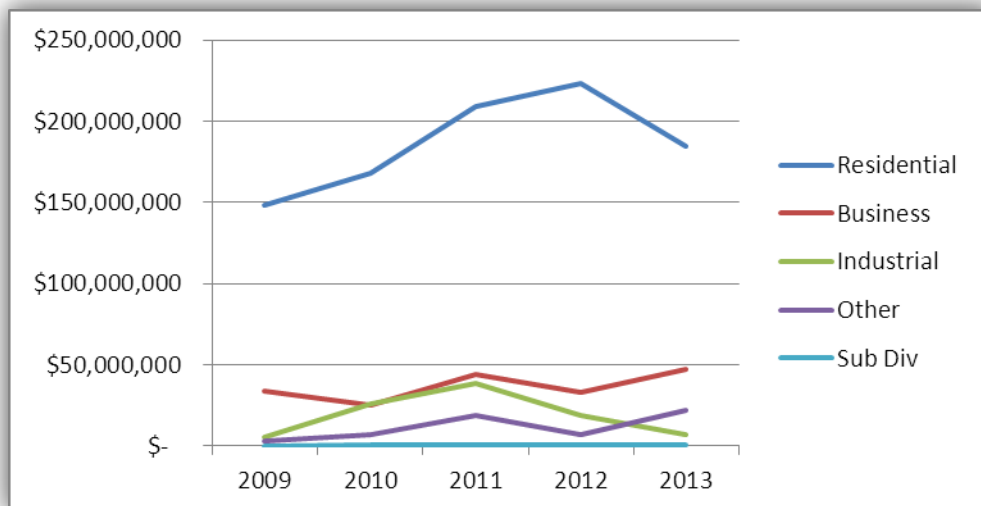
Census data (2011) shows 4 182 businesses in the Maitland LGA, supporting not just the 72,000 residents of Maitland but the wider Hunter Region.

Council expects residential growth rates to be sustained by the following:

- ✓ The reduction in the supply of available residential land in Sydney, Central Coast and Lower Hunter generally
- ✓ The availability of greenfield development sites in the LGA
- ✓ Continuing industrial and commercial development in the LGA
- ✓ Relative affordability of the local housing market and competition between several housing companies and development corporations.

The economic benefits of our residential growth are illustrated in the graph below. As can be seen, Maitland has seen over \$1 billion in development over the past five years across the residential, business and industrial categories.

**Figure 4.5.7 – Value of development, Maitland. 2009-2013**



## **Frameworks in place for development**

Council has invested significant resources and time in ensuring the strategies underpinning residential and employment growth remain contemporary and flexible.

Council's 2012 Maitland Urban Settlement Strategy provides the broad direction for future urban growth. The strategy aims to provide both flexibility and certainty by maintaining a generous supply of land for residential growth, accompanied by land for employment growth.

The strategy makes provision for ongoing population growth over the next 15 to 25 years, with a range of different housing types and locations proposed.

Specifically considering employment lands, the strategy identifies a number of parcels, including at Anambah (14.8 ha in preliminary investigation) in the city's west, and Thornton (47 ha in preliminary investigation), Thornton/Ashtonfield (73ha in preliminary investigation) and Metford (60 ha in preliminary investigation) in the city's east.

It is expected that once Council's currently zoned lands reach capacity, developments will be initiated in the identified sites.

Whilst employment land development slowed following the GFC and the tightening of funds from lenders, over the past two years Maitland has witnessed an upswing. This has seen new developments completed in the highway corridor in the west of the City (Rutherford/Anambah), which has seen a range of local, national and multinational companies establish a presence in the City.

The Urban Settlement Strategy is a key guiding document for the Maitland Local Environment Plan, and is supported by a number of plans including an Activity Centres and Employment Clusters Strategy, Central Maitland Structure Plan, Integrated Land Use and Transport Study.

Council will be reviewing its Citywide Development Control Plan in 2014, to ensure we have the flexibility to respond to opportunities and approaches from the development sector.

## **Diverse industries and employment**

The growing diversification of business sectors in Maitland has built resilience to changes to broader economic conditions. Rapid growth in population has organically fed growth across all sectors particularly health, education and service industries (SMEs).

Manufacturing is the most significant employer, with a diversity of local businesses including pharmaceutical, mining equipment, footwear and clothing businesses. According to the 2011 Census, 11.7% of the City's employment was in this sector.

Retail is the third largest employer, with 11.5% of employment in retail trade (2011 Census). Retail has a diverse profile across the LGA ranging from independent boutiques through to major retail chains. Major shopping centres can be found at East Maitland, Rutherford and Central Maitland. Bulky goods retail is also found at Thornton, East Maitland and Rutherford. Added to this is 6.6% of employed residents working in the hospitality and accommodation industry.

The State Government has a significant local presence, with offices of the Office of State Revenue (Infringement Processing) and Trade and Investment (Mineral Resources) located in Central Maitland.

The education sector is also an important part of the local economy, with 7.1% of local employment in education and training. TAFE NSW has a campus in the LGA, and there are 33 primary and high schools. Newcastle University also has a presence in the City, opening a campus of the Conservatorium of Music in Central Maitland in 2013. The City is also fortunate to be home to the Hunter Valley Training Company.

The health sector is also significant, with 11.7% of workers in the health and social support services sector (2011 Census) – the second highest employing sector in the LGA. Maitland Hospital is located on the outskirts of the CBD, with a range of supporting medical service and specialist providers. The NSW State Government has announced a site for a future new hospital at Metford in the City's east. Whilst still in early planning, the hospital will cater for the needs of an expanding population with higher levels of clinical service than the current hospital.

Employment in the construction industry is also significant at 8.3% of employment (2011 Census), linked to the continued strong growth in the residential housing sector.

Mining and support industries inject a significant amount into the Maitland economy. NSW Minerals Council estimates this at \$1.1 billion in 2012/13, with 2011 Census data showing 2,000 residents (6.4% of employed LGA population) working in mining.

As illustrative examples of the strength of the local economy, Masters hardware opened its first operation in the Hunter at Rutherford in 2013, whilst multinational surface and underground mining equipment manufacturer Joy Global has recently opened a facility at Rutherford, with 200 employees. In the CBD, seven new wine bars have opened in the last 18 months, contributing to the establishment of a night economy.

Over the next seven years, Council expects the growing diversity of the city's population to drive an upsurge in creative industries. This change is expected to be reflected in public programs, business incubators and small business.



## **Central Maitland – vibrant heart of the City**

Central Maitland is undoubtedly a focus for economic development over the next few years. The city centre is host to a diverse mix of businesses and a range of opportunities. Retail, professional services, culture, education, hospitality, accommodation and more can be found in a concentrated precinct, bookended by two railway stations and bounded by the New England Highway and the Hunter River.

Council is establishing a new shared zone and river link building and plaza between High Street and the Hunter River, a significant upgrade to the public domain. The construction budget is \$15 million, with on-ground works to commence in early 2014 after more than two years of consultation and planning. This investment has already seen new hospitality, retail, entertainment and residential developments initiated or completed. Aldi has recently announced the opening of a store in the CBD, while local serviced accommodation has also recently been expanded.

A further \$11.3 million grant, received by Council under the Federal Government's 'Building Better Regional Cities' program, will also be invested in infrastructure upgrades to Maitland Station and surrounding streets, with construction commencing in 14/15. A commitment to 260 new affordable housing dwellings is a grant condition, which will see new residents in the CBD. Already, over 40 new dwellings are in construction. Council is considering a range of incentives to assist in returning residents to the area.

Council is also committed to maintaining its presence in Central Maitland, with a Civic Precinct Plan underpinning development of the Art Gallery, Town Hall and Administration Precinct. With \$2 million committed from Hunter Infrastructure and Investment Fund in 2013, upgrades to performance space in the Town Hall will be undertaken during 2014/15. Council's long term financial plan also makes allowance for upgraded administration facilities, as Council's current 1980s headquarters is unable to accommodate current staffing levels.

Under the SRV package, Council's efforts in place activation in the CBD will be enhanced, with an investment of \$1 million over 7 years in place activation initiatives. Already, Council is exploring the possibilities of a business incubator program, as well as a 'Renew Newcastle' type model to animate vacant premises in the CBD.

In seven years, Council expects Central Maitland to have reclaimed its place as the heart of the city, offering a mix of professional, service and lifestyle options, and see the CBD widely recognised as being second only to Newcastle in importance as a commercial centre in the lower Hunter.

### **Local retail set for significant investment**

Maitland's Green Hills Shopping Precinct in East Maitland is classified as a major regional shopping precinct, supporting a catchment beyond the LGA. The precinct incorporates Stockland's Green Hills Shopping Centre, which is set to receive a \$350 million makeover and see new national retailers to the centre. The works are expected to commence in 2014/15 and extend over three years. Significant employment will come during construction, and then post completion in retail.

Three main shopping precincts – at Rutherford, Central Maitland and Greenhills – are supported by a range of thriving local centres.

### **Visitor economy and events**

The city's visitor economy is underpinned by a series of flagship events that are managed by Council including Hunter Valley Steamfest, Maitland Aroma Coffee and Chocolate Festival, Maitland Taste Festival and the Bitter and Twisted International Boutique Beer Festival. Combined, these events annually attract in excess of 88,500 visitors and inject around \$8.5 million into the local economy each year. Council managed events are complemented by a diverse range of events managed by business and community organisations.

Events provide a catalyst to generate tourism visitation and importantly provide the opportunity for the community to connect and celebrate their city.

### **Focus on Council services underpinning development and growth**

Council is well aware of the importance of timely development assessment and approvals, and has worked hard to retain its position as an industry leader in development approvals (with our performance detailed in Section 7).

Our focus on economic development will remain, as will our desire for partnerships with the business and development sectors.

Council's economic development, urban growth and development teams will remain focused on customer service.

### **Benefits of proposal for business ratepayers**

Ensuring a sustainable Council and vibrant city, able to meet the needs of an expanding residential population, supports our City's economy and local businesses in a number of ways. Clearly, the continued growth of the retail, hospitality, development, education, health and other service sectors is underpinned by a growing residential population. Our manufacturing industry, meanwhile, benefits from an able and growing workforce, coupled with geographic location and infrastructure.

Council's increased investment in roads and footpaths contributes not only to amenity but efficiency of movement of both people and goods.

The focus of Council, the community and local business on rejuvenating the CBD is expected to return a range of social, cultural and economic benefits.

A financially sustainable Council, able to deliver services to a growing population, provides a stable platform for business development. The certainty of a rating regime for a medium term period will inform business decisions.

Council is committed to sustaining a productive relationship with local businesses, and maintaining the City's position as a growing, thriving and prosperous regional City.

### **Capacity and willingness to pay – farmland ratepayers**

WRI initially examined Council's proposal to increase farmland rates by an average of 6.48% each year for seven years. Their review found that this level of increase would result in the rates/farm value added ratio increasing by 2.16 percentage points, and that this would be a substantial increase in farmland rates as a proportion of farm value added.

As noted by WRI, the impact of farmland rates on the viability of farm enterprises will vary depending on projections of agricultural value added in Maitland and the forecast of the number of farms.

For the purpose of analysis, WRI reviewed literature relating to agricultural development in Maitland. The farming sector in this area is dominated by meat chicken production (52.3% of the wholesale value of agricultural commodities), beef cattle (14.8%), cultivated turf (11.7%) and whole milk production (9.8%).

Despite its significant contribution to the NSW economy in certain commodities, the farming sector in Maitland faces several challenges, such as:

- urban encroachment,
- conflicting land uses (particularly from resource extraction industries),
- associated land fragmentation (that reduces the ability to maintain sufficient scale of agricultural operations),
- water supply pressures.

WRI accounted for such factors as drought and adverse economic conditions (e.g. strong Australian dollar) that may affect agricultural producers in Maitland and Lower Hunter. Hence, for the purpose of analysis, WRI considered that a growth scenario where agricultural production stagnates is the most plausible.

WRI has also examined the number of farms over the last 12 years and assumed that the number of farms between 2014/15 and 2020/21 will follow a long term deterministic trend.

Their modelling shows that during the SRV implementation period, the number of farms in Maitland will grow slightly, while agricultural value added will stagnate. Under the proposed SRV, the farmland rate/value added ratio will stand at 6.61% in 2020/21.

WRI concluded that “The implementation of the proposed (6.4%) SRV plan will result in the rates/farm value added ratio increasing by 2.16 percentage points.”

Council considered the WRI report very carefully, along with representations from farmland ratepayers. Given the benchmark of less than 1% in terms of an increase, Council substantially adjusted its rating package. WRI was commissioned to run the final farmland (high) scenario through their model.

WRI concluded that farmland rates increase under the SRV is below the changes in input costs in agriculture and proposed farmland rate increase will achieve catch up with changes in input prices for agriculture. They concluded that the reasonableness criterion was now satisfied in terms of farmland rates.

**Table 4.5.5 – Farmland rates and farm business viability**

Year	Farmland rates (\$)	No. of farms	Aggregate farm value added (\$'000)	Rates/value added (%)
2013-14	2,955	669	29,325	4.72
2014-15	3,076	671	33,007	4.37
2015-16	3,166	672	34,875	4.27
2016-17	3,257	673	35,562	4.31
2017-18	3,344	674	33,964	4.65
2018-19	3,429	675	34,668	4.68
2019-20	4,509	677	33,964	4.89
2020-21	4,586	678	31,064	5.48
Change 13-14 – 20/21				0.76

Table 4.5.11 shows that during the SRV implementation period, the number of farms in Maitland will grow slightly, while agricultural value added will stagnate. Under the proposed SRV, the farmland rate/value added ratio will stand at 5.48% in 2020/21.<sup>1</sup>

The implementation of the proposed SRV plan will result in the rates/farm value added ratio increasing by 0.76 percentage points.

Over the next seven years, Council will work hard to ensure the fertile agricultural land of Maitland's floodplains remain a productive farming belt around the city. This is supported by a growing interest and industry founded on sustainable farming and production, along with opportunities to buy directly from the farmer and specialised outlets.

WRI initially examined Council's proposal to increase farmland rates by an average of 6.48% each year for seven years. Their review found that this level of increase would result in the rates/farm value added ratio increasing by 2.16 percentage points, and that this would be a substantial increase in farmland rates as a proportion of farm value added.

As noted by WRI, the impact of farmland rates on the viability of farm enterprises will vary depending on projections of agricultural value added in Maitland and the forecast of the number of farms.

For the purpose of analysis, WRI reviewed literature relating to agricultural development in Maitland. The farming sector in this area is dominated by meat chicken production (52.3% of the wholesale value of agricultural commodities), beef cattle (14.8%), cultivated turf (11.7%) and whole milk production (9.8%).

Despite its significant contribution to the NSW economy in certain commodities, the farming sector in Maitland faces several challenges, such as:

- urban encroachment,
- conflicting land uses (particularly from resource extraction industries),
- associated land fragmentation (that reduces the ability to maintain sufficient scale of agricultural operations),
- water supply pressures.

WRI accounted for such factors as drought and adverse economic conditions (e.g. strong Australian dollar) that may affect agricultural producers in Maitland and Lower Hunter. Hence, for the purpose of analysis, WRI considered that a growth scenario where agricultural production stagnates is the most plausible.

WRI has also examined the number of farms over the last 12 years and assumed that the number of farms between 2014/15 and 2020/21 will follow a long term deterministic trend.

Their modelling shows that during the SRV implementation period, the number of farms in Maitland will grow slightly, while agricultural value added will stagnate. Under the proposed SRV, the farmland rate/value added ratio will stand at 6.61% in 2020/21.

WRI concluded that “The implementation of the proposed (6.4%) SRV plan will result in the rates/farm value added ratio increasing by 2.16 percentage points.”

Council considered the WRI report very carefully, along with representations from farmland ratepayers. Given the benchmark of less than 1% in terms of an increase, Council substantially adjusted its rating package. WRI was commissioned to run the final farmland (high) scenario through their model.

**Table 4.5.6 – Farmland rates and farm business viability**

Year	Farmland rates (\$)	No. of farms	Aggregate farm value added (\$'000)	Rates/value added (%)
2013-14	2,955	669	29,325	4.72
2014-15	3,076	671	33,007	4.37
2015-16	3,166	672	34,875	4.27
2016-17	3,257	673	35,562	4.31
2017-18	3,344	674	33,964	4.65
2018-19	3,429	675	34,668	4.68
2019-20	4,509	677	33,964	4.89
2020-21	4,586	678	31,064	5.48
Change 13-14 – 20/21				0.76

Table 4.5.12 shows that during the SRV implementation period, the number of farms in Maitland will grow slightly, while agricultural value added will stagnate. Under the proposed SRV, the farmland rate/value added ratio will stand at 5.48% in 2020/21.

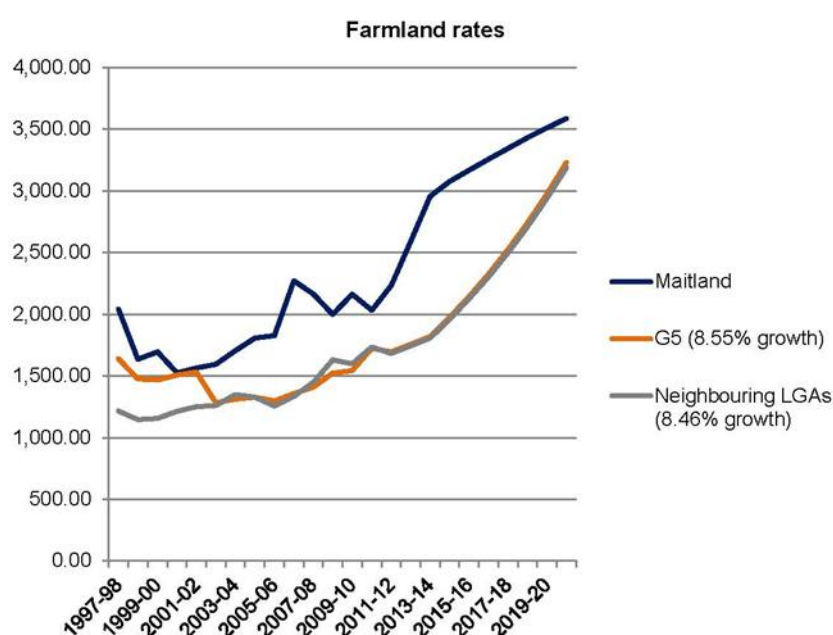
The implementation of the proposed SRV plan will result in the rates/farm value added ratio increasing by 0.76 percentage points.

WRI concluded that farmland rates increase under the SRV is below the changes in input costs in agriculture and proposed farmland rate increase will achieve catch up with changes in input prices for agriculture. They concluded that the reasonableness criterion was now satisfied in terms of farmland rates.

Council is also aware that a comparison of farmland rates, as completed by WRI, indicates that the City's farmland rates are high. It is difficult to draw a meaningful comparison, as the City has transitioned from a country town to an emerging regional City. Thus, many Councils in Peer Group 5 are unlikely to have the same number and type of farmland ratepayers, or the unique development dynamic of Maitland.

**Figure 4.5.8 – Farmland rates Peer and Neighbouring Councils**

#### Maitland Council and its peers



Over the next seven years, Council will work hard to ensure the fertile agricultural land of Maitland's floodplains remain a productive farming belt around the city. This is supported by a growing interest and industry founded on sustainable farming and production, along with opportunities to buy directly from the farmer and specialised outlets.

Council is also committed to an annual review of apportionment to ensure that any material movements in land between the farmland and residential rating categories is considered in annual rate setting.

In considering all of the above, the conclusion can be reached that there is a capacity to pay the proposed rates across the Maitland LGA.

### Socio-economic indicators

The Socio-Economic Indexes for Areas (SEIFA) 2011 published by the Australian Bureau of Statistics reveals that the Maitland LGA has a relative lack of socio-economic disadvantage and a greater level of advantage in general.

For the purposes of SEIFA, the ABS continues to broadly define relative socioeconomic advantage and disadvantage in terms of people's access to material and social resources, and their ability to participate in society.

SEIFA provides a numerical score to describe different aspects of a socio-economic condition of people living in an area. A higher SEIFA score indicates that the area has lower levels of disadvantage compared to other areas.

**Table 4.5.7 – Socio-economic advantage and disadvantage**

Index of Relative Socio-economic Advantage and Disadvantage		Index of Relative Socio-economic Disadvantage		Index of Economic Resources		Index of Education and Occupation	
Score	Decile	Score	Decile	Score	Decile	Score	Decile
986	7	993	7	1014	8	945	5

**Table 4.5.8 Local Government Area (LGA) Index of Relative Socio-economic Advantage and Disadvantage, 2011 Group 5 Councils comparison**

Council	Score	Rank Aus.	Decile Aus.	Percentile Aus.	Rank NSW	Decile NSW	Percentile NSW
Newcastle	991	387	7	69	110	8	72
<b>Maitland</b>	<b>986</b>	<b>371</b>	<b>7</b>	<b>66</b>	<b>107</b>	<b>7</b>	<b>70</b>
Lake Macquarie	985	369	7	66	106	7	69
Wollongong	981	350	7	62	100	7	65
Port Macquarie-Hastings	957	249	5	45	75	5	49



Coffs Harbour	950	229	5	41	70	5	46
Tweed	949	227	5	41	68	5	45
Shoalhaven	944	210	4	38	63	5	41

#### Local Government Area (LGA) Index of Relative Socio-economic Disadvantage, 2011 (ABS) – Group 5 Councils comparison

The Index of Relative Socio-economic Disadvantage is derived from Census variables related to disadvantage, such as unemployment, low levels of education, low income and dwellings without motor vehicles. In examining relative levels of disadvantage in comparison with our peer group, it can be seen that Maitland has a relative lack of socio-economic disadvantage, with a decile of 7.

**Table 4.5.9 Local Government Area (LGA) Index of Relative Socio-economic Disadvantage, 2011 (ABS) – Group 5 Councils comparison**

Council	Score	Rank Aus.	Decile Aus.	Percentile Aus.	Rank NSW	Decile NSW	Percentile NSW
Lake Macquarie	995	363	7	65	108	8	71
Newcastle	994	359	7	64	107	7	70
<b>Maitland</b>	<b>993</b>	<b>353</b>	<b>7</b>	<b>63</b>	<b>106</b>	<b>7</b>	<b>69</b>
Wollongong	980	293	6	52	92	6	60
Port Macquarie-Hastings	969	254	5	45	81	6	53
Tweed	959	217	4	39	68	5	45
Coffs Harbour	958	216	4	39	67	5	44
Shoalhaven	955	201	4	36	62	5	41

### Local Government Area (LGA) Index of Economic Resources, 2011 (ABS) – Group 5 Councils

The Index of Economic Resources looks at Census variables such as income, housing expenditure and assets of households. In examining economic resources, Maitland is in a comparatively strong position. A higher decile of 8 indicates relatively greater access to economic resources in general, whilst our score at 1014 is higher than any of our peers.

**Table 4.5.10 Local Government Area (LGA) Index of Economic Resources, 2011 (ABS) – Group 5 Councils**

Council	Score	Rank Aus.	Decile Aus.	Percentile Aus.	Rank NSW	Decile NSW	Percentile NSW
<b>Maitland</b>	<b>1014</b>	<b>427</b>	<b>8</b>	<b>76</b>	<b>120</b>	<b>8</b>	<b>78</b>
Lake Macquarie	1003	385	7	69	113	8	74
Port Macquarie - Hastings	975	245	5	44	79	6	52
Wollongong	975	244	5	44	78	6	51
Shoalhaven	969	213	4	38	65	5	43
Tweed	968	202	4	36	60	4	39
Newcastle	965	186	4	33	54	4	36
Coffs Harbour	960	157	3	28	42	3	28

In examining SEIFA data, it is evident that the Maitland community is well-placed to pay the proposed rates increase.

## 5 Assessment criterion 3: Impact on ratepayers

In the DLG Guidelines, criterion 3 is:

*The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. Council's IP&R process should also establish that the proposed rate increases are affordable having regard to the local community's capacity to pay.*

We are required to assess whether the impact on ratepayers of the council's proposed special variation is reasonable. To do this, we are required to take into account current rate levels, the existing ratepayer base and the purpose of the special variation. We must also assess whether the council's IP&R process established that the community could afford the proposed rate rises.

### 5.1 Impact on rates

Much of the quantitative information we need on the impact of the special variation on rate levels will already be contained in Worksheet 5 of Part A of the application.

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

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

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Council's application is for a 7.25% increase to total rates revenue each year for seven years, to be retained permanently in the base.

This will be applied differentially to our rating categories, to address past inequities and ensure reasonableness of the proposal, particularly for our farmland and business categories.

Council's rating structure for Year 1 for the variation would be as follows:

**Table 5.1.1 - Rating structure 2014/15 (preferred – 7.25% increase)**

Rate Type	Category	Sub-Category	Ad Valorem Cents in \$	Base amount per assessment \$	Base Amount %	Estimated rate yield \$
Ordinary	Farmland	High Intensity*	0.4072	\$307.46	10%	\$1,626,567
Ordinary	Farmland	Low Intensity*	0.4848	\$227.25	10%	\$320,732
Ordinary	Residential	Non-Urban	0.5470	\$179.13	10%	\$1,771,725
Ordinary	Residential	Urban	0.4607	\$378.40	35%	\$28,640,393
Ordinary	Mining	N/a	15.6787	\$0.00	0%	\$325,803
Ordinary	Business	Ordinary	1.8504	\$0.00	0%	\$10,107,293
Special	Mall	See Note 1	2.2148	\$0.00	0%	\$239,621
Special	CBD	See Note 2	0.8864	%0.00	0%	\$355,269

**Notes**

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.

However, should Council's application be unsuccessful, rating under the announced rate peg would be as follows:

**Table 5.1.2 Rating structure 2014/15 (under rate peg only – 2.3%)**

Rate Type	Category	Sub-Category	Ad Valorem Cents in \$	Base amount per assessment \$	Base Amount %	Estimated rate yield \$
Ordinary	Farmland	High Intensity	0.3968	\$299.64	10%	1,585,042
Ordinary	Farmland	Low Intensity	0.4778	\$223.56	10%	316,043
Ordinary	Residential	Non-Urban	0.5192	\$170.05	10%	1,681,705
Ordinary	Residential	Urban	0.4396	\$361.03	35%	27,327,625
Ordinary	Mining	N/a	15.1708	\$0.00	0%	315,249
Ordinary	Business	Ordinary	1.7564	\$0.00	0%	9,593,844
Special	Mall	See Note 1	2.1126	\$0.00	0%	228,564
Special	CBD	See Note 2	0.8455	\$0.00	0%	338,876

**Notes**

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 impact on annual rates, annual dollar increases, annual percentage increases and compounded effect is shown in the following tables.

**Table 5.1.3 – Rating (total dollars) per year, SRV proposal**

Category	Average Land Value 2014/15	13/14	Year 1 14/15	Year 2 15/16	Year 3 16/17	Year 4 17/18	Year 5 18/19	Year 6 19/20	Year 7 20/21
Residential urban	\$ 143,000.00	\$965.96	\$1,036.79	\$1,120.23	\$1,209.65	\$1,305.57	\$1,408.38	\$1,518.70	\$1,637.04
Residential non urban	\$ 294,800.00	\$1,662.56	\$1,791.71	\$1,923.15	\$2,064.71	\$2,216.38	\$2,379.17	\$2,554.10	\$2,742.16
Farmland high intensity	\$697,700.00	\$2,954.55	\$3,075.61	\$3,166.35	\$3,257.09	\$3,344.05	\$3,429.11	\$3,508.51	\$3,586.01
Farmland low intensity	\$ 419,000.00	\$2,166.67	\$2,253.52	\$2,316.90	\$2,380.28	\$2,443.66	\$2,500.00	\$2,556.34	\$2,605.63
Business ordinary	\$303,000.00	\$5,261.06	\$5,605.66	\$5,934.00	\$6,286.74	\$6,665.56	\$7,073.21	\$7,509.71	\$7,978.37
Mining	\$1,039,000.00	\$152,000.00	\$163,000.00	\$174,500.00	\$187,000.00	\$200,500.00	\$215,500.00	\$231,000.00	\$248,000.00
Mall	\$172,000.00	\$3,539.68	\$3,809.52	\$4,095.24	\$4,380.95	\$4,698.41	\$5,031.75	\$5,396.83	\$5,793.65

CBD	\$189,700.00	\$1,580.95	\$1,681.16	\$1,801.93	\$1,932.37	\$2,072.46	\$2,222.22	\$2,386.47	\$2,560.39
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**Table 5.1.4 – Rating (annual dollar increase), SRV proposal**

Total annual increase \$	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Residential urban	70.83	83.44	89.42	95.92	102.81	110.32	118.34
Residential non urban	129.15	131.44	141.56	151.67	162.79	174.93	188.06
Farmland high intensity	121.06	90.74	90.74	86.96	85.06	79.40	77.50
Farmland low intensity	86.85	63.38	63.38	63.38	56.34	56.34	49.29
Business ordinary	344.60	328.34	352.74	378.82	407.65	436.50	468.66
Mining	11,000.00	11,500.00	12,500.00	13,500.00	15,000.00	15,500.00	17,000.00
Mall	185.37	209.52	203.66	229.63	239.03	264.05	288.56
CBD	84.71	106.75	115.40	123.98	132.46	145.74	154.03

**Table 5.1.5 – Rating (annual percentage increase), SRV proposal**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Residential urban	7.33%	8.05%	7.98%	7.93%	7.87%	7.83%	7.79%
Residential non urban	7.77%	7.34%	7.36%	7.35%	7.34%	7.35%	7.36%
Farmland high intensity	4.10%	2.95%	2.87%	2.67%	2.54%	2.32%	2.21%
Farmland low intensity	4.01%	2.81%	2.74%	2.66%	2.31%	2.25%	1.93%
Business ordinary	6.55%	5.86%	5.94%	6.03%	6.12%	6.17%	6.24%
Mining	7.24%	7.06%	7.16%	7.22%	7.48%	7.19%	7.36%
Mall	7.62%	7.50%	6.98%	7.25%	7.09%	7.26%	7.35%
CBD	6.34%	7.18%	7.24%	7.25%	7.23%	7.39%	7.29%

**Table 5.1.6 – Rating, compounded and summed totals, SRV proposal**

Rating category	Average Annual Increase \$	Compounded Increase over 7 years %	Summed increase over 7 years %
Residential urban	95.87	69.47	54.79
Residential non urban	154.23	64.94	51.87
Farmland high intensity	90.21	21.37	19.65
Farmland low intensity	62.71	20.26	18.71
Business ordinary	388.19	51.65	42.91
Mining	13,714.29	63.16	50.71
Mall	231.40	63.00	50.61
CBD	123.30	61.51	49.63

#### **Rationale for adjusting apportionment**

As can be seen from the above, whilst Council is proposing an increase to total rates revenue by 7.25% per annum, this will be applied differently to each rating category. This is proposed based on the following:

- Council's residential rating has been comparatively low over recent years (despite a past special variation), whilst farmland rating is comparatively high.
- There are a range of contributing factors but a primary factor is the apportionment across categories has not been sufficiently adjusted and aligned to annual residential growth.
- An incremental increase in total rates revenue, tied to the rate peg as introduced in the late 1970s, has not been sufficient to keep pace with residential growth. Again, this has contributed to the comparatively low residential rates.
- Examining a range of socio economic data for the LGA reveals there is a capacity to pay a higher level of residential rates.
- Over recent years, Council has worked to remove sub categories within 'business'. This process was concluded in 2011/12, and resulted in a more equitable distribution of rates across the entire LGA (rather than a dated precinct-based approach).
- Despite this movement within the business category, there is a significant historical legacy. The city's business ratepayers comprise 10% of land value, but contribute 24% of Council's rating income. Thus, Maitland has a

comparatively high business rate when examined in the context of neighbouring Councils, although comparable with peer Councils in Group 5.

- As such, in order to keep business rating on par with peer Councils, adjustments will be made to lessen the impact on business ratepayers. This approach has been modelled by Western Research Institute.
- Considering earlier independent modelling that revealed the impact on farmland ratepayers was not reasonable, Council has adjusted the percentage to be paid by this category, progressively reducing the percentage applied over the term of the variation until it becomes aligned to the expected future rate peg.



### 5.1.1 Minimum Rates

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

Does the council have minimum rates?

Yes ☐ No ☒

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

So that we can assess the reasonableness of the impact on minimum ratepayers, briefly explain the types of ratepayers that are on minimum rates, and the rationale for the proposed impact of the special variation on minimum rate levels.

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## 5.2 Affordability and community capacity to pay

Show how your IP&R processes have established that the proposed rate rises are affordable for your community, and that affected ratepayers have the capacity to pay the higher rate levels. (Indicators considered in this context may be similar to those cited under criterion 2.)

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As outlined under Criterion 2, Council has spent considerable time examining issues of affordability and community capacity to pay higher rate levels. Council was aware of the sensitivity of this issue, and whilst confident all available data supports Council's position that the proposal is affordable and a capacity to pay exists across the community, we were also aware that every individual would have a different view of what constitutes 'affordable' in their own personal circumstances and lifestyle choices.

As this has been extensively outlined in preceding sections (in particular 4.4, 4.5 and 5.1), no additional information is presented here.

## 5.3 Other factors in considering reasonable impact

In assessing whether the overall impact of the rate increases is reasonable we may use some of the same indicators that you cite in section 5.2 above. In general, we will consider indicators such as the local government area's SEIFA index rankings, average income, and current rate levels as they relate to those in comparable councils. We may also consider how the council's hardship policy might reduce the impact on ratepayers.

### 5.3.1 Addressing hardship

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

If Yes, is it identified in the council's IP&R documents? Yes ☒ No ☐

Please attach a copy of the Policy and explain who the potential beneficiaries are and how they are addressed. Attached

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

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

-----  
Maitland City Council has an enviable ratio of outstanding rate debt. In 2012/13 this was 2.71%.

This is taken as an indicator of the appropriateness of Council's past debt recovery and hardship policy. Council currently has approximately 400 ratepayers accessing payment arrangements with interest written off, a very small percentage of total ratepayers.

Council is also making efforts to ensure broader community awareness of the option to make weekly, fortnightly or monthly payments toward annual rates. An estimated 2,000-3,000 ratepayers choose to pay this way each year.

Whilst Council is confident of a community capacity to afford the increase proposed the opportunity has been taken to review Council's relevant policies.

Council's Debt Recovery and Hardship Policy was adopted on 9 November 2010. This is proposed to be replaced with three new policies being:

- Pensioner Concession Policy
- Debt Recovery Policy
- Hardship Policy.

These policies (seen as Attachments 3, 3.a and 3.b) were endorsed by Council for public exhibition on 11 February 2014 (see Attachment 3.c), and will be adopted in March 2014, after consideration of submissions.

The three hardship policy elements establish guidelines for the assessment of hardship applications, applying the principles of social justice, fairness, integrity and confidentiality and compliance to the relevant statutory requirements.

Relevant extracts from each policy follow, all of which have been prepared in line with provisions under the Local Government Act (1993) and Local Government (General) Regulation 2005 (NSW).

### **Hardship Policy**

Council recognises there are cases of genuine financial hardship requiring respect and compassion in special circumstances. The Hardship Policy established guidelines for assessment of hardship applications applying the principles of social justice, fairness, integrity, confidentiality and statutory compliance.

The policy will be applied to applications for waiving, deferment and alternative payment arrangements, or writing off of rates, fees, annual charges and interest accrued on such debts.

Whilst Council will not reduce rates or annual charges, alternative approaches to dealing with hardship or extenuating circumstances will be considered. Assessment will be done on a case by case basis, with Council considering periodical payments outside due dates where appropriate. Such payment arrangements may be made on a weekly, fortnightly or monthly basis, and will be designed to ensure amounts owing are paid in full by 30 June that financial year.

Council may also consider assistance by writing off accrued interest and costs on rates and charges. This may occur when there are reasons beyond a person's control, or that payment of the accrued interest could cause a person hardship.

Under the policy, a panel comprising the Executive Manager Corporate Services, Revenue Accountant and a Community Planner will determine applications for assistance referred to it and review decisions as necessary.

The General Manager or Mayor may refer any Council matter involving financial hardship of a ratepayer or resident to this Payment Assistance Panel for consideration and advice.

### **Pensioner Concession Policy**

This policy provides eligible pensioners with the maximum statutory pensioner concession relating to rates and charges, and how this will be administered by Council. It should be noted that under the associated Hardship Policy, aged pensioners who satisfy the eligibility criteria may make application to defer the payment of rates and charges against their estate

## **Debt Recovery Policy**

This policy has been developed to ensure monies owed to Council are recovered in a timely, efficient and effective manner. In doing so, Council will treat all people fairly and consistently; treat all matters confidentially; and treat people with respect and sensitivity in considering their circumstances.

The policy highlights Councils process for rates and charges as follows:

1. Rates and Charges Notice is issued in July each year and are payable in four instalments (31 August, 30 November, 28 February and 31 May). A rate instalment notice is issued 30 days before each instalment is due.
2. A Reminder Notice is sent if the whole or part of an instalment, exceeding \$20.00, is not paid within 7 days of the due date. Payment within 7 days will be requested, and ratepayer advised referral to debt collection agency may occur if overdue amount is not paid. The notice will also advise that arrangements can be made with Council to pay the overdue amount.
3. Should payment not be received, Council will refer all assessments where the amount overdue is greater than \$600.00 and arrangements made to its debt collection agency.
4. The debt collection agency will follow due process, which may ultimately result in a judgement against a ratepayer to recover the debt.

It should be noted that provisions under Council's Hardship Policy can be applied should ratepayers make timely contact with Council.

## 6 Assessment criterion 4: Assumptions in Delivery Program and LTFP

The DLG Guidelines state this criterion as follows:

*The proposed Delivery Program and Long Term Financial Plan must show evidence of realistic assumptions.*

Summarise below the key assumptions adopted by the council and indicate where they are set out in your Delivery Plan and LTFP. We will need to assess whether the assumptions are realistic. For your information, we will consider such matters as:

- ▼ the proposed scope and level of service delivery given the council's financial outlook and the community's priorities
- ▼ estimates of specific program or project costs
- ▼ projections of the various revenue and cost components.

To also assist us, identify any in-house feasibility work, industry benchmarks or independent reviews that have been used to develop assumptions in the Delivery Program and LTFP if these are not stated in those documents.

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Council's special rate variation proposal has been developed utilising our well-tested long term financial model. It is through this plan that Council has insights into the consequences of not taking active steps, knowing that the assumptions have been nuanced and verified over time (noting our plan and its assumptions were last reviewed by IPART during the assessment of our SRV application for 2011/12).

Key assumptions in our long term financial plan are as follows:

- Maitland's population continuing to grow at 2000 new residents each year (approx. 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 income streams including general user fees and charges, regulatory services, grants and subsidies.
- Salary increases have been determined based on Award changes, projected at 3.25% for the first two years and 3.5% over subsequent years.

- Competency increases for progression through Council's salary system of 1.5% 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.
- NSW State Government Waste Levy increases have been factored into the model.
- Carbon tax payments have been incorporated based on latest available knowledge, however the current intention of the Federal Government to abolish the tax is acknowledged.
- Interest on investments has been set at 4.2% in Year 1, increasing progressively to reach 6.31% in Year 9, to remain constant thereafter.
- Increasing Council's annual loan drawdown to \$4.8 million/annum for use in capital works program on long life assets, particularly asset renewal, commencing in 2014/15.
- \$1.5 million per annum to fund rent and/or potential borrowings for a new or refurbished administration facility, commencing in 2015/16
- Operating expenses, excluding street lighting and State Government Waste Levy, 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.
- Standard growth in staffing at five full time equivalents each year, plus additional staff required for new indoor swimming pool.
- Additional revenue from asset sales and partnerships of \$15 million over 5 years.
- Annual productivity factor of \$500,000 per annum, commencing in 2015/16
- Increasing grant revenue to the value of \$13 million over the next ten years.
- Strategic and significant project costs have been developed by appropriately skilled and qualified staff and consultants. Council has a project management framework in place, and in the case of significant projects the

executive team of Council acts as Project Control Group, retaining oversight and full accountability for project budgets.

Council's LTFP can be seen from page 46 in Resourcing Strategy 2014 edition, Attachment 1b.

A more detailed breakdown of the model is provided as Attachment 4.

In terms of our Delivery Program, the following has been assumed:

- The services to be maintained, and those to be enhanced, are aligned to community priorities and underpinned by appropriate planning (as outlined in this application).
- Our Resourcing Strategy has considered the time, people, assets, technology and finances required to not only execute the Delivery Program, but the seven years of work and services proposed under the Special Rate Variation proposal (as seen as Attachment 1b)
- Staffing increases will be focused on areas of enhanced service, as indicated in the SRV proposal, and frontline service areas as programmed (for example, lifeguards for the pool). Advances in systems and technology will see efficiency gains in the provision of 'back of office' support functions, and is expected to constrain EFT growth in business support areas.
- Construction of a new 25m indoor heated pool will be funded via Section 94 developer contributions. An initial project budget of \$7 million has been nominated, and a development application has been approved. Project governance structures have been developed, seeing lead accountability with Council's Appearance and Infrastructure Group.
- Construction of 'The Levee' in Central Maitland, being a shared pedestrian and vehicle zone and a river link building/plaza has a budget of \$15 million. This has been subject to rigorous detailed design and tender processes. The project will be funded through reserves, loan borrowings and asset sales, under resolution of Council.
- Construction of a new transport hub and street upgrades will be undertaken in Central Maitland, fully funded by an \$11.3 million grant under the Federal Government's 'Building Better Regional Cities' program.
- A partnership with Urban Growth NSW is in the development scoping phase. Under this partnership, Council's operational land holdings in the Rutherford area of the City will be developed as residential land. Rather than a straight out sale, Council will become a development partner and expects an additional 20% return through this model. This is estimated at \$15 million, based on the latest projections from Urban Growth NSW.

- Council's current administrative facilities are too small for the effective and efficient provision of services, and are simply unable to accommodate the staff Council has now and will require into the future. Our Delivery Program will see this situation resolved by a decision of Council during the current term. Whilst yet to be determined (as a range of delivery options are available), an assumption has been made that \$1.5 million per year would be sufficient to pay rent or fund a loan, commencing in 2015/16.
- Capital works and maintenance programs will continue to grow, with additional plant, human resources etc factored into the LTFP.
- Continued deployment of Council's Service Sustainability Program, with regular service reviews, will deliver efficiencies and support cost containment and cost reduction efforts.

The Delivery Program 2013-17 (Revised) can be seen as Attachment 1.a.

The Resourcing Strategy 2014 edition can be seen as Attachment 1.b, with the Long Term Financial Plan from Page 46.



## 7 Assessment criterion 5: Productivity improvements and cost containment strategies

The DLG Guidelines state this criterion as follows:

*An explanation of the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation period.*

In this section, provide details of any productivity improvements and cost containment strategies that you have implemented in the last 2 years (or longer) and any plans for productivity improvements and cost containment during the period of the special variation. These plans, capital or recurrent in nature, must be aimed at reducing costs. Please also indicate any initiatives to increase revenue eg, user charges. Identify how and where the proposed initiatives have been factored into the council's resourcing strategy (eg, LTFP and AMP).

Where possible, quantify in dollar terms the past and future productivity improvements and savings.

You may also use indicators of efficiency, either over time or in comparison to other relevant councils. We will make similar comparisons using various indicators and the DLG Group data provided to us.

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As is evident throughout our application, the decision to proceed with a SRV application has been driven by population growth, rising costs, an increasing gap between revenue and expenditure, and meeting community expectations for services, service mix and service levels in a contemporary regional City. Clearly, the impacts of a growing City on Council resources, service delivery and infrastructure are significant.

We also acknowledge that Council is not alone, with many organisations, including all levels of government and private business, continuing to face internal and external pressures to improve cost containment. Council is no different in looking at strategies to manage increasing costs with approaches that reduce the financial burden on ratepayers and the users of our services.

Council has undertaken a range of measures in the past, and will continue with special projects currently planned over coming years to reduce costs or improve productivity. In daily management, Council has recognised the need to provide services efficiently and is dedicated to containing and or reducing costs associated with service delivery as far as possible.

Council not only looks for cost management but also improved productivity. When both can be combined, this is of benefit to both Council and the community.

Our approach to service planning, productivity, cost containment and performance is outlined below.

### Commitment to productivity and efficiency

Whilst at a managerial level, Council has been diligent in the pursuit of continuous improvement, efficiencies and cost containment, this has not been as transparent or evident as it could have been to our community. Feedback of this nature was provided during the consultation process, with some natural scepticism within the community as to the efforts Council was making to save money, prevent unnecessary expenditure and share the 'pain' of a proposed rates increase.

**Figure 7.1.1 – Group 5 comparison –residents to employee**

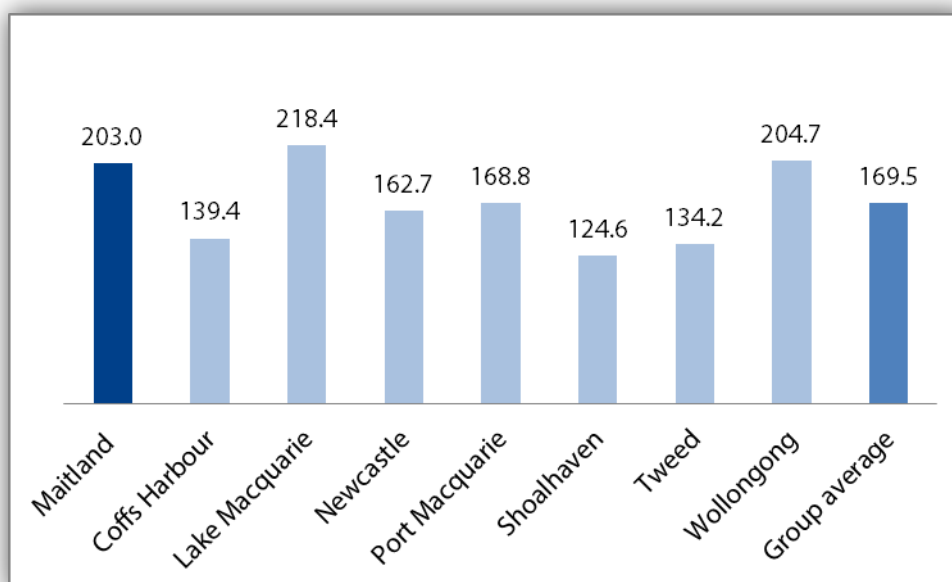


Figure 7.1.1 above illustrates the 'leanness' of Council. We have more than 200 residents per employee, compared to other Councils in Group 5 who, on average, have one employee per 169.5 residents.

As such, in making a decision to adopt the 2013-17 Delivery Program (Revised), Operational Plan 2014/15 and supporting Resourcing Strategy, Council put on public record a number of commitments that will underpin the efficient delivery of services. These are:

- Councils' Service Sustainability Program, and its inputs including core activity efficiency reviews and broader service/functional reviews, will be continued. Key activities will be reviewed at a minimum of every four years.

- Productivity gains of approx. 0.5% of annual operating budget or \$500,000 per year will be targeted over the period and reported to Council and the community via the Annual Report.
- Expenditure on staffing costs will be targeted at no more than 35% of overall budget, on par with industry standards for Councils experiencing a similar growth trajectory.
- Annual budgeting processes will constrain variable costs from one year to the next across all departments, without a reduction in services.
- Centralisation of recruitment, training, learning and development budgets
- All vacant positions will have role charters reviewed, and executive level review and approval, prior to recruitment action.

Additionally, Council will sustain efforts to inform the community about the services provided by Council, costs associated with service delivery and efforts being made to contain costs and ensure productivity and efficiency.

### **Clear alignment of services to community priorities**

As covered in Criterion 1, Council's services, service delivery models and service levels are aligned to areas of community priority. It is within the framework provided by the community strategic plan Maitland +10 that Council's own Delivery Program has been developed, and the extension of the Program to seven years in key areas undertaken.

Additionally, satisfaction with Council services and the importance of these services is tested annually with the community, via an independently conducted annual community research program. The program consists of a randomly selected telephone survey of 600+ residents and follow on focus groups, and informs annual service planning in the annual Operational Planning process. Council's current provider, Micromex Research, facilitates community surveys across many metropolitan and regional councils, and provide benchmarked performance in comparable service areas.

Through the cycle of IP&R, coupled with annual review processes, the community can be confident that actions are aligned to longer term community goals.

Our community's vision and customer demand has, and will continue to, drive organisation design and underpins our service improvement philosophy.

### **Service Sustainability Program**

In order to drive efficiencies across Council, a program of service and activity reviews have been completed since 2011. Originally undertaken in September 2011, a series of Core Activity Efficiency Reviews (CAER) identified a number of

improvements to be realised across many departments and supported Council in undertaking an organisational restructure.

CAER were repeated post the organisational restructure in 2013, to identify further areas of improvement.

Activities reviewed were as follows:

• Approvals	• Economic Development	• MRAG
• Aquatic Services	• Emergency	• Overdue Rates
• Asset Management	• Environment	• Parks
• Capital Works Programming	• Events	• Recreation Planning
• Cemeteries	• Governance	• Recruitment
• City Appearance	• Heritage	• Street Lighting
• Community Buildings	• Information Management	• Survey and Design
• Community Engagement	• Integrated Planning and Reporting	• Tourism
• Community Planning	• Grants	• Transport
• Community Development	• Land Use Planning	• Waste Management
• Compliance	• Library Services	• Work Health and Safety
• Development Contributions	• Maitland Gaol	

The process for the reviews requires an examination of the activity, covering alignment of the activity to the desired outcomes from the Community Strategic Plan, essentialness of the activity, regularity of performance measurement of the activity, availability of DLG comparative data for the activity, financial performance, and effectiveness of staff, supplier and management resources, and assessment of work practices.

The methodology for these reviews can be seen as Attachment 5.

The findings demonstrated key areas of improvement had been realised across the organisation.

Highlights include:

- Improvements in service delivery and activities in all areas reviewed
- Changes to systems and processes to address initial review findings

In addition, further comprehensive service reviews have been undertaken by various departments across Council. These reviews have involved both internal and external expertise. The past 12 months has seen the following areas examined:

- Asset Management
- Maitland Regional Art Gallery (MRAG)
- Aquatic Services
- Developer contributions and administration

Results of these reviews have included:

- A restructure of the Appearance and Infrastructure (A&I) Group, reducing the number of management positions, increasing the focus on specialist areas and enabling a 'big picture' view by joining disparate operational sections to manage workload.
- The reorganisation of the A&I Group also enabled increased strategic alignment across Council departments improving responsiveness and increased service delivery, including road construction, an area highlighted in most recent community satisfaction surveys.
- Increasing the focus on Work Health and Safety across A&I, with this area given one of the highest ratings in terms of employee satisfaction in the recent employee engagement survey.
- The MRAG Review identified that there had been a 78% increase in attendance, the restructuring of the Gift Shop saw the return of a minor profit in the past FY, with merchandise sales increased by 72%, the provision of alternative management models that will drive economic benefits including the attraction of funding, customer service delivery, visitation and volunteer participation.
- Maitland City Council is experiencing significant growth that impacts the administration and management of Developer Contributions. An internal review of this function saw improved knowledge and back-up skills considered necessary to ensure continuity of service delivery implemented, including the appointment of a senior mentor in this area. Some administrative improvements included system

upgrades and will be further improved with the Horizons information management system currently being implemented by Council.

- Council's Aquatic Service Review is presently being finalised with the support of an external consultant.

### **Planning and performance monitoring**

In moving to implement IP&R, Council recognised it needed a contemporary corporate planning and reporting software solution. After reviewing systems available to the local government market, Council implemented CAMMs Interplan, and subsequently Personnel Evaluation and Project Management modules.

Interplan sees Council's strategic goals from 'Maitland +10', business objectives (from the Delivery Program) and service level actions (from the Operational Plan) nested in one common monitoring and reporting framework.

Organisational planning is fully integrated, with performance reports incorporating a holistic view of project delivery and achievement against KPIs visible at any time.

Interplan is used as a basis for monthly and quarterly performance delivery conversations between executives and managers, as task and action updates are completed.

The system consolidates organisation-wide performance information and presents it in a way that is easily interpreted and can then be used to assist decision-making at any stage of the reporting cycle.

In addition to management monitoring, the system is also used in the development of six-monthly performance reports against the Delivery Program, and content for the Annual Report.

Council is looking to deploy further functionality of the Interplan product, including the alignment of financials following the implementation of the new corporate information management system 'Horizon'.

### **Integrated Resourcing Strategy**

Council's Resourcing Strategy has been developed in a collaborative process across Council. These integrated plans were essentially developed concurrently, and involved considerable participation of all departments. Whilst adhering to the essential requirements of containing three components, Asset Management Plan, Workforce Plan and Long Term Financial Plan, Council recognises the pivotal role that Information Technology plays in a contemporary council. As such Maitland City Council's Resourcing Strategy includes four 'pillars' to deliver the aspirations of the Community Strategic Plan, Maitland +10.

## **Commitment to achieving advanced asset management**

Council is recognised as having a core level of competence in its asset management systems and processes. Council is actively pursuing advanced asset management, striving for best practice in a range of asset management areas, from risk management, planning and design through to construction and maintenance practices. Council's infrastructure management was rated as 'moderate' during the 2013 NSW State Government Local Infrastructure Audit, with Council seeking to move to 'strong'.

With over \$867 million invested in infrastructure assets as at 30 June 2013, our assets are vital in the provision of a range of services for the community. Council uses various technical and database resources to manage its assets. E.g. Road pavement (Council's road network) is managed with the aid of the Snowy Mountain Engineering Corporation; (SMEC) Pavement Management System (PMS).

Council is committed to ensuring service levels for assets are subject to ongoing dialogue with the community and stakeholders, noting that approximately 80% of our assets are road and drainage assets.

Council's Asset Management Strategy is an integral element in our Resourcing Strategy, and all asset decisions will be made within the context of this strategy and adopted policy of Council.

Council has asset management plans in place for all key asset classes. The Asset Management Strategy can be viewed from Page 6 in Attachment 1.b (Resourcing Strategy 2014 edition).

## **Strategic workforce planning**

As can be seen in Council's Resourcing Strategy, Council has pursued a best practice approach to workforce planning. Our workforce plan has been extended from the mandated four years to align with the period of our variation, and ensure better integration with our asset management, financial and ICT plans. It also enables the organisation to have a medium term view and support realisation of outcomes from the ten year community strategic plan.

Council has leveraged its initial workforce plan, which has been recognised as an example of good practice by the Division of Local Government.

Taking a strategic and integrated approach will deliver a range of benefits including:

- Improved attraction and engagement of staff – ensuring our significant investment in people delivers lasting benefits.
- Talent Development – this ties in with our ability to retain good staff placing us in a good position to delivery on our community priorities for 2023 and beyond.

- Work Health and Safety and Staff Wellbeing – This is a fundamental requirement for our organisation and more so in an ageing workforce.
- Organisational Development – will ensure we equip our staff to engage with the community and drive innovative solutions and be responsive to change
- Employee Relations – allows us to further align Delivery Program outcomes to the performance of individuals, departments and groups within Council.
- Processes and Technology – we will ensure our workplace systems and processes are efficient and effective.

Council's Workforce Plan can be viewed from Page 82 in Attachment 1.b (Resourcing Strategy 2014 edition).

### **Innovative corporate information system in development**

In line with cost containment and Council's approach to entrepreneurial and alternative service delivery through regional resourcing (See Section 3), Council is developing a new local government corporate system 'Horizon' in partnership with the Enterprise Systems developer SolOrient.

Through working in partnership, Council is realising cost savings through its development involvement compared to the purchase of an enterprise wide corporate solution provided by an off the shelf proprietary product.

The potential capital or leasing cost saving is approximately \$1 million upfront, plus recurrent licence fees of \$150,000 per annum.

Deployment of the system is on a 'modules' approach. The new enterprise system commenced roll out in 2013, with the majority planned for July 2014 onwards. In addition to the cost savings associated with the initial purchase of the system, potential productivity gains will be realised over time.

The Horizon enterprise system will deliver increased efficiencies through a reduction in manual repetitive processing; online self service delivery via a range of mobile interfaces; ease of use and reduced staff training due to the new systems Microsoft Windows OS interface.

The program of reviewing and mapping process and service delivery steps in order to develop the new system workflows has already identified and changed many labour intensive steps prior to the Horizon project implementation.

Some of the potential productivity gains will be:

- Provision of a system-based holistic view of work flow and workload will enable customer service staff and customers to have a full picture of current status of any action or request.



- Managers will have the tools to identify bottle necks in processes, enabling improved resourcing placement
- A web-based solution that allows the use of any web browsers, saving IT maintenance and the ability to log in to the corporate portal remotely.
- Ability for the corporate solution to be mirrored in the appropriate format to many different media types i.e. tablets, smartphones, iPhones etc.
- Ease of configuration removing the need for expensive consultants to undertake most changes.
- Intuitive system enabling ease of use and staff training.
- Multiple enterprise solution modules that are integrated allowing holistic system view and interoperability.
- The cost containment approach to developing and implementing this new Council solution is currently realising significant financial benefits, whilst its future rollout and use by staff, will release substantial future productivity benefits.

### **Enterprise risk management**

Council has embarked on an Enterprise Risk Management Program (ERMP) to enhance the knowledge held regarding risks to the organisation and to identify those areas of operational and strategic risk that may present an immediate or short term significant risk.

Council has for a long period been proactive in individual risk management procedures for specific areas and has adopted Best Practice Manuals for key areas such as roads, footpaths, signs, remote supervision, aquatic centres, trees and tree roots, as well as ensuring active annual review of relevant insurance policies and the cover they provide.

The renewed focus on a holistic, centralised approach to risk has built on these past measures. The new approach is aligned to IP&R processes and will ensure that the potential of all risks is identified, in particular focusing on service continuity and financial management.

As a member of the Statewide Mutual Insurance Scheme, Council has regularly participated in annual Statewide audits of the core processes provided by most member Councils, and has always scored in the higher percentiles of achievement when ranked against similar Councils.

However, the Division of Local Government has suggested a risk management plan provides council with a framework to proactively identify and manage generic and specific risks so that ethical behaviour and practice can be promoted.

Whilst Council had individual risk management procedures for specific areas such as trees, roads, footpaths and signs, an overall plan to guide its risk management activities in other areas of council activities and operation was required.

DLG concluded that Council should develop a comprehensive risk management plan to enable it to identify and manage all significant risk issues facing the Council in the pursuit of its objectives.

In response, all staff have been included in a new ERMP, under the direction of Echelon Australia (Echelon), a specialist ERM consultancy.

The program is a staged approach to analysing strategic and operational risks as identified by management and staff and broadly follows the following five steps:-

1. ERM Project Plan
2. Workshops for each identified 'work group' within Council to enable staff to identify strategic and operational risks relevant to their work.
3. Risk Scoring to determine the risk from inherent risk and then to determine a risk score following the implementation of risk treatments and controls.
4. Critical risk analysis to produce a relevant and effective risk register.
5. Action to implement recommendations and to further embed ERM principles so that policy adoption, policy execution and policy management strategies are a continual active process in Council's business delivery.

Associated with the ERM process Council has convened an internal Risk Management Committee which will review and guide the ERM process and implementation.

Council is currently reviewing Stage 3 of the ERMP for consideration and evaluation, which will lead to the implementation step when the adopted risk register and modelling for the way forward will permit a formal Risk Management Policy to be considered and adopted by Council.

The aim of the ERMP is to achieve the following:

- make the best decisions
- provide strategic direction
- effective allocation of resources
- protect people's safety
- limit exposure to litigation

- effective allocation of resources
- maintain a positive public image
- retain corporate knowledge
- spend Council money wisely

To do this the following operational areas have been particularly targeted:

- Corporate governance
- Financial management
- Legal compliance
- Community consultation
- Employee education, training and competency testing
- Managing and maintaining physical assets
- Managing community services
- Managing people and performance
- Information management and information technology
- Contracting and purchasing
- Regulatory enforcement

Staff feedback has been very positive as each business unit has been given 'ownership' of their respective risk reviews and risk ratings. The Executive Leadership Team has reviewed and rated the strategic risks identified and will provide leadership and direction through the Risk Management Committee during the implementation stage of the program.

Echelon have identified from the workshops several areas that will benefit from productivity improvement as a result of improved work flows and have also identified the potential for the program to continue to provide better outcomes for the staff stakeholders in all areas of Council which will improve morale, work quality and output. Cost savings are also anticipated as a result of new efficiencies in work practices, containment of waste and a more productive work force.

### **Annual audit cycle**

Council has had an Internal Audit function operating for ten years. The Internal Audit Committee currently comprises of the General Manager, one elected

Councillor, one member of the public, the Executive Manager Corporate Services and the partner and manager from the firm that undertakes the internal audit for Council.

The Committee works with appointed auditors to develop an annual audit program. Areas targeted include those with high risk of fraud such as cash handling, accounts payable, insurances, purchasing and payroll, through to areas with complex processes and legislative compliance, like tenders, rating, contracts and grants.

The results of annual internal audits (usually undertaken in 8 to 10 areas each year), are used to inform process change and continuous improvement, in addition to being a rigorous independent check of Council's compliance, risk and fraud control.

Council has noted the Independent Local Government Review Panel's recommendations for strengthening internal and performance auditing, and sees a number of these suggestions as an evolution of our approach. Council will work toward broadening the scope and membership of the Audit Committee, and foster further integration of performance, risk and improvement processes under the auspice of this Committee.

### **Project management**

Council is in the midst of deploying the CAMMs proprietary software product, Integrated Project Management (IPM). The IPM module is linked to the 'parent' software product, Interplan, which Council uses for corporate planning and reporting, in addition to a Personnel Evaluation System module used for individual performance assessments.

Whilst the Interplan product allows for real-time monitoring of operational plan actions and tasks, the IPM module allows for more in-depth project investigation, assessment, deployment, monitoring and evaluation. Individual projects are required to align with a specific objective or action from the Delivery Program or Operational Plan.

The implementation of this product has been driven by significant projects, as well as a demonstrated need to consolidate and integrate existing project information from disparate sources, including a large number of complex spread sheets and project plans. The integration of information into a central repository for key project information will bring greater rigour to planning, reduce risk and better inform decision-making. It will also allow for timely monitoring and analysis, and ensure appropriate deployment of resources.

Prior to the roll-out of IPM, Council developed a new project management framework (PMF), which dictates much of the IPM product workflow. This centrally defined and documented approach to project management lifecycle and controls is linked to our four year objectives and annual actions. Harnessing high level professional skills across the organisation, Council has developed a localised Project

Management Framework. Aligned to leading PMBOK methodology, the framework has defined parameters and localised processes for Council's projects.

When fully operational in 2014/15, the IPM software will enable storage and retrieval of project data, and tracking of project progress.

A key element in the adopted PMF is the requirement for a Project Control Group (PCG). With a number of significant capital and grant funded projects underway, the executive leadership team is operating as the PCG for these projects. The PCG, supported by Technical Working Groups (TWG), ensures thorough oversight of projects and adherence to legislative and Council policy. Additionally, Council established the senior position of Executive Manager Strategic Projects in 2012 to ensure efficient project management and apply best practice in all facets of project management, in particular focused on scheduling, tender processes and construction.

### **Improved and successful grant application preparation**

Council has implemented a new approach to grant applications and management.

Measures already undertaken include pro-actively seeking and receiving grant funding for numerous capital and operational projects to enhance community wellbeing and lifestyle. During the 18 months leading up to November 2013, this has equated to a total of over \$22 million and ranges from being awarded grants of \$11.3 million for major capital works to enhance transportation infrastructure around the City and to provide affordable housing to the community, to being granted \$1,000 to enhance local heritage through library activities.

This does not include those grants provided through the Roads and Maritime Services, Waste and Sustainability Improvement Payment Scheme payments (WASIP), and State Emergency Service truck replacement grants. Without this funding, many of these activities would not be provided, or would be at the expense of another. Council will continue to apply for grants to reduce the cost to the community.

### **Organisation structure**

Following the introduction of IP&R, Council undertook a review of its structure to ensure resources were best placed to meet the commitments outlined in the Delivery Program. Taking a longer term, strategic approach to organisation design, has resulted in a transitional structure change in a number of departments.

The restructure saw six new Executive Manager roles created, aligning positions not only with the key principles and responsibilities of the then new Integrated Planning and Reporting framework, but to focus on the need of the significant growth of our City. An increased executive level focus of IP&R, strategic project management and community engagement was achieved through this process.

Additionally, responsibility for the investigation, design, maintenance and construction programs was moved into a single group, with one Executive Manager.

Since that time, the number of departments in the Appearance and Infrastructure Group has also been consolidated from six to four, with estimated \$300,000 per annum savings. In addition service delivery has been enhanced through a focus on coordinator and technical specialist roles.

Partner alliances were also created at this time to enhance collaboration between departments and to enhance the smooth flow of information. Specialist roles were developed in the area of Corporate Planning and Engagement, and People and Performance, and Corporate Services to create a focus on Organisational Development, Integration, Performance, Governance and improved Community Engagement and participation. These roles work across all departments of Council.

### **Leading regional approach - Hunter Councils**

As outlined in Section 3 of this application Council is a leading member of Hunter Councils Inc, the regional organisation (ROC) of Councils. Made up of eleven local government areas of the Hunter Valley, Hunter Councils Inc. reduces and contains costs for their respective Councils through cooperation and collaboration. Benefits arise for each Council through:

- Shared procurement
- Records archive and management services
- Joint training at reduced costs
- Temporary and project staff
- Legal Services.

### **Waste management strategy**

Council is faced with the unenviable challenge of a landfill site approaching end of life, a fast growing population, changing service expectations amongst the community for waste management, no viable landfill alternative within the LGA and a changing environmental regime.

Well aware of these challenges, Council has embarked on the development of a pragmatic, affordable waste management strategy to provide suitable solutions for waste and recyclables management across the LGA.

Council is also well aware that the community has no desire to see waste disposal fees increased, and is working to offset the costs associated with future waste disposal outside of the LGA, educating residents on alternatives and minimising waste to landfill.

Current actions have included:

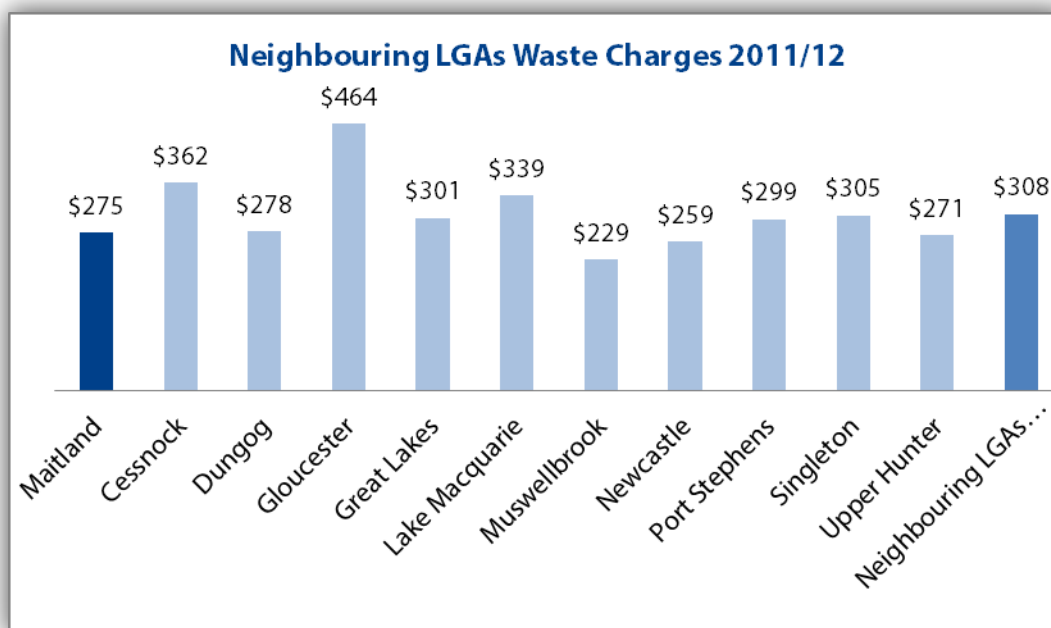
- Renegotiation of recycling contract - a saving of approximately \$6.8 million over 10 years
- Appointment of a dedicated waste management coordinator
- Introduction of differential pricing at the landfill site on 1 January 2014, designed to maximise recycling and minimise waste to landfill
- Physical changes to the layout of the landfill site to encourage sorting and recovery
- Development application to increase capacity of site
- Free green waste drop-off at the tip on weekends for residents
- Free mulch pick-up at the tip for residents
- Free annual tip pass for residents
- Pursuit of suitable cover materials to minimise environmental levies to be paid on this material
- Partnership with local service provider Mai Well for recycling of ewaste
- Partnership with Landsavers for free disposal of mattresses four times per year
- Partnership with EPA and Transpacific Industries for free disposal of chemicals, paints etc three times per year
- Investigation of options for introduction of 'green waste' bin
- Development of plans for a potential waste transfer station at the current landfill site.

As can be seen in the graphs following, Council's domestic waste charge is currently below average.

**Figure 7.1.2 - Waste charges, Group 5 Councils**



**Figure 7.1.3 - Waste charges, Hunter Councils**





Council will work hard to ensure its operational costs in the provision of this service are contained by increasing avoidance of waste to landfill, improving capture and sale of recycling commodities, advancing processes that increase the beneficial use of waste products including potential for waste to energy processing. The context of these initiatives will be developed within the current financial environment created by the NSW Waste Levy which seeks to arrive at a price point that leads to more affordable innovative ways to manage waste.

With the phasing out of land fill operations at the Mt Vincent Road Waste Facility over the next seven years, Council will be introducing a new suite of waste management practices aimed at reducing waste to landfill, recovering greater levels of recyclable products and improving the opportunities to increase the beneficial use of waste materials. In the current environment Council is working in close partnership with other regional Hunter Councils to progress collective contracts in the areas of green waste and organics collections, additional recyclables collection and marketing and to the establishment of alternate waste technologies. This regional approach is being positively explored to provide sufficient critical mass to ensure that benefits of economies of scale can be realised. The advantages of this approach can be best demonstrated by the successful tender of the HRR recycling contract which will see a \$6.8 million saving to the Maitland Community over the next 10 years. It is intended that all of Council's future waste management practices will reach for the best environmental outcome while remaining affordable for our community.

As can be seen, Council's domestic waste charge was below the group 5 average in 2011/12, and comparable to neighbouring Councils.

### **Public private partnerships**

Council is seeking to maximise the potential value of its operational land holdings. During the course of the variation, Council will be partnering with Urban Growth NSW on the potential development of Council's landholdings in Rutherford. The land is zoned residential and Council has approved a Project Development Agreement for the development and sale of the land with Urban Growth NSW.

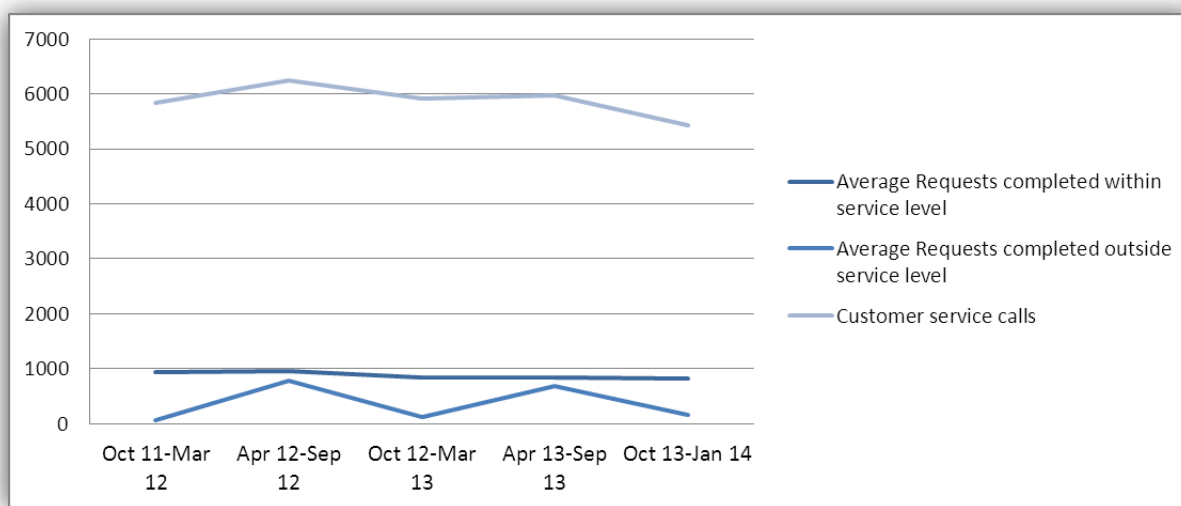
### **Customer Service**

Council is committed to providing quality customer service whilst constraining costs. Staffing levels in our customer service centre have remained static over the past few years, while calls have increased by 2,000 per year. Service quality has not been compromised despite these increasing demands. This is largely as a result of training, new technology and ongoing reviews of workflows.

Council monitors its performance against set service levels across more than 100 customer service request types. These range from missed garbage collections and minor maintenance requests through to illegal development activity. These results are reported to Council and the community every six months.

The graph below shows the volume of calls, and the number of request completed, over the period from October 2011 to January 2012. As can be seen, some 5,000 to 6,000 calls are made to Council each month. On average, less than 10% of requests are completed outside of desired service levels, many due to the complexity of the request (for example, a drainage matter).

**Figure 7.1.4 – Customer Service Requests**



### Operational examples of productivity improvements

The following table is presented as a summary of past, current and future continuous improvements.

Status – this column indicates whether the improvement has happened in the past, is currently underway, or will be realised in the future

Type – this column outlines the nature of the containment activity – being efficiency gain; new income; cost reduction; ongoing saving or service improvement.

Activity – this column describes the activity being undertaken within Council.

Description – this column gives an overview of the containment effort and its benefits.

**Table 7.1.1– Past, current and future productivity improvements**

Status	Type	Activity	Description
Current	Service improvement	Aquatic Services	The introduction of a range of new programs, as well as the 'Splash Pad' for children, has increased attendance. New programs are in development for the future.
Current	Efficiency gain	Aquatic Services	Introduction of Point of Sale software Gladstone has allowed for better data capture and monitoring of visitation numbers, dates and times.
Current, future	Service improvement	Aquatic Services	Retaining Council's 5 star rating via RLSSA requires a continuous improvement approach to services and facilities, demonstrated through meeting the requirements of this program.
Current, future	Cost containment	Aquatic Services	Monitoring of attendance numbers and patterns has informed the decision to reduce opening hours at East Maitland Pool, without a significant impact on users.
Current, future	Cost containment	Aquatic Services	Introduction of the Australian/NZ 'Leisurecheck' benchmarking program has allowed performance assessment in areas such as cost of services; usage numbers; revenue; user charges; staff resources and wages; asset management and operational practices. The information is used to identify options for improving management and systems, in line with best practice.
Future	Cost containment	Aquatic Services	Following the construction of an indoor heated pool in 2015/16, Council will explore a range of options for management of the facility, including the possibility of partnerships and/or leasing arrangements.
Current	Service improvement	Aquatic Services	Council will complete a comprehensive review of aquatic services in 2013/14. This will include a future management options paper for Council's consideration.

Current, future	New revenue	Aquatic Services	The management of the kiosk at Maitland Aquatic Facility has been outsourced, providing ongoing revenue.
Current	Efficiency gain	Asset Management & Infrastructure Delivery	Workflows for all project types have been reviewed and amended. This review has seen redundant steps removed, accelerated processes and improved accountability for project tasks.
Current, future	Efficiency gain	Asset Management & Infrastructure Delivery	Introduction of Preliminary Project Information process has reduced officer time spent on projects through improving the pre-design scope, specification and cost estimates for capital works and maintenance projects
Current, future	Efficiency gain	Asset Management & Infrastructure Delivery	The introduction of a cross-functional group to review maintenance and capital works programs on a monthly basis ensures all implications have been considered (including impacts on users, project scope etc), as the program is implemented. This has improved communication with users and customers, improved response times for information from customers, and better on-ground result.
Current, future	Service improvement	Asset Management & Infrastructure Delivery	Productivity, communication and workplace safety have been improved through the introduction of regular workforce meetings combining civil and recreational works staff.
Future	Efficiency gain	Asset Management & Infrastructure Delivery	The further introduction of tablet and mobile devices in 2014, supported by new software systems, will improve efficiency and remove manual data entry and duplication. It is expected the use of tablets in the field will allow real-time logging of maintenance tasks; allow accurate tracking of resources; facilitate timely close-out of customer service requests; and reduce paperwork associated with ordering and reconciliation.
Future	Efficiency gain	Asset Management & Infrastructure	The introduction of asset management modules in Horizon, which are being developed by IT specialists in consultation with professional

		Delivery	engineering staff, will improve access and integration of asset related data and reduce reliance on disparate project files, spreadsheets, GIS data, and databases.
Current, future	Efficiency gain	Asset Management & Infrastructure Delivery	A proactive approach to learning and development has been implemented. Initiatives include mentoring for engineering staff who are new to local government or have limited work experience, assisting staff to more quickly reach their capacity and become more competent in the workplace.
Current	Cost containment	Asset Management & Infrastructure Delivery	The continued application of best practice (eg NAMS, IIMM) will allow Council to contain costs, in line with industry trends. Council is recognised as having sound asset management practices and will strive to become more advanced as the city grows, new assets are realised and older assets require renewal.
Current, future	Cost containment	Asset Management & Infrastructure Delivery	Council will continue to undertake a review of asset related policies and procedures every two years, complementing the proactive continuous improvement approach deployed in regard to operational procedures and programs.
Future	Efficiency gain	Asset Management & Infrastructure Delivery	A more detailed approach to maintenance of building and recreation assets will be initiated in 2014. This is possible due to the appointment of a dedicated building asset maintenance officer and the expansion of the Assets team to include two architects, which has improved in-house expertise.
Current, future	Cost containment	Asset Management & Infrastructure Delivery	A change to how Council is billed for electricity by amalgamating several site readings into one, the completion of an Energy Management Plan, and the recent tendering for the provision of electricity to Council will enable Council to see further cost containment over the next 3 years.
Current, future	Cost containment	Asset Management &	A focus on targeted employment on a temporary, project basis allows for appropriate specialised skills to come

		Infrastructure Delivery	'in-house' without ongoing employment costs.
Current, future	Efficiency gain	Asset Management & Infrastructure Delivery	An in-house project team sees contracts issued to specialised providers to assist in the delivery of capital works design. This ensures the best skills at the best price, in areas such as hydraulic design, landscape design and traffic and transport studies.
Current, future	Cost containment	Asset Management & Infrastructure Delivery	A centralised approach to asset-related contracts allows for regular monitoring and review of alternative options to support service delivery, for example the establishment of a new position should the cost-benefit analysis support the case, particularly as Council's capital works program continues to grow.
Current, future	Cost containment	Asset Management & Infrastructure Delivery	An in-house project team focused on maintenance and supply tenders ensures best value for Council through competitive tender and evaluation. Examples include electrical maintenance; plumbing maintenance; air conditioning; traffic control; line marking; fuel; tyres; and plant and vehicles. Tenders are called for a panel of three service suppliers for works over \$3,000 in some instances to increase competitiveness.
Future	Cost containment	Asset Management & Infrastructure Delivery	The in-house project management of a new indoor 25m pool will reduce reliance on a head contractor and ensure value for money in all aspects of construction. The use of in-house staff will minimise upfront costs, with an estimated saving of 1-2% of project cost.
Current, future	Cost containment/s service improvement	Asset Management & Infrastructure Delivery	The in-house project management of the refurbishment of the Town Hall performance space and building upgrades will ensure value for money, and also ensure changes meet the needs of key stakeholders.
Future	New revenue	Asset management & Infrastructure Delivery	The rationalisation of Council's assets will be explored, underpinned by strategic planning (including for community facilities and recreation) and appropriate community and

			stakeholder consultation. This may lead to sale or alternative management approaches for non-core assets.
Future	Service improvement/ cost containment	Asset Management & Infrastructure Delivery	A continued focus on the development of pragmatic KPIs will see responsive and agile responses to trends as they emerge. KPIs include technical measures (such as pavement lengths and response times) through to qualitative measures (such as customer perceptions).
Current	Efficiency gain	Asset Management & Infrastructure Delivery	A full audit review of Council's flood control devices was completed in 2013. This has led to a new Flood Control Devices Operations Manual, which outlines procedures for a range of operational functions including liaison with State Government agency partners. The audit informed the development of maintenance schedules, based on asset performance rather than modelling.
Current, future	Cost reduction	Asset Management & Infrastructure Delivery	An integrated approach to construction processes with utility providers is reducing expenditure. For example, the installation of subsoil drainage as part of contract water main replacement works has eliminated the need for Council to undertake separate excavation and installation as part of later pavement replacement work.
Current, future	Cost containment/r eduction	Asset Management & Infrastructure Delivery	Continued implementation of new technology and systems to reduce costs at Council's depot site, including timers and motion sensors to minimise electricity usage.
Current, future	New revenue	Asset Management & Infrastructure Delivery	Council's asset management is built on a sound strategic basis, which also accommodates flexibility. This has proved beneficial when seeking grant funding, for example, with a \$200,000 energy grant in 2013/14.
Current	Efficiency gain	Asset Management & Infrastructure Delivery	The increased use of new technology including introduction of set traffic data recording points on major roads; hand held laser traffic counters; and on-board fixed traffic cameras has seen more accurate data available more

			quickly.
Current, future	Efficiency gain	Asset Management & Infrastructure Delivery	The identification and utilisation of appropriately skilled specialists in areas such as flood modelling, geotechnical investigations and drainage studies enables complex tasks to be completed efficiently.
Current, future	Cost containment	Asset Management & Infrastructure Delivery	Capital works programming is carefully planned, regularly reviewed, amended and prioritised according to risk. This has seen the overall program managed to budget each year, a process that will continue. Staff work to avoid issues such as scope 'creep' and ensure costs are scrutinised by a senior manager for each project. A focus on the replacement of existing infrastructure, rather than new assets, has contained costs. New infrastructure is funded via Developer Contribution or other sources, rather than operational capital expenditure.
Current, future	Cost containment	Budget processes	In developing annual budgets, variable costs have and will be maintained from one budget cycle to the next, rather than seeing automatic increases applied to such costs.
Current, future	Service improvement	Central Maitland	The establishment of a Strategic Projects Group within Council, with oversight of design and construction of projects in the CBD, has ensured high level project management (including tender processes) without significantly impacting on the delivery of Council's capital works program.
Current, future	Cost containment	Central Maitland	The Strategic Projects Group has accountability for project delivery within adopted project budgets as resolved by Council, and as per grant funding agreements. This ensures strict budget management.
Future	Cost reduction	Central Maitland	The construction of 'The Levee' shared way will reduce maintenance costs associated with the current site. Over the past 5 years, \$75,000 has been spent on paver repairs alone. Decisions on the use of stone, graffiti resistant surfaces, plant selection and street furnishings have considering future maintenance costs.



Future	Service improvement/ cost containment	Central Maitland	As part of the construction of 'The Levee', contemporary public toilets and parents facilities will be constructed. This will allow Council to end a lease on current substandard facilities, a saving of approximately \$42,000 per annum.
Current	Public private partnership	Central Maitland	As part of its funding commitment under the BBRC Grant, Council has committed to realising new affordable housing in Central Maitland. This will be delivered on both Council and privately owned land, and will require active partnerships with developers.
Current	Cost containment	City appearance	The establishment of a dedicated crew for litter collection and graffiti removal has minimised costs associated with this activity, and ensured an ongoing focus on this activity (which was previously an ancillary task for a road maintenance team).
Current, future	Cost containment	City appearance	A partnership with local Rotary Clubs using volunteers to remove graffiti is supplementing this activity and enabling graffiti on non-Council assets to be targeted. The number of volunteers and hours varies on a monthly basis, with the six month period from Jan to June 2013 seeing more than 738 incidents either removed or painted over.
Current, future	Cost reduction	City leadership	Councillor use of tablet devices has improved immediacy of communication. It has also seen a reduction in the costs associated with the printing and distribution of Council meeting agendas, an estimated annual saving of \$30,000.
Current, future	Cost reduction	City leadership	The introduction of a centralised approach to corporate stationery purchasing has reduced expenditure by \$40,000 per annum.
Current, Future	Cost containment	City leadership	A centralised approach to all of Council's printing has seen quotations called for all jobs (regardless of value), ensuring best possible price. This will be further enhanced through the exploration of printing contracts in the future.

Current, future	Efficiency gain	City leadership	The continued roll-out of Council's new corporate brand incorporates the development of a suite of templates for staff, saving time in document design and ensuring a consistent and professional image.
Future	Cost containment	City leadership	Council's advertising contracts are reviewed and renegotiated/tendered every two years.
Future	Service improvement/efficiency gain	City leadership	The development of a new corporate website will take advantage of new technology, making interaction with Council easier, providing better access to information and enabling enhanced collaboration with the community.
Future	Efficiency gain	City leadership	The increased integration of social media in Council's internal and external engagement and communication will minimise printing, reduce advertising expenses, provide timely information and improve collaboration. It will also enable more opportunities for resident feedback that may provide valuable suggestions for further efficiencies.
Future	Efficiency gain/new revenue	Community buildings	An analysis of the use of community buildings will be undertaken to ensure best use of facilities, ensure revenues are appropriate and consult with tenants. This may lead to changes, pending final review, as Council seeks to minimise asset maintenance costs associated with delivery of non-core services.
Future	New revenue	Community buildings	A new policy is in development, which will see cost recovery for community centres and halls set at between 20% and 30% of operational costs, subject to the type of user and facility.
Current, future	Service improvement/cost containment	Community buildings	A Community Facilities and Public Toilet Strategy was completed in 2013. This has established the direction for future development and management, and will see some public toilets closed, new toilets built and key facilities maintained, in line with current and future usage.

Current, future	Service improvement	Community Development	Strategies have been developed to increase partnerships and sponsorships to assist in the delivery of projects and programs.
Current, future	Efficiency gain	Community Development	Efforts have been made at a program level to foster a more proactive approach to services. This has resulted in a streamlined approach to external and internal partnerships, better access to grant funds and a structured basis for decision-making.
Current, future	Cost containment	Community Development	A joint approach to training in the community sector (eg child protection) has been undertaken with other Councils and community organisations to reduce the costs of training Council staff.
Current	Cost containment	Community engagement	Development of a single engagement brand 'Maitland Your Say' and single point of entry for engagement online has prevented duplication of effort across the organisation and provided a single point of contact for the community
Current, future	Efficiency gain/service improvement	Community engagement	Upskilling staff in the use of social media tools has led to increased community participation in Council planning and decision-making, with minimal associated expense
Current, future	Cost containment	Community engagement	Rather than staging opportunities for residents to engage with Council, opportunities to access crowds are actively pursued, including at Council's own events. This minimises expenditure on facilities hire.
Future	Service improvement	Community engagement	The introduction of a Community Engagement Guide and Toolkit (currently being developed) with a specific section for engaging young people. This will improve engagement opportunities for residents and young people, providing a valuable input to service planning. It will also enable more efficient processes, avoiding duplication of engagement efforts.
Current	Cost reduction	Compliance services	Introduction of a 7 day roster, including 10 hour split shifts, has reduced afterhours call out costs for

			rangers and increased operational hours in a weekday from 8 to 11 hours.
Current	Cost containment	Corporate reporting	Utilisation of Council staff to write, photograph, design and publish a corporate reporting suite, using a branding template, has avoided the need for external communications and design support.
Past, current, future	Service improvement	Corporate reporting	As an active member of the Hunter/Central Coast Region IP&R practitioners group, Council is able to share examples of best practice, harness ideas and collaborate on regionally appropriate projects.
Future	Efficiency gain	Customer Service	The planned upskilling staff in the use of social media tools will enable social customer relations management to be introduced, leading to improved response times.
Current	Efficiency gain	Customer Service	Standard Operating Procedures are regularly revised to ensure best possible service delivery to customers. A biannual planning day is held with the Customer Service Team to identify and work on areas for improvement in processes, systems and initiatives.
Current	Efficiency gain	Customer Service	Staffing levels in the customer service centre have remained static, whilst telephone enquiries have risen by more than 2000 calls per year and customer service requests by over 340 per year.
Current, future	Cost containment/efficiency gain	Development assessment and approvals	Introduction of e-housing code for complying development will reduce manual handling, improve approval efficiency and allow for 24 hour, 7 day a week lodgement.
Future	New income	Development assessment and approvals	An increased focus on marketing Council's building certification activities will be introduced to ensure awareness and utilisation of Council's services.
Current, future	Efficiency gain	Economic Development	The advice and guidance provided by Council's economic development officer assists investors and developers in submitting appropriate applications to Council, preventing unnecessary 'to and fro' with the

			Development Control Unit.
Current, future	New income	Environmental services	An increased focus on grant opportunities has seen \$312,000 realised over the past two years, enabling more on-ground projects to be realised.
Future	New income	Environmental services	A concerted effort will be made to increase program sponsorship, partnerships and community volunteers to support program delivery.
Future	Efficiency gain	Environmental services	An organisational-wide program is being developed to improve corporate understanding of environmental managements systems to improve environmental performance and operational compliance with various regulations.
Future	Service improvement	Governance	A review of Council's policy register is underway, with all policies assessed for legislative compliance and organisational appropriateness, with redundant policies rescinded.
Current	Efficiency gain	Grants	A centralised approach to grants management has been introduced to streamline acquittals.
Past, current, future	Cost containment	Plant and Equipment	Plant and equipment is proactively managed to ensure the best cost benefit. Our Plant and Equipment Replacement Policy addresses issues such as: replacement period; purchasing and disposal; utilisation levels; funding sources; and purchase / hire decisions.
Current, future	Cost reduction/costs containment	Plant and Equipment	The newly created position of Coordinator Mechanical Workshop will facilitate Council's continuous improvement in the area of fleet management, allowing the Council to realise savings through improvements and efficiency.
Current	Efficiency gain	Plant and Equipment	Introduction of new and more specialised equipment has helped to reduce costs and improve timeframes associated with works, particularly in recreation facility maintenance.
Future	New income	Heritage	An increased focus on grant

			opportunities has seen \$45,000 realised over the past two years for heritage projects, enabling site interpretation plans, conservation plans and digitisation of resources.
Current, future	Cost reduction/ongoing saving	Information technology	The virtualisation of servers has reduced hardware, power and administration costs for the Council. This is estimated to have produced \$110,000 savings in the first year and prevented future expenditure of \$70,000 over 5 years.
Future	New revenue	Land use planning	The possibility of providing strategic planning services (eg environmental assessment and urban design) to other Councils will be explored.
Current	Efficiency gain	Land use planning	A new workflow process for planning proposals has been developed, aligned to internal and external (legislative) requirements. This has streamlined the process and improved accountability.
Current, future	Efficiency gain	Land use planning	Recognising pressures of growth and legislative change, a review of the structure of the Urban Growth Department in 2012 resulted in the establishment of a Senior Strategic Planner to provide greater support and coordination.
Future	New revenue	Land use planning	A proposal to increase the administrative component of developer contribution fees from 1.5% to 2.5% is proposed to be presented to Council in 2014, as part of the review of the City-wide Section 94 contributions plan. This is in-line with many Councils and will increase revenue by approximately \$100,000 per annum and more appropriately cover true costs.
Future	Efficiency gain	Land use planning	The introduction of the new corporate information system, Horizon, will see more efficient information management of both developer contributions and rezoning databases, as well as incorporate spatial information.
Current, future	Service improvement	Land use planning	Staff attend relevant professional development seminars to remain

			abreast of industry trends, as well as changes in policy and legislation.
Current	New revenue	Land use planning (Rezoning)	Rezoning fees were benchmarked against other Councils in 2013, which resulted in fees being increased to better reflect actual costs, the increasing complexity of proposals and relativity with other Councils. These changes are being implemented over three years.
Current, future	Efficiency gain	Library Services	Implementation of RFID system includes express checkout option for library customers with increased privacy and autonomy in checkout transactions. Over 70% of customers are using this option, enabling library staff to provide additional programs and services, such as early literacy programs, readers' advisory, adult literacy tutoring, technology assistance/training and Justice of the Peace availability. Other processes have been streamlined, for example automated bulk check-ins resulting in greater efficiencies for staff. Efficiencies have also been achieved in collection management, including improved processing of returns, identification of items with an exception status, stock inventory and security.
Current	New income	Library Services	Leasing of a café and meeting rooms within East Maitland Library Branch provides an ongoing source of revenue, while paid programs are continually refreshed.
Current, future	New income	Library Services	Fundraising undertaken by 'Friends of Maitland City Library' (such as the annual book sale) is used to fund specific projects that enhance library programs for the community,
Current, future	Efficiency gain	Library Services	Online ordering of books, standing orders and collection development priorities have contributed to more efficient collection management.
Future	Cost containment	Library Services	The option of outsourcing technical services is being explored in 2014, with a business case to be developed.
Current	Service improvement/	Library Services	Upgrade of library management software to Windows-based

	Ongoing saving		functionality has improved management of customer records, improved catalogue output and electronic notification capability. Over 70% of library notifications (eg reservations, overdue) are sent via email or SMS, resulting in a reduction in handling and postage.
Current/ Future	Service improvement	Library Services	Unique local history/heritage resources, including over 1,000 photographs, 150 maps, archival records and important donated collections have been preserved in digital format and are accessible online via the Library's website.
Current/ Future	Efficiency gain/ Service improvement	Library Services	Online ticketing system streamlined management of library event promotion and bookings, including reduced cash handling through online management of financial transactions.
Current/ Future	Service improvement	Library Services	Introduction of federated searching option (February 2014) improved access to digital resources by integrating online databases and eResources (including eAudio, eBooks, eMagazines, downloadable music and streaming videos), offering users the option to perform one search from the Library's website across multiple content sources. The ability to search across all supplier portals through a single command with a single results page will significantly improve the customer experience and the Library's capacity to offer breadth of collection. Potentially, it will result in increased usage of our digital collections.
Current/ Future	Service improvement	Library Services	Free or low-cost services for customers, such as wireless access, internet access, email, printing, photocopying and scanning.
Current, future	Cost containment	Maitland Gaol operations	The former Maitland Gaol, a state-owned asset, is managed by Council on a cost-neutral basis. The facility provides tours, functions, events and is a site of significant historical significance. The Gaol is consistently managed on a 'break even' basis, with an increasing focus on grants to fund new activities asset renewal and program enhancement.
Current	Cost containment	Maitland Gaol operations	Installation of energy efficient lighting on site, returning cost savings over



			time
Current	Cost containment	Maitland Gaol operations	Installation of water recovery on site returning cost savings over time
Current	Cost containment	Maitland Events	Use of solar power, reducing reliance on costly generator hire.
Current, future	New revenue	Maitland Gaol operations	Development and leasing of café space
Future	Cost containment, New revenue	Maitland Gaol operations	A 'Friends of the Gaol' program will be explored for future implementation, with a view to enhancing site maintenance, improved fundraising and more.
Future	Cost containment, new revenue	Maitland Gaol operations	Further discussions to be staged with the NSW State Government regarding infrastructure maintenance and to ensure best value outcomes for the local community (currently no Council funding for asset as it is State-owned).
Current, future	New income	Maitland Regional Art Gallery	New entrepreneurial activities and innovative programming is sought to offset costs of the service. Current activities include leasing of onsite café, gift shop and paid programs. Income received annually is approximately \$200,000. MRAG is committed to increasing opportunities to maximise onsite revenue.
Past, current, future	New income	Maitland Regional Art Gallery	Gallery staff are focused pursuing all possible funding sources including grants, donations, sponsorships, auctions and fundraising by staff and members. Over the past two years, this has seen \$190,000 realised. Whilst operating in a competitive and increasingly constrained arts funding environment, staff are committed to adding value to all areas of programming, including third party contributions.
Future	New income	Management of cemeteries	Council adopted its first ever strategy for cemetery management in 2013. The strategy identifies opportunities for further revenue generation, and will be progressively implemented over upcoming years.
Current	Efficiency gain	Management of cemeteries	The identification of plots has been improved for customers, and has been

			incorporated into a new module in Council's custom-built Horizon information management system.
Future	Efficiency gain	People Management	A Human Resources Information System will be introduced over the next two years. This will improve access to employee data, better manage individual employees and allow for improved trend analysis and response.
Past, current, future	Cost reduction	Procurement via Hunter Councils Inc	Council uses its membership of Hunter Councils for procurement on supply related contracts. These include road resurfacing, drainage pipes, concrete supply, line marking and more.
Current, future	Cost reduction/service improvement	Procurement/tender panel	The introduction of a reduced tender threshold and panel of preferred tenderers for plumbing and electrical works has seen improved response on small projects and also cost savings.
Current, future	Service improvement/efficiency gain	Project Management	A proactive approach to secondments between departments has allowed agile movement of skills across the organisation, contributing to improved project outcomes and broadening of skills base.
Current, future	Service improvement/efficiency gain	Project Management	The recent move to accommodate in-house project management of heritage related projects has resulted in the development of a pool of experienced tradespersons and reduced reliance on project consultants eg Morpeth Courthouse project. It has also led to a significant increase in corporate knowledge which will provide benefits in planning for future heritage related works.
Current, future	Efficiency gain	Project Management	The further embedding of Council's Project Management Framework (aligned to leading PMBOK methodology) will ensure best practice project management, with 23 staff through accredited project management training.
Future	Efficiency gain	Project Management	The full deployment of project management software, aligned to Council's adopted framework, will enable efficient and transparent management of all Council projects.

			The software is integrated with Council's corporate planning and reporting and employee performance software, enabling a holistic view of Council performance in real time.
Current	Efficiency gain	Property management	Responsibility for leasing avoids duplication of effort in the development of lease arrangements across different functional areas, whilst ensuring appropriate insurances and risk management measures are in place.
Current, future	Cost containment	Rates collection	Ensuring appropriate cash flow from rates and other charges, whilst also accommodating individual cases of hardship, is a challenge for all Councils. Council has a low percentage of outstanding rates, and will continue to fairly apply Council policies.
Future	Public private partnerships/improved service/cost reduction	Recreation asset management	Council has called for Expressions of interest for use of Walka Pump House in 2013/14. The goal is to further activate the Walka Water Works site, and potentially generate revenue to offset maintenance costs.
Future	New revenue	Recreation asset management	A review of fees and charges saw the introduction of new user fees to support ongoing maintenance.
Current	Service improvement	Recreation asset management	Introduction of new wet weather assessment and management protocol, enabling sports clubs to undertake assessments on weekends and prevent the need for staff to undertake these on Friday afternoons, maximising opportunities for weekend sport.
Current, future	Cost reduction	Recreation asset management	Introduction of mobile enabled sportsground lighting via 'Cloudmaster' app. The use of technology will allow for accurate billing of users and minimise electricity use.
Current	Ongoing saving	Recreation Planning	An increasing need for strategic plans utilising specialist services was recognised. A change in roles and recruitment has seen staff employed that are adept at strategic plan preparation, reducing the need for

			consultancies.
Current, future	Cost containment	Recruitment	Council has partnered with other local Council's to reduce advertising costs in the regional newspaper. Bulk placements have also been taken over a 12 month period to reduce costs.
Current	Cost containment	Recruitment	A revised Attraction and Engagement Protocol has been developed and implemented, ensuring streamlined processes, improved accountability and executive level review and approval of all vacancies.
Current	Cost reduction	Recruitment	Council has implemented an on-line recruitment system that has resulted in fewer people hours being dedicated to review of applications and improved turnaround times for applicants.
Current, future	Cost containment	Recruitment	A call for Expressions of Interest for recruitment agencies has minimised time and workplace disruption when seeking to fill interim or hard to find positions.
Current, future	Service improvement	Recruitment	A process of monthly meetings with new starters, coupled with exit interviews, allows for agile and pre-emptive responses to issues, assisting in the retention of employees.
Current	Cost reduction	Recycling	A new tender for recycling services, called by Hunter Resource Recovery (consisting of four local Councils including Maitland), has seen a reduction in contract price of \$6.8 million over 10 years.
Current, future	Service improvement	Sporting facilities	Active partnerships and improved advice to sporting groups has resulted in better understanding of turf and surface management of playing fields, resulting in improved playing surfaces for community use.
Current, future	Cost containment	Sporting facilities	A change in the structure of the sportsfield renovation program has improved drainage and enabled increased use of grounds.
Future	Efficiency gain	Sporting facilities	The introduction of new mowers in 2014 will allow more frequent mowing and various cut 'types', without any additional staff.

Future	Service improvement	Sporting facilities	A changed approach to drainage and irrigation of facilities will be introduced, lifting the playing standard and availability of fields following wet weather.
Past	Efficiency gain	Stores management	Responsibility for purchasing was transferred to a single department within Corporate Services in 2013, including management of the depot store. This has led to increased efficiency in stock management, ordering and payment
Past, current, future	Cost containment	Street lighting	Tendering of electricity supply has been sent to the open market, and will continue to be so, in three yearly cycles. It should be noted, however, that savings in energy costs are eroded by heavy increases in network and statutory charges.
Current, future	Cost containment/r education	Street lighting	Council accepted a proposal from Ausgrid in 2013 to introduce LED lighting as standard in new residential subdivisions. The introduction of LED reduces cost by 3%, compared to former Compact Fluorescent Lights.
Current, future	Cost reduction?	Street lighting	The use of energy efficient technology has been accelerated in partnership with the energy provider. This will see outdated and inefficient lights in the system removed and replaced. Alternatives will continue to be pursued as technological advances are made.
Current	Service improvement	Subdivision engineering	Council's Manual of Engineering Standards was updated in consultation with development industry in 2013. The manual ensures a balance between community requirements and minimising costs for developers.
Current	Cost containment	Tourism	A restructure of Council's Marketing and Communications department in 2011 with a focus of service delivery and marketing of Tourism services has streamlined processes and contained the tourism budget over time.
Current	Efficiency gain	Tourism	A restructure of Council's Marketing and Communications department in

			2011 has enabled a cross-functional approach to the department's portfolio and programs, complemented by skilled staff leading the functions of marketing, business operations, events management and service delivery.
Current, future	Cost containment	Maitland Events	The introduction of a dedicated, professional events team in 2011 has seen improvements to processes and execution of events. Post event reviews ensure continuous improvement, including budget analysis, budget performance, sponsorships/partnerships, visitation and economic benefits.
Past, current future	New revenue	Tourism	Continued leasing of café space within the Visitor Information Centre and the operation of a small retail shop assists in offsetting service costs.
Future	Service improvement	Tourism	A review of Visitor Information Centre operations will be undertaken to ensure the relevance of the centre and current operating models. This may see a change in service delivery model, ensuring a contemporary approach is maintained.
Future	Efficiency gain	Tourism	The further use of technology to assist in events systems and processes.
Future	New revenue	Tourism	Partnerships and sponsorships for events will be more actively pursued to ensure the longevity and sustainability of events, and assist in meeting increasing event costs.
Current, future	New revenue	Traffic management	The identification of key projects in Maitland's Integrated Land Use and Transport Study has allowed Council to leverage projects in obtaining grant funding, in particular focused on the Maitland CBD.
Current, future	Cost containment	Transport planning	Strategic planning allows for identification of required traffic studies and analysis, with competitive tenders and temporary recruitment of qualified individuals on a project basis.
Future	Efficiency gain, cost containment	Volunteer management	Council has a wide pool of volunteers, supporting a range of activities from libraries, art gallery through to events.

			<p>The possible centralised coordination of volunteers will be explored over the next two years, to improve coordination and support for this valuable community resource. A centralised focus will also allow for increased recruitment of volunteers to assist in appropriate activities. Additionally, centralising management of volunteers will minimise the amount of time required from activity managers in supporting the volunteers. The use of volunteers also offsets the costs of providing some activities.</p>
Current/future	Efficiency gain/service improvement	Waste management	<p>The appointment of a dedicated waste coordinator has improved statutory compliance and improved the practices of residents through fostering introduction of new product capture initiatives.</p>
Past	New revenue	Waste management	<p>Council's funding under the now defunct (2013) Waste and Sustainability Improvement Program (WaSIP) from the NSW State Government was grown by \$100,000 each year.</p>
Current, future	New revenue	Waste Management	<p>With changes made to WaSIP and its replacement with 'Waste Less, Recycle More', Council is hoping to access considerably more funding. Council is seeking \$1.3 million under the program to assist in the purchase of green waste bins and is currently developing EOI documentation for funding of up to \$10 million dollars for capital infrastructure, organics processing and household hazardous waste management systems.</p>
Current, future	Cost containment	Waste management facility	<p>The introduction of a flare at Mount Vincent has assisted in reducing Council's carbon tax liability, through a reduction of 2.5 million cubic metres of greenhouse gases.</p>
Current, future	Cost containment	Work Health and Safety	<p>Monthly reports are provided to the executive leadership team, highlighting incidents and trends. This allows for quick responses to issues emerging, through training, communication etc.</p>

Current, future	Cost containment	Work Health and Safety	Development of close working relationships with key stakeholders such as Construction team leaders, Coordinators and Managers. This allows for support and guidance to be provided to key stakeholders to assist them in managing safety in the workplace.
Current, future	Cost containment	Work Health and Safety	Completion of safety reviews on work crews as they complete their tasks. Safety reviews assist in promoting working safely by the interactive nature of the review, where questions are asked regarding the task, observation of the task occurs and review of WHS procedures for the task takes place.
Current, future	Cost containment	Work Health and Safety	Regular reports of WorkCover prosecutions, advices, safety alerts etc are forwarded to relevant Managers, Coordinators and Team Leaders for their information and to present to staff at team meetings and/or toolbox talks. This provision of information assists in staff at all levels gaining a better understanding of issues that may be relevant to their area of work.
Current, future	Cost containment	Work Health and Safety	Regular review of current WHS management systems within Council in conjunction with key stakeholders. Safe work method statements (SWMS), procedures etc are reviewed and updated in consultation with the stakeholders. This allows for ownership of WHS by all stakeholders.
Current, future	Cost containment	Work Health and Safety	Training in key aspects of WHS legislation and Council's WHS management system is undertaken on regular intervals. This training assists in the development and understanding of WHS requirements.
Current, future	Cost containment	Work Health and Safety	A proactive approach to training is taken to assist in the prevention of injuries. Council has a number of wellness programs in place including nutrition advice, programs with an exercise physiologist, talks by Cancer Council, talks by persons who have had personal experience with mental health issues, flu vaccinations and



			more
Current	Efficiency gain	Workforce	A review of start and finish times for the outdoor workforce in 2013 has resulted in increased productivity as employees spend 38 hours per week on site; more efficient utilisation of vehicles; improved and more consistent management of employee start and finish times as all employees commence and finish all shifts at the Depot.
Current, future	Efficiency gain/cost reduction	Workforce	A review of the Appearance and Infrastructure department has resulted in the consolidation of six departments into four. The reduction in management positions and associated savings (approximately \$300,000 per annum) has been reinvested in establishing coordinator and technical specialist positions.

### Comparative performance

Council is proud of its record and performance, and enjoys a reputation as a progressive, stable and responsive organisation.

Elsewhere in this application Maitland City Council demonstrates:

- a strong commitment to the IP&R framework (considered by the DLG as a Council to be benchmarked against, as per their IP&R manual pgs. 62 &78)
- a high level of operational efficiency
- effectiveness as a member of Hunter Councils Inc. with the model receiving positive feedback during the in the Independent Local Government Review process
- a high level of community satisfaction, and
- is seen as a great place to live, evidenced by the growth in the City's population.

We recognise the importance of benchmarking, using comparative performance data from other councils, the private sector and all levels of government to test performance and identify potential areas for improvement.

We welcome the opportunity to contribute to reviews, committees, local government reform enquiries and audit processes.

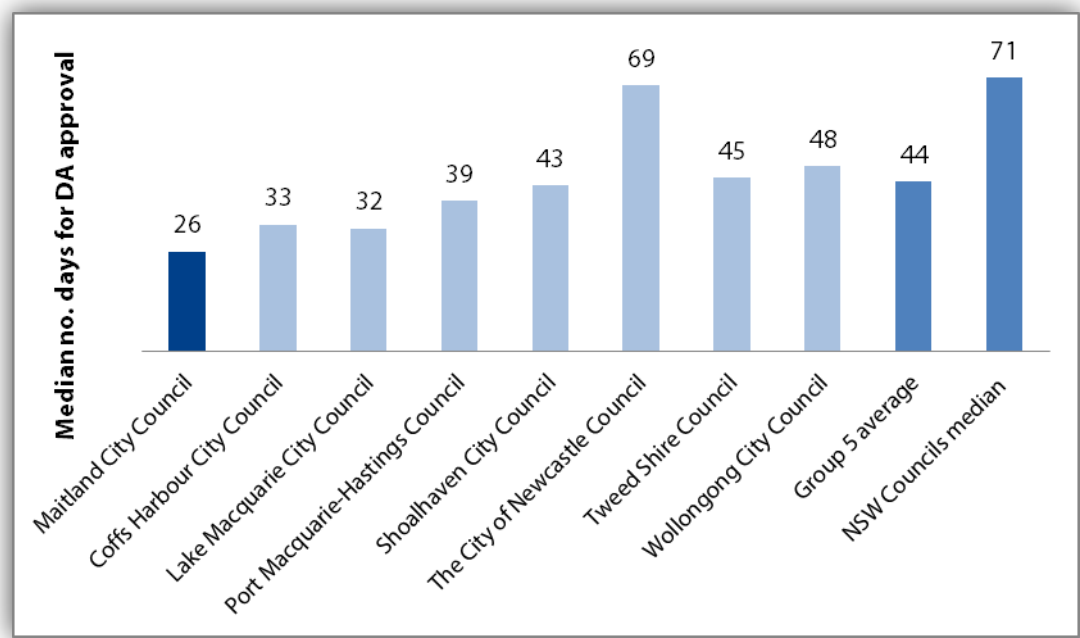
In analysing data available from various sources including the Division of Local Government Council's performance is notable in a number of areas.

### **Development Application Performance**

Maitland City's growth is demonstrated through the large number of Development Applications lodged across residential, business and industry, and the significance of these. Council has maintained efficiency in their processing as demonstrated by local government performance monitoring data provided by the Department of Planning and Infrastructure.

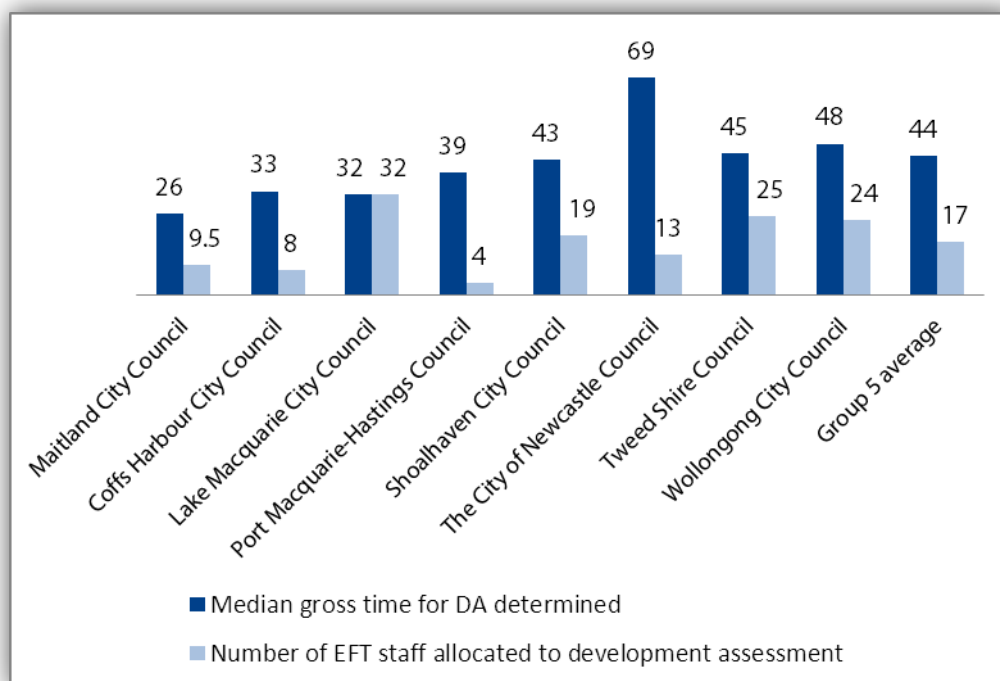
As illustrated below, Council's median processing times in the lowest within Group 5, at 26 days.

Figure 7.1.5 – Median time for DA determination, 2011/12, Group 5 Councils



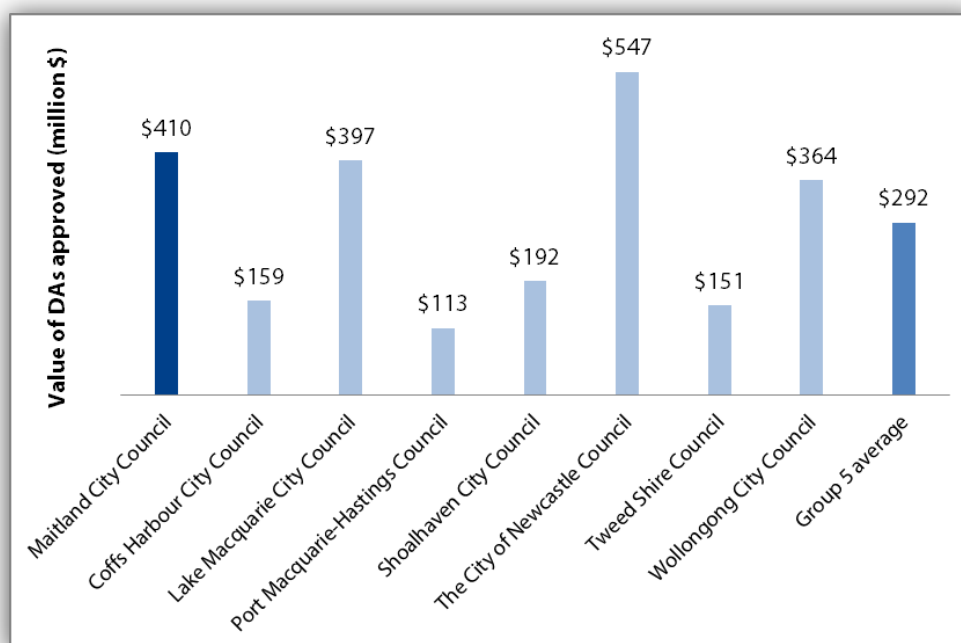
Council continues to provide this result with a full-time staff allocation well below Group 5 average, as illustrated below.

**Figure 7.1.6 – Median time for DA determination and staff 2011/12, Group**

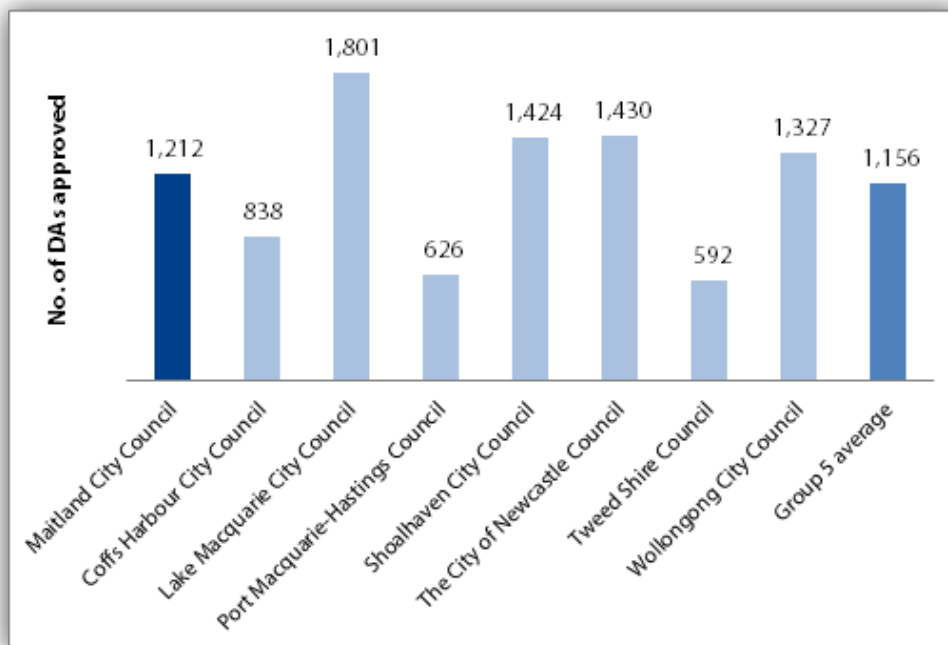


The value of these DAs is shown below:

**Figure 7.1.7 – Value of DAs 2011/12, Group 5 Councils**



**Figure 7.1.8 –Number of DAs approved 2011/12, Group 5 Councils**



### Sustainability Measures

Looking at T-Corp's sustainability measures, Council has performed on par or above other members of Group 5. Under this application, Council expects to move from a Moderate to Sound position, and maintain a neutral outlook.

**Table 7.1.2– T-Corp ratings, Group 5 Councils**

Council	TCorp Financial Sustainability	Infrastructure Audit
Maitland City Council	Moderate - neutral	Moderate
Coffs Harbour City Council	Weak - negative	Weak
Lake Macquarie City Council	Moderate -neutral	Strong
Port Macquarie-Hastings	Weak - negative	Moderate
Shoalhaven City Council	Sound - negative	Moderate
The City of Newcastle Council	Moderate - negative	Moderate
Tweed Shire Council	Moderate - neutral	Strong
Wollongong City Council	Moderate - neutral	Moderate

## 8 Other information

### 8.1 Previous Instruments of Approval

If you have a special variation which is due to expire at the end of this financial year or during the period of the proposed special variation, when was it approved and what was its purpose?

Please attach a copy of the Instrument of Approval that has been signed by the Minister or IPART Chairman.

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Council most recently had a special variation approved for 2011/12 and 2012/13. This was for an additional 7% above the rate page for two consecutive years, retained permanently in the base. Whilst the variation has expired, the works to be funded were programmed over four years, concluding in 2014/15. Council continues to report to the community on progress on the 26 projects funded by the variation.

## 8.2 Reporting to your community

The *Guidelines* set out reporting mechanisms that show your accountability to your community. Please tell us how you will go about transparently reporting to the community on the proposed special variation, should it be approved. Also indicate the performance measures you will use to demonstrate how you have used the additional funds (above the rate peg) generated by the special variation.

### Reporting

Council has embraced the opportunities offered by IP&R. As such, the reporting suite deployed by Council has been designed to be accessible, reader-friendly and meaningful to both Council and the community.

Council will continue to report on its Delivery Program, and therefore the services to be maintained and enhanced via its special variation, in its six monthly report on Delivery Program progress titled 'On the Move'. See a sample as Attachment 8.

'On the Move' is presented to Council, accompanied by a supplementary report to the Council, every six months. The document is printed and distributed in hard copy via Council facilities, events and presentations, as well as mailed to all new residents to the City and key stakeholders including local MPs, peak bodies, community and industry groups.

Additionally, 'On the Move' is placed on Council's corporate and engagement websites, and promoted via social media, media coverage and through Council's quarterly newsletter 'Momentum' that goes to all households in the LGA. Council's on-hold messaging will also alert callers to the availability of the information.

In addition to six monthly formal reports, Quarterly Budget Reviews are also provided by Council.

Council produces a quarterly newsletter 'Momentum' that is distributed to every household in the LGA. This will provide the community with an update on services and expenditure, and Council performance. See a sample as Attachment 8a.

Content will also be included in tourism and trader publications produced by Council, as well as in relevant publications produced by Council for other stakeholder groups.

Council will build on the annual public information session staged during the exhibition of draft Operational Plan to incorporate commentary on past performance, providing community members with opportunities to discuss and question progress toward the Delivery Program (as underpinned by the SRV) and issues that need to be addressed.

Council has a dedicated communications team, focused on providing local media and the community with timely information on Council projects, services and performance. Regular media releases will be developed and distributed, including publication on Council's own websites. In addition, Council columns in local media will be used to provide updates. Future opportunities through technology will also be explored and used to disseminate information to residents and ratepayers where appropriate.

Council has a 'tear-off' slip on rates notices. The special rate variation impact on rates and services will continue to be highlighted on this notice. In line with community research that shows direct mail is the preferred method for resident communication with Council, it is planned that a more detailed DL brochure will be distributed to ratepayers as an insert to the annual rates notice year.

Subscribers to Council's engagement database will also be kept informed of progress, and efforts made to increase subscribers.

Opportunities to make presentations to community and industry groups will continue to be utilised, and will incorporate an update on the special rate variation and Council's performance. Council's own functions, including those for business leaders, will incorporate an annual update on performance.

Council will incorporate a report on the special rate variation proposal, focused on levels of service that have been enhanced courtesy of the variation, in its Annual Report.

Council is committed to an annual cycle of community satisfaction research, incorporating a randomly selected telephone survey and focus groups. This program will be used to test community awareness and understanding of the variation, and the services maintained and enhanced courtesy of the additional revenue.

Council's end of term reports produced for 2013-17 and 2018-21 will also incorporate details on the special rate proposal, and maintenance and enhancement of services that has resulted from the additional funds.

### **Performance measures**

Council has a suite of performance measures outlined in the Delivery Program 2013-17 (Revised). These can be seen at the start of each theme, and outline targets for objectives and accompanying indicators and measures. As Council's SRV application is fundamentally about financial sustainability, it will be difficult to separately report on the application of additional funding in providing Council's services.

However, Council will continue to produce its Annual Report and annual financial statements. These statements will provide detail on key performance ratios and enable the community to review financial and asset management performance.



### **8.3 Council resolution to apply to IPART**

The Guidelines require the council to have resolved to apply for a special variation. Please attach a copy of the council's resolution to make a special variation application. Our assessment of the application cannot commence without it.

#### **SIGNAL OF INTENT**

Maitland City Council unanimously resolved to signal its intent to apply for a variation on 10 December 2013. The resolution can be seen below:

#### **THAT**

1. The Independent Pricing and Regulatory Tribunal (IPART) be advised of Council's intention to apply for an up to 8.35% increase to total rates revenue each year for seven years, as permitted under Section 508(A) of the Local Government Act 1993, by 13th December 2013;
2. Community consultation on the proposal is continued, focused on the release of a revised Delivery Program 2013-17 and Operational Plan 2014/15, incorporating fees and charges (including rating);
3. Work is commenced on the development of an application to IPART and required supporting documents, noting the deadline for submission of 24th February 2014;
4. Further consideration is given to mitigating the impact of the variation proposal on farmland ratepayers, prior to making a formal application;
5. Council continues to pursue organisational efficiencies through the continued implementation of its service sustainability program and regular service reviews;
6. A review of Council's existing 'Debt Recovery and Hardship Policy' is undertaken, and a revised policy/policies returned to Council for consideration;
7. Council considers methods to improve community awareness of the services provided by Council, the costs associated with service delivery and costs imposed by other levels of government.

A copy of the Council report and minutes can be seen as Attachment 8b.

#### **SUBMITTING AN APPLICATION**

Council resolved to apply for a variation on 11 February 2014. Following its resolution to apply, Council also adopted its Delivery Program 2013-17 (Revised), Operational Plan 2014/15 and Resourcing Strategy on 11 February 2014.

Council's resolutions were as follows:

#### **THAT**

1. Council make application for a special rate variation of 7.25% each year for seven (7) years, retained permanently in the base, to the Independent Pricing and Regulatory Tribunal by 24th February 2014;
2. Council adopt and note the adjustment in apportionment of rating between rating categories, resulting in varying average percentage increases for each rating category;
3. Council commit to a productivity improvement target equivalent to \$500,000 per annum over the period of the variation;
4. Council approve in principle the borrowing of \$4.8 million per annum for seven years, commencing in 2014/15 as a component of Council's ten year financial plan;
5. Council note the intention to realise additional grant opportunities to the value of \$13 million over the next ten years;
6. Council note the conclusion of community engagement on the proposal and acknowledge the community's contribution in developing the final proposal;
7. A further report be brought to Council following IPART's determination of applications, expected in June 2014.

A copy of the Council report and minutes can be seen as Attachment 8c.

And in the second report concerning the Delivery Program, Operational Plan and Resourcing Strategy:

THAT

1. In accordance with Sections 402-406 of the NSW Local Government Act 1993, the Delivery Program 2013-17 (Revised), Operational Plan 2014/15 and Resourcing Strategy 2013 be adopted by Council;
2. The Revenue Policy for 2014/15, as included in the Operational Plan 2014/15, be adopted by Council;
3. The Statement of Rating Structure, as identified in the Operational Plan 2014/15 (which includes an increase to total rates revenue of 7.25% as per Council's special rate variation application), be adopted by Council;
4. Council approve \$4.8 million in identified borrowings for infrastructure renewal works during 2014/15 and authorise the affixing of the Council Seal to all documents relating to this loan/s;
5. The Stormwater Management Charge, as identified in the Operational Plan 2014/15, be adopted by Council;

6. The Division of Local Government be advised of Council's adopted Delivery Program 2013-17 (Revised) and Operational Plan 2014/15;

7. Council note the inclusion of the above documents with Council's special rate variation application to the Independent Pricing and Regulatory Tribunal (IPART);

That a further report, formalising the making of fees and charges (including rating) for 2014/15 be considered by Council in June 2014, following IPART's determination of the special rate variation application

A copy of the Council report and minutes can be seen as Attachment 8d.

## 9 Checklist of contents

The following is a checklist of the supporting documents to include with your Part B application:

Item	Included?
Relevant extracts from the Community Strategic Plan	<input checked="" type="checkbox"/>
Delivery Program	<input checked="" type="checkbox"/>
Long Term Financial Plan	<input checked="" type="checkbox"/>
Relevant extracts from the Asset Management Plan	<input checked="" type="checkbox"/>
TCorp report on financial sustainability	<input checked="" type="checkbox"/>
Contributions Plan documents (if applicable)	<input type="checkbox"/>
Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and special variation	<input checked="" type="checkbox"/>
Community feedback (including surveys and results if applicable)	<input checked="" type="checkbox"/>
Hardship Policy	<input checked="" type="checkbox"/>
Past Instruments of Approval (if applicable)	<input type="checkbox"/>
Resolution to apply for the special variation	<input checked="" type="checkbox"/>
Resolution to adopt the Delivery Program	<input checked="" type="checkbox"/>

## 10 Certification

### APPLICATION FOR A SPECIAL RATE VARIATION

To be completed by General Manager and Responsible Accounting Officer

Name of council: Maitland City Council

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



General Manager (name): David Evans

Signature and Date: 24th February 2014



Responsible Accounting Officer (name): Phil Freeman

Signature and Date: 24th February 2014

Once completed, please scan the signed certification and attach it to the Part B form before submitting your application online via the Council Portal on our website.

## 11 Supporting material

SUPPORTING DOCUMENTS – Part B	
SRV Criterion 1 Need for the Variation Annexures	
Attachment 1	Maitland +10 Community Strategic Plan
Attachment 1a	Delivery Program 2013-17 (Revised) and Operational Plan 2014/15
Attachment 1b	Resourcing Strategy 2014 edition (including Long Term Financial Plan)
Attachment 1c	Delivery Program 2013-17 and Operational Plan 2013/14 - extracts
Attachment 1d	TCorp Report – Maitland City Council 2013
SRV Criterion 2 Community Engagement Annexures	
Attachment 2	Community Engagement Strategy
Attachment 2.a	Community Engagement Plan
Attachment 2.b	Community Engagement Report
Attachment 2.c	Phase one promotional collateral: <i>Article in Council Newsletter Momentum; Advertisement; Media Release; Newspaper Articles</i>
Attachment 2.c.i	Phase one Maitland Your Say website information and results
Attachment 2.c.ii	Phase one community information session presentation
Attachment 2.c.iii	Phase one Maitland Your Say Facebook page posts and comments
Attachment 2.c.iv	Phase one Micromex telephone survey including results
Attachment 2.d	Phase two promotional collateral: <i>16 page booklet 'Funding Our Future'; Article in Council Newsletter Momentum; Advertisement; Media Releases; Newspaper Articles; Community Organisations letter.</i>
Attachment 2.d.i	Phase two Maitland Your Say website information and results
Attachment 2.d.ii	Phase two submissions
Attachment 2.d.iii	Phase two detailed and quick postage paid surveys and results
Attachment 2.d.iv	Phase two focus group results
Attachment 2.d.v	Phase two community information session presentation
Attachment 2.d.vi	Phase two Business Leaders Luncheon presentation
Attachment 2.d.vii	Phase two Maitland Your Say Facebook page posts and comments
Attachment 2.e	Phase three promotional collateral <i>DL brochure 'Funding Our Future'; Article in Council Newsletter Momentum October 2013 rates notice information slip; Advertisement; Media Releases; Newspaper Articles; Community Organisations letter; Survey Participant and Maitland Your Say member email.</i>
Attachment 2.e.i	Phase three online survey and results

Attachment 2.e.ii	Phase three Maitland Your Say website information and results
Attachment 2.e.iii	Phase three submissions
Attachment 2.e.iv	Phase three Micromex telephone survey including results
Attachment 2.e.v	Phase three community information session presentation
Attachment 2.e.vi	Phase three Maitland Your Say Facebook page posts and comments
Attachment 2.f	Phase four promotional collateral: <i>October 2013 rates notice information slip; Article in Council Newsletter Momentum; Advertisement; Media Releases; Newspaper Articles; Community Organisations letter; Survey Participant and Maitland Your Say member email.</i>
Attachment 2.f.i	Phase four Maitland Your Say website information and results
Attachment 2.f.ii	Phase four submissions
Attachment 2.f.iii	Phase four community information session presentation
Attachment 2.f.iv	Phase four Maitland Your Say Facebook page posts and comments
Attachment 2.g	Phase five information collateral: <i>January 2014 rates notice information slip</i> Correspondence to participants; media releases; Maitland Your Say member email; Newspaper Articles;
Attachment 2.g.i	Phase 5 Letter of Support
Attachment 2.h	Western Research institute Report at 8.34%
Attachment 2.h.i	Western Research institute Report at 7.25%
<b>SRV Criterion 3 Rating Structure and the Impact on Rate Payers</b>	
Attachment 3	Pensioner Concession Policy
Attachment 3.a	Debt Recovery Policy
Attachment 3.b	Hardship Policy
Attachment 3.c	Council Report 11 February 2014- draft Hardship, Debt Recovery and Pensioner Concession Policies (as placed on exhibition February 2014)
<b>SRV Criterion 4 Delivery Program and Long Term Financial Assumptions</b>	
Attachment 4	Detailed Long Term Financial Plan modelling
<b>SRV Criterion 5 Productivity Improvements and Cost Containment Strategies</b>	
Attachment 5	Core Activity Efficiency Review methodology
<b>Section 8 – Other information</b>	
Attachment 8	'On the Move' – six monthly progress report
Attachment 8a	'Momentum' quarterly newsletter
Attachment 8b	Council Report and Minutes re application – 10 December 2013
Attachment 8c	Council Report and Minutes re adoption of IP&R documents – 11 February 2014
Attachment 8d	Council Report and Minutes re application

	– 11 February 2014
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