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| Special Variation Application Form – Part B  Council application for 2015/16 |
| Insert Name of Council: Narromine Shire Council  Date Submitted to IPART: February 2015  Council Contact Person: Yvonne Clarke  Council Contact Phone: 02 6889 9911  Council Contact Email:[yclarke@narromine.nsw.gov.au](mailto:yclarke@narromine.nsw.gov.au) |

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ISBN

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# Introduction

IPART will assess each application against the criteria set out in the Office of Local Government’s (OLG) *Guidelines for the preparation of an application for a special variation to general income for 2015/2016* (the Guidelines). Councils should refer to these guidelines before completing this application form.[[1]](#footnote-1)

Each council must complete this Part B application form when applying for a special variation to general income either under section 508A or under section 508(2) of the *Local Government Act 1993*.

The Part B form must be completed together with the Part A (spreadsheet) form for both s508(2) and s508A applications. The Guidelines also require the council to have resolved to apply for a special variation. You must attach a copy of the council’s resolution to make a special variation application. IPART’s assessment of the application cannot commence without it.

## Completing the application form

This form is structured to provide guidance on the information we consider necessary to assess a special variation application. To complete the form, the council will need to respond to questions and insert text in the boxed area following each section or sub-section.

The amount of information that a council provides will be a matter of judgement for the council, but it should be sufficient for us to make an evidence-based assessment of the application. Generally, the extent of the evidence should reflect the size of the variation sought. More complex applications or requests for a high cumulative percentage increase should be supported by stronger, more extensive evidence.

Councils may submit additional supporting documents as attachments to the application (refer to section 8). These should be clearly identified in Part B and cross-referenced. We prefer to receive relevant extracts rather than complete publications, unless the complete publication is relevant to the criteria. You should provide details of how we can access the complete publication should this be necessary.

We publish Fact Sheets on how IPART assesses special variations and on the nature of community engagement for special variation applications. These will assist in preparing the application. The latest Fact Sheets on these topics are dated October 2014 and are available on IPART’s website.[[2]](#footnote-2)

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

This application form consists of:

* Section 2 – Preliminaries
* Section 3 – Assessment criterion 1
* Section 4 – Assessment criterion 2
* Section 5 – Assessment criterion 3
* Section 6 – Assessment criterion 4
* Section 7 – Assessment criterion 5
* Section 8 – List of attachments
* Section 9 – Certification.

## Using the Council Portal to submit the application

All councils intending to apply for a special variation must use the Council Portal on IPART’s website to register as an applicant council and to submit an application.

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

Councils intending to submit an application under either section 508(2) or section 508A must notify us of their intention to apply by **COB Friday, 12 December 2014.**

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

We ask that councils also submit one hard copy of their application to us (with a table of contents and appropriate cross referencing of attachments). Note, early in 2015 IPART will be relocating to the following address:

Local Government Team  
Independent Pricing and Regulatory Tribunal  
PO Box K35,   
Haymarket Post Shop NSW 1230

2-24 Rawson Place, Sydney NSW 2000

We must receive your application via the Council Portal no later than **COB Monday, 16 February 2015.**

We will post all applications (excluding confidential content) on the IPART website. Confidential content may include part of a document that discloses the personal identity or other personal information pertaining to a member of the public or whole documents such as a council working document and/or a document that includes commercial-in-confidence content. Councils should ensure that documents provided to IPART do not expose confidential content.

Councils should also post their application on their own website for the community to access.

# Preliminaries

## Focus on Integrated Planning and Reporting

Councils must identify the need for a special variation to their General Fund’s rates revenue as part of their Integrated Planning and Reporting (IP&R) process.[[3]](#footnote-3) The IP&R documents will need to be publicly exhibited and adopted by the council prior to it submitting its application to us. Also refer to section 6 for a more detailed explanation.

The key IP&R documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and, where applicable, the Asset Management Plan. A council’s application may also include supplementary and/or background publications used within its IP&R processes. You should refer to these documents to support your application for a special variation where appropriate.

Narromine Shire at a glance

Narromine Shire is located in the heart of New South Wales between Dubbo and Nyngan, covering an area of 5,224km² with a population of 6800 living in three urban centres of Narromine (3500), Trangie (800) and Tomingley (50) as well as the surrounding rural areas. The Shire is the 37th largest region by area in New South Wales and is 225 metres above sea level.

Major industries include citrus farming and agriculture along with grain crops, livestock, wool and cotton. The shire boasts the biggest lime orchard (The Lime Grove) in the southern hemisphere, is famous for Narromine Oranges, as well

as home to thriving business such as Narromine Transplants, Enza Zaden, Grain Corp, Agrigrain and Government initiatives such as the Department of Primary Industries “Trangie Agricultural Research Centre”.

2009-10 Census Statistics for the Narromine Shire

|  |  |
| --- | --- |
| Shire Area: | 5,263km2 |
| Population: | 6,800 |
| Unemployment: | 4.5% |
| Av. Taxable income: | $35,912 |
| No. Businesses: | 957 |
| % of population < 25 years | 34.6% |
| % of population > 65 years | 14.7% |
| % of population indigenous | 16.4% |
| % of employed population commuting out of shire to work | 24% |
| Annual value of agricultural production | $136m - $175m |
| % of total gross product value from agriculture | 36 – 40% |
| Annual value of tourism (estimate) | $4m - $5m |

VALUES AND PRINCIPLES

Narromine Shire Council values and principles are stated in the Community Strategic Plan 2022:

***OUR VALUES AND PRINCIPLES*** *that guide Council will be:*

*Council will practice and display civic leadership, integrity, a willingness to consult with shire residents, accountability and transparency.*

*Council services will be accessible and affordable for all shire residents.*

*Council services will not compete with commercial service providers or duplicate services from other organisations.*

*Council will be supportive of volunteers, service clubs and other groups who wish to contribute to public use facilities, services and community wellbeing.*

*Council places high value on the proper management, protection and where required, restoration, of the natural environment.*

*Council will encourage new business development in the shire which contributes to the social and economic strength of the shire community, and which will not impact negatively on the natural environment.*

(Ref - Community Strategic Plan 2022)

## Key purpose of special variation

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

|  |  |
| --- | --- |
| Maintain existing services | x |
| Enhance financial sustainability | x |
| Environmental services or works |  |
| Infrastructure maintenance / renewal | x |
| Reduce infrastructure backlogs | x |
| New infrastructure investment |  |
| Other (specify) FAG grant funding shortfall due to freeze | x |

You should summarise below the key aspects of the council’s application, including the purpose and the steps undertaken in reaching a decision to make an application.

***Key Aspects of Narromine Shire Council’s Application***

Special Rate Variation

Council proposes to increase the general rate by a Special Rate Variation of 5.9% in 2015/16 (comprising 3.5% special rate in addition to the determined 2.4% rate peg) and 6.5% in 2016/17 (comprising 3.5% special rate in addition to the estimated 3% rate peg) and that the increase to the rate base be permanent.

Narromine Shire Council’s total rates revenue will increase by 12.80% over the period of the SRV implementation, with 5.47% of this figure attributable to the rate peg. Thus, Council’s proposal would see the rate yield increased by 7.33% more than what it would have been under a rate peg only scenario. Growing the rate yield by this amount over the period of the SRV implementation is to achieve financial sustainability.

*Purpose*

The purpose of the special rate variation is to provide additional ongoing revenue to enable council to be financially sustainable and “Fit for the Future” and in particular:

- to offset interest and redemption payments on loans for infrastructure works under the Loan Infrastructure Renewal Subsidy (LIRS) program.

- to address the revenue shortfall resulting from the Federal Government’s decision to not apply CPI increases to Federal Assistance Grant (FAG) payments for the next four years.

- to address ongoing operating deficits in accordance with TCorp recommendations.

*Steps taken in reaching the decision*

Council has undertaken a number of steps in reaching the decision to apply for a special rate variation, including reviewing and streamlining all operations, productivity improvements, cost efficiencies, organisational review, exploring alternate sources of revenue, forming alliances for resource sharing, in addition to financial sustainability reviews.

Over the past few years Council has consulted the community in various forums over the past few years in relation to key priorities and issues.

In recent years Council has reviewed various aspects of its operation for productivity and efficiency improvements and has reduced expenses where feasible. Council has completed an audit of its operations, assets and options for the sale of non-core assets, prepared an Asset Management Plan, revised its organisational structure with a reduction of directorates from four to three, reviewed its fees and charges and assessed opportunities for alternative sources of additional funding.

Council has explored options for alternate sources of funding, reducing services, raising fees and charges, possible amalgamation and resource sharing.

Council has actively implemented efficiencies, operational improvements and explored options for additional revenues.

Council has considered TCorp recommendations in relation to risks to future financial sustainability. In addition, comments of Council’s auditors’ report highlight revenue shortfalls from the Federal Government decision to freeze Federal assistance grant funding have resulted in a budget deficit for 2013/14.

Council has assessed that a permanent additional income stream is required by means of a special rates variation for long term sustainability. The funding raised will enable Council to maintain current service levels and to address FAG grant funding shortfalls and interest payments for new infrastructure loans under the LIRS program.

Other considerations

Previous Councils have in past years foregone opportunities for ‘catch-up’ rate increases. In some instances general rates were reduced instead of increasing in line with CPI increases. The proposed special rate variation will address the resulting shortfall in rate levels.

Council resolutions

At its meeting of 8 October 2014 Council resolved:

“*that Council apply for a rate variation of 3.5% for the”2015/2016 and 2016/17 financial years*.” *(Res 2014/327).*

Council revised its Delivery Program and Long Term Financial Plan to incorporate the proposed Special Rate Variation and at its meeting of 12 November 2014 Council resolved:

*“that Council adopt the revised Delivery Program 2012-2016 and revised Long Term Financial Plans and resolve to place them on public exhibition for 28 days.”* (Res 2014/365)

Following IPART determination of the rate peg for 2015, Council resolved at its meeting of 10 December 2014:

*“That Council resolve to notify IPART of its intention to apply for a Special Rate Variation of 5.9% for 2015/16, made up of 2.4% rate peg increase and 3.5% increase; and 6.5% for 2016/17, made up of an estimated 3% rate peg increase and 3.5% increase, and for the increases to be permanent.”* (Res 2014/405)

At its meeting of 11 February 2015 Council considered community feedback and resolved: “ *1. That Council note the independent report from Western Research Institute on the affordability of the proposed Special Rate Variation for Narromine Shire Council ratepayers.*

*2. That Council note the draft Special Rate Variation Application Part A and B addressing key criteria and financial reports.*

*3. That Council resolve to apply to IPART by 16th February, 2015 for a Special Rate Variation as follows –*

*· 5.9% in 2015/16 made up of the rate peg of 2.4% and an additional 3.5% increase*

*· 6.5% in 2016/17 made up of the typical rate peg of 3.0% and an additional 3.5% increase*

*· The increase to be permanent in the rates*

*· The Special Rate Variation is to be spread evenly across all of Council’s rating categories.*

*4. That the Special Rate Variation Application Part A and B be exhibited on Council’s website after 16th February, 2015.*

*5. That Council note the conclusion of community engagement on the proposed Special Rate Variation and acknowledge the community’s contribution in developing the final proposal.” (Res 2015/21)*

(Council Resolution – Attachment 8)

Council has concluded that a Special Rate Variation is essential to address TCorp recommendations for its long term financial sustainability, meet its increasing commitments and satisfy resident expectations of service levels and asset maintenance.

## Capital expenditure review

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

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

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

# Assessment Criterion 1: Need for the variation

Criterion 1 within the OLG Guidelines is:

*The need for and purpose of a different revenue path for the council’s General Fund (as requested through the special variation) is clearly articulated and identified in the council’s IP&R documents, including its Delivery Program, Long Term Financial Plan and Asset Management Plan where appropriate. In establishing need for the special variation, the relevant IP&R documents should canvass alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan applying the following two scenarios:*

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

*Evidence to establish this criterion could include evidence of community need /desire for service levels/projects and limited council resourcing alternatives.*

*Evidence could also include the assessment of the council’s financial sustainability conducted by the NSW Treasury Corporation.*

The response to this criterion should summarise the council’s case for the proposed special variation. It is necessary to show how the council has identified and considered its community’s needs, alternative funding options (to a rates rise) and the assessment of its financial sustainability as conducted by the NSW Treasury Corporation (TCorp).

The criterion states that the need for the special variation must be identified and clearly articulated in the council’s IP&R documents especially the Long Term Financial Plan (LTFP) and the Delivery Program, and, where appropriate, the Asset Management Plan (AMP). The purpose of the special variation should also be consistent with the priorities of the Community Strategic Plan (CSP).

## Case for special variation - community need

Summarise and explain below:

* How the council identified and considered the community’s needs and desires in relation to matters such as levels of service delivery and asset maintenance and provision.
* How the decision to seek higher revenues above the rate peg was made and which other options were examined, such as changing expenditure priorities or using alternative modes of service delivery.
* Why the special variation is the most appropriate option. For example, typically other options would include introducing new or higher user charges and/or an increase in council loan borrowings, or private public partnerships or joint ventures.
* How the proposed special variation impacts the LTFP forecasts and how this relates to the need the council identified. Our assessment will also consider the assumptions which underpin the council’s LTFP forecasts.

In addressing this criterion, you should include extracts from, or references to, the IP&R document(s) that demonstrate how the council meets this criterion.

Case for the Special Variation – Community Need

How Council identified and considered the community’s needs and desires in relation to matters such as level of service delivery and asset maintenance and provision

Council consulted with the community and has considered responses and written submissions arising from public meetings, surveys, telephone enquiry, website and correspondence. The response received reflected strong interest in an effective and efficient Council, maintaining at least existing service levels and asset maintenance across all areas of the shire on a cost effective basis, and remaining independent.

Community consultation has been conducted in various forums since 2008 and consistently reiterate the need for roads and infrastructure maintenance as identified in the Community Strategic Plan. On this basis Council has successfully applied under the LIRS program for infrastructure loan funding to address key infrastructure. The SRV will provide essential funding for repayments and interest on new loans for works under the LIRS program.

*How the decision to seek higher revenues above the rate peg was made and which other options were examined, such as changing expenditure priorities or using alternative modes of service delivery.*

The independent financial review by TCorp indicated that Council will not meet its long term obligations unless it increases its income.

Over the past few years Council has identified the need for additional funding sources and revenue streams to address key infrastructure needs and to ensure long term financial sustainability into the long term, reviewed its operations and improved cost efficiencies as evidenced in the following extracts from the relevant IPR documents:

*Asset Management Strategy 2012*

The Asset Management Strategy adopted at its meeting of 19 June 2012 was prepared “to assist council in improving the way it delivers services from infrastructure including aerodromes, buildings and equipment, recreation and community, transport and drainage, waste, water supply and sewerage services. These infrastructure assets (excluding land) have a replacement value of $239,778,000.” (Ref - Asset Management Strategy Executive Summary page 1)

The Asset Management Strategy 2012 identified the following risk to Council:

“3.6 Strategy Outlook

1. Council is unable to maintain current service levels over the next ten years at current funding levels.

2. Council is not able to fund current infrastructure life cycle cost at current levels of service and available revenue.

3. Council’s current asset management maturity is below ‘core’ level and investment is needed to improve information management, lifecycle management, service management and accountability and direction.”

(Ref - Asset Management Strategy, p17 – Attachment 10)

Options

Council has been committed to exploring all possible options for additional revenue, with three primary options available:

Option 1 is to reduce the nature and number of services provided, or to reduce the level of service. This could be complemented by the sale of assets no longer required to deliver services. Under this option, reducing operating hours or closure of some facilities, reducing maintenance levels, reducing expenditure on capital works. However, these reductions are contrary to current community expectations.

Option 2 is to examine all potential sources of revenue required to sustain current services and levels of service. Under this option, a range of revenue sources explored include fees and charges, rating, the sale of non-core assets and changes to delivery service models; however these sources are limited without a Special Rate Variation to complement them.

Option 3 is to examine all potential sources of revenue required to sustain current services and service levels to our community over time and to provide funds to offset interest and payments on loans for road infrastructure works under the LIRS program. Funds are also required to address ongoing operating deficits from new costs including the recently announced freeze on Federal Assistance Grants (FAG) funding. This would be achieved by raising additional revenue via a Special Rate Variation.

Council has concluded that Option 3 is preferred– to increase revenue by Special Rate Variation for long term financial sustainability and to be “Fit for the Future”.

Why the Special Rate Variation is the most appropriate option.

Council has explored various options to provide additional funding including introducing new or higher user charges and/or an increase in Council loan borrowings, or private public partnerships or joint ventures. However these options are not considered viable.

Council has assessed that there is limited scope for increased fees and charges, increased loan funding, or public–private partnership opportunities to address ongoing operating deficits and long term funding requirements to maintain current services, assets, infrastructure and levels of service.

Council has in past years foregone rate increases and in some years has decreased the general rate. Council seeks to recover the foregone rates and catch up opportunities if it is to be financially sustainable and “Fit for the Future”.

Due to its relatively small population base and its mid western location, Council is limited with its revenue raising capabilities. Current fees and charges on items such as hall hire etc bring in inadequate income in comparison to the cost of providing and maintaining this facilities however the provision of these facilities are vital to the smaller communities within our region.

Council has concluded that a permanent increase to the rate base by means of a special rate variation is essential for long term financial sustainability.

*How the Special Rate Variation impacts the Long Term Financial Plan forecasts and how this relates to the need the council identified.*

The Narromine Shire Council Long Term Financial Plan indicates that Council’s operating result over the next 10 years will be increasingly challenging based on typical 3% annual rate peg increases. This is compounded in the short term by reduced revenues as a result of the State Government decision to freeze CPI on Federal Assistance Grant funding.

The Revised Long Term Financial Plan includes the original base case scenario for the General Fund based on rate pegging estimated at 3% per annum; in addition the revised LTFP also includes the scenario for the General Fund with the proposed Special Rate Variation of 5.9% and 6.5% respectively over the next two years held permanently in the rate base, with the additional expenditure levels intended to be funded by the special variation.

The revised Long Term Financial Plan General Fund forecasts clearly demonstrate that the Special Rate Variation will improve Council’s operating result in accordance with TCorp recommendations while meeting additional costs including repayments for works under the LIRS program, enabling Council to be sustainable and “Fit for the Future”.

## Financial sustainability

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

You should explain below:

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

*Council’s understanding of its current state of financial sustainability, its long-term projections based on alternative scenarios and assumptions about revenue and expenditure.*

Long term projections show that Council will not be sustainable in the long term to maintain current levels of service without additional income. This is noted in the TCorp report: “Council is aware that if funding levels cannot be increased then reduced service levels will need to be agreed in consultation with the community” (TCorp report p33).

Alternatively, the revised LTFP based on the scenario of a 5.9% increase for the first year and a 6.5% increase in the second year by special rate variation (held permanently in the rate base) shows that Council’s projected revenues will enable it to address new known costs and to maintain current service levels.

Cost Shifting impacts

Council is facing increased shifting of the responsibility for State Government services onto local government without any revenue to offset the cost of implementing these services. This has resulted in additional costs to Council of over $600,000 per annum to cover this cost shifting.

*Any external assessment of council’s financial sustainability, eg by auditors or TCorp. Indicate how such assessment of the council’s financial sustainability is relevant to supporting the decision to apply for a special variation.*

Auditor assessment

The Independent Auditors’ Report for the year ending 30 June 2014 included at Annexure One of the Financial Statements 2014 includes the following statements:

“1.1 The operating result for the year was a deficit of $539,000 as compared with $33,000 the previous year.

…an overall decrease from the previous year of $506,000 and can be primarily attributed to decreased revenue from grants and contributions compared to the previous year. As part of the financial assistance grant was prepaid in previous years, the amount received in 2013/14 was $1.931 million compared to $3.603 million in the previous year.”

(The Independent Auditors’ Report for the

year ending 30 June 2014 – Attachment 13 a)

Financial Assessment, Sustainability and Benchmarking Report, 5 April 2013, NSW Treasury Corporation (TCorp Report – Attachment 4)

An external assessment report of April 2013 prepared by the NSW Treasury Corporation (TCorp) reviewed the most recent four years of Council’s consolidated financial results and conducted a review of Council’s 10 year financial forecasts with a focus on the General Fund.

The executive summary of the report notes the following:

“The Council has been reasonably managed over the review period based on the following observations:

 Council has reported an operating surplus, excluding capital grants and contributions, in three of the past four years. The 2012 surplus was achieved as half ($1.8m) of the 2013 Financial Assistance Grant (FAG) was prepaid in 2012

 Council’s underlying operating performance (measured using EBITDA) has increased by $3.4m since 2009 to $6.2m in 2012

 The majority of Council’s performance indicators have been above benchmark each year of the review period

 However Council’s Own Source Operating Revenue Ratio has been below benchmark each year of the review period indicating Council is reliant on external sources of revenue

The Council reported $6.7m of Infrastructure Backlog in 2012 which represents 5.6% of its infrastructure asset value of $120.3m. Other observations include:

 Council’s Infrastructure Backlog has remained static over the past three years

 The majority of Council’s Backlog is in roads and buildings assets

 Benchmark ratios indicate that in 2012 Council did not spend sufficient amounts on asset maintenance, asset renewal or capital expenditure.

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

 Council’s LTFP does not include a statement of cashflows therefore the analysis has been completed utilising the forecast income statement and balance sheet

 Council has not reached a developed stage of the IP&R process and there are some reservations in the reasonableness of the assumptions used in the LTFP particularly the underestimation of future expenses

 The forecast shows deficit positions are expected, when capital grants and contributions are excluded, each year of the forecast period

 Council’s liquidity is forecast to decrease over the forecast period and falls below benchmark in 2017. This will result in Council having limited resources to deal with unexpected events in future years”

Based on our review of the information provided, TCorp believes Council is in a moderate Sustainability position, and based on the current LTFP this position is likely to deteriorate in the medium to long term.

Our key observations are:

 Council has projected increasing operating deficits and decreasing EBITDA over the forecast period

 Since 2010 Council has been unable to spend sufficient funds on asset maintenance, renewal or upgrades when compared to benchmarks and the AMP which indicates that if this continues it will increase Council’s Infrastructure Backlog

 Council’s Interest Cover Ratio is well above benchmark for the entire forecast period

 Council is reliant on external funding sources as indicated by an Own Source Revenue Ratio that is below benchmark both historically and in the forecast. Any adverse changes in grant funding, in particular the FAG’s, could place the Council’s financial Sustainability at risk

 Council does not appear to have reached a developed stage of the LTFP and it is important that this is integrated with the AMP, and the LTFP produces an income statement, balance sheet and statement of cashflows…´

The report further notes that Council completed an AMP in 2012 based on accurate data and that “It is likely that Council will have to reduce service levels in some areas, unless new sources of revenue are found. For buildings and other equipment, the service level reduction may include downsizing Council’s buildings portfolio.” (p15 )

4.5: Borrowing Capacity

“… the continued operating deficits over forecast period and cash expense ratio well below benchmark over period indicates there is limited capacity to manage additional borrowings.”(p26)

“4.6 Sustainability

TCorp believes Council is in a moderate Sustainability position and based on the current LTFP, this position is likely to deteriorate in the medium to long term.

In considering the longer term financial Sustainability of the Council we make the following comments:

 Council has reported an operating surplus, when capital grants and contributions are excluded, for three of the past four years

 The LTFP shows deficit positions are expected, when capital grants and contributions are excluded, for the entire forecast period. The deficit increases by 35.4% over the period from negative $3.5m in 2013 to negative $4.7m in 2022

 Council’s Interest Cover Ratio is well above benchmark for the entire forecast period

 Council has maintained very conservative levels of borrowing. While the use of borrowing may assist Council to reduce its Infrastructure Backlog and to fund asset renewal programs based on the current LTFP there appears to be limited capacity to service additional borrowings due to the large operating deficits

 Operating grants make up approximately 41.0% of Council’s operating revenue each year. While no change is anticipated, any adverse change to this revenue source would negatively impact Council’s ability to remain Sustainable

 At the time of completing this report Council has not reached a developed stage of the LTFP. It is anticipated this will be completed by June 2013 and it is important that this is integrated with the AMP and that the LTFP produces an income statement, balance sheet and statement of cashflows.” (Ref TCorp report p26)

The TCorp report further noted as follows:

“Council is in a moderately sustainable but with a deteriorating forecast position, and that Council faces risks with the ongoing funding of maintenance and renewal assets.

…Council is aware that if funding levels cannot be increased then reduced service levels will need to be agreed in consultation with the community”. (Ref TCorp Report p33)

“Section 6 : Conclusion and Recommendations

Based on our review of both the historic financial information and the 10 year financial forecast within Council’s long term financial plan we consider Council to be moderately sustainable, but with a deteriorating forecast position. Council faces risks associated with the ongoing funding of maintenance and renewal of assets. “(Ref TCorp Report p33)

We base our recommendation on the following key points:

 With the exception of Council’s Own Source Operating Revenue Ratio, all of Council’s performance indicators were above benchmark for the majority of the review period

 Council’s operating result, excluding capital grants and contributions, forecasts a deficit position over the entire LTFP

 The Interest Cover Ratio is well above benchmark for the entire forecast period

However we would also recommend that the following points be considered:

 …Council is aware that if funding levels cannot be increased then reduced service levels will need to be agreed in consultation with the community**”.**

(TCorp report p33)

Council’s view of the impact of the special variation on its financial sustainability

Council has assessed that the Special Rate Variation is essential to enable it to meet its commitments and provide for long term financial sustainability.

In particular, the proposed special rate variation held permanently in the rates will address the shortfall in funding from the freeze on FAG grants, address the need for funding to meet upcoming new costs of loan interest repayments on Infrastructure works under the successful application for the LIRS program, in addition to providing ongoing funding for financial sustainability in the long term in accordance with TCorp recommendations.

Council has assessed that that proposed SRV will enable Council to maintain our levels of service over the long term.

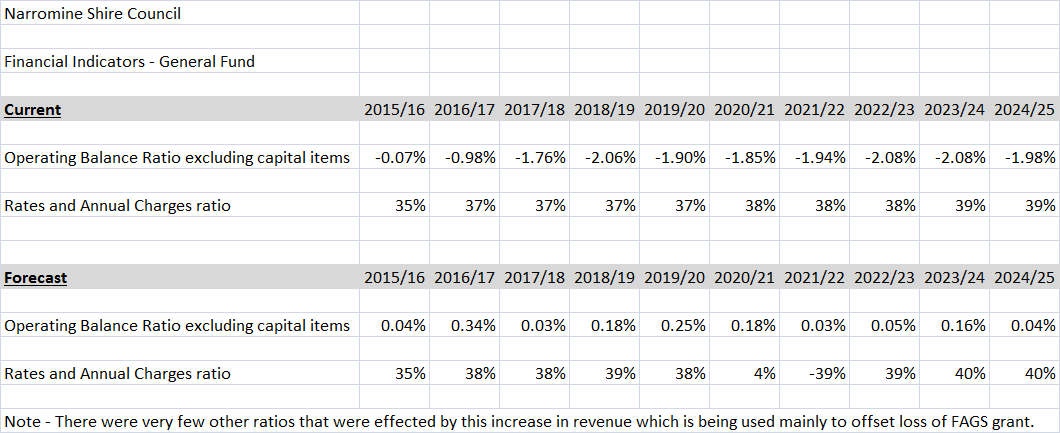
## Financial indicators

How will the special variation affect the council’s key financial indicators (General Fund) over the 10-year planning period? Please provide an analysis of council’s performance based on key indicators (current and forecast) which may include:

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

The proposed SRV will enable Council to maintain and improve the key indicators over the 10 year planning period while also contributing to repayments of the LIRS loans.

The following table provides of summary of council’s anticipated performance based on the current and forecast key financial indicators over the ten year period:



## Contribution plan costs above the cap

You should complete this section if the special variation seeks funding for contributions plan costs above the development contributions cap. Otherwise, leave this section blank.

Please explain how the council has established the need for a special variation to meet the shortfall in development contributions.

For costs above the cap in contributions plans, a council must provide:[[4]](#footnote-4)

* a copy of the council’s section 94 contributions plan
* a copy of the Minister for Planning’s response to IPART’s review and details of how the council has subsequently amended the contributions plan
* details of any other funding sources that the council is proposing to use
* any reference to the proposed contributions (which were previously to be funded by developers) in the council’s planning documents (eg, LTFP and Asset Management Plan (AMP).

|  |
| --- |
| Not applicable |

# Assessment criterion 2: Community awareness and engagement

Criterion 2 within the OLG Guidelines is:

*Evidence that the community is aware of the need for and extent of a rate rise. The IP&R documentation should clearly set out the extent of the General Fund rate rise under the special variation. The council’s community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure an opportunity for community awareness and input to occur.*

In responding to this criterion, the council must provide evidence that:

* it has consulted and engaged the community about the special variation using a variety of engagement methods and that the community is aware of the need for, and extent of, the requested rate increases
* it provided opportunities for input and gathered input/feedback from the community about the proposal
* the IP&R documents clearly set out the extent of the requested rate increases.

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

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

More information about how the council may engage the community is to be found in the OLG *Guidelines*, the IP&R manual, and IPART’s Fact Sheet *Community Awareness and Engagement for special variation applications*, October 2014.

|  |
| --- |
| Box Error! No text of specified style in document..1 Where a council is renewing or replacing an expiring special variation |
| The council’s application should show how you have explained to its community:  There is a special variation due to expire at the end of the current financial year or during the period covered by the proposed special variation. This needs to include when the expiring special variation was originally approved, for what purpose and the percentage of (General Fund) general income originally approved.  The corresponding percentage of general income that the expiring special variation represents for the relevant year.  Whether the temporary expiring special variation is being replaced with another temporary or a permanent increase to the rate base.  The percentage value of any additional variation amount, above the rate peg, for which the council is applying for through a special variation.  If the proposed special variation was not approved ie, only the rate peg applies, the year-on-year change in rates would be lower, or that rates may fall.  The council also must attach, to its application to IPART, a copy of the Instrument of Approval that has been signed by the Minister or IPART Chairman. |
|  |

## The consultation strategy

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

The council is to provide relevant extracts of the IP&R documents that explain the proposed rate rises under the special variation and attach relevant samples of the council’s consultation material.

*Consultation Strategy*

Council’s consultation strategy focussed on ensuring that the SRV proposal information was distributed to each and every individual household and was clear and comprehensive in relation to details and impacts and purposes.

In order to ensure timely and full coverage of the proposal the information was provided to every ratepayer directly through newsletter mailout in November 2014 and by a variety of other methods including newspaper advertising of public meetings, media releases, public meetings to provide information and opportunity for questions and feedback, surveys both online and hardcopy mailed to ratepayers. Council’s consultation was well covered by media including news articles on public meetings.

*Council’s consultation material*

Council’s consultation included a variety of engagement methods to ensure community awareness and input into the special rate variation process, including the following:

- Public exhibition of revised IP&R documents

- Council Website : a highlighted pointer to SRV media releases and revised IP&R documents on exhibition, in addition to a specific link provided on the front page to an overview and all available relevant information and options for providing input, direct links to consultation documents including Revised Delivery Plan, revised Long Term Financial Plan, newsletters, survey, other material as available.

- Newsletter mailed to all ratepayers - November 2014

- Survey – available online and also included with newsletter mailout

- Three public meetings with PowerPoint information presentations, community feedback and questions - Narromine, Trangie, Tomingley – December 2014

- Second newsletter to all ratepayers – December 2014

- Media releases

- Newspaper advertisements

- Regular newspaper column advising of SRV proposal and inviting submissions

- Email and phone contacts with Council were provided

(Consultation material: Media releases, public meeting notices, newspaper articles,

newsletters, PowerPoint presentations – Attachment 5)

Community Consultation

Council conducted community consultation in relation to the proposed Special Rate Variation during the period 13 November 2014 – 5 February 2015. Community consultation activities included the following:

- newsletter mailed to each ratepayer of Narromine Shire (November 2014)

– exhibition of revised Delivery Plan and revised Long Term Financial Plan (November 2014 - December 2014)

- newspaper advertising

- Mayor’s message in local media

– Council’s website provided regularly updated information including an overview of the proposal, links to exhibition documents and media releases, survey, rates checker for assessing impacts to individual rates (Nov – Feb)

– online Survey for completion by residents and ratepayers (Nov – Feb)

- public meetings held in each of the three key localities in the Shire at Narromine, Tomingley, and Trangie in early December 2014

- second newsletter providing updated proposal and responses to community questions and issues raised to date (19 December 2014)

- media release and mayoral column updates January 2015

Media coverage was broad and comprehensive with all media releases printed in addition to Council advertisements, information updates, public meeting notices provided by Council. Media attendance at public meetings resulted in editorial content in local newspapers covering SRV information and associated issues and matters raised at the meetings. (Media coverage scanned copies – Attachment 5)

In addition to the SRV consultation, previous consultation activities conducted in 2008-2009 provided clear indication of the need for improved roads and other areas of service. This was summarised in the Community Strategic Plan 2012-2022.

One of the priorities of the funding raised under the proposed SRV will address the interest and repayments for loans for the roadworks completed under Council’s successful application under the LIRS program.

Community Feedback

Community feedback was encouraged and confirmed a clear need to maintain and/or increase services throughout the shire in a cost effective manner and varying levels of support to the Special Rate Variation to achieve financial sustainability.

Council considered comments and submissions of the community consultation process and assessed that there is sufficient support for the proposal and clear demand for at least the current level of services provided. The community have indicated support for an independent Council that is financially sustainable.

(Summary of community feedback and Public Meetings – Attachment 6 b)

Actions included mailout of a comprehensive newsletter and a survey. Ratepayers were able to complete the survey in hardcopy, or online on Council’s website. In addition, media releases were issued and newspaper advertisements were placed to ensure coverage in all shire areas. Exhibition of revised IP&R documents included the revised Delivery Program and revised Long Term Financial Plan for 28 days in the period November to December 2014.

Three public meetings were held in the first week of December 2014, with meeting venues located in each of the key areas of the shire.

*That the council clearly communicated the full impact of the proposed rate increases to ratepayers.*

The impact of the proposed special rate variation was advised in all media, including newsletter, website, media releases, and newspaper advertisements.

Information provided in the public meeting PowerPoint presentations and in the newsletter included a table detailing impacts to average general rates across the shire, including cumulative impacts in dollar and percentage totals. In addition, examples were provided to demonstrate and compare the impact of rate peg only scenario compared to the proposed special rate variation in the public meeting presentations, website information and ratepayer newsletter mailout.

(Consultation documentation – Attachment 5)

*That the council clearly communicated what the special variation will fund.*

The use of the additional funds raised by the special rate have been clearly stated in all consultation documentation, meeting presentations and media, as follows:

“How we will use the funds raised by the proposed Special Rate Variation

Council proposes to apply the funds raised by a special rate variation to enable it to be

“Fit for the Future”, including:

- address operating deficits in accordance with the New South Wales Treasury Corporation (TCorp recommendations),

- address a shortfall in income resulting from the Federal Government’s decision not to apply CPI increases to the Financial Assistance Grants (FAG) for the next four years, and

- offset interest repayments on loans obtained for roadworks, complementing Council’s successful application for the Local Infrastructure Renewal Subsidy (LIRS). “

*Extracts of IP&R documents*

Council informed the community regarding the need for additional funding and proposed SRV in its IP&R adopted documentation. The following extracts of Council’s IP&R documents are relevant to the proposed special rate variation:

Community Strategic Plan 2012 – extracts:

L1.1 Continue to develop sound financial management policies and practices that help ensure Council’s long term sustainability (State Plan Goal 1.2) – page 21

(Attachment 1)

Community Strategic Plan 2022 as adopted notes the following issues arising from community engagement:

“Facilities and services: The community was satisfied with facilities and services, however the challenge facing us is maintaining and improving what we currently have, without incurring further increases to rates and charges. The most important service level identified was the improvement of roads and drainage, as well as maintenance of our streets.

Maintaining and improving infrastructure: we need to ensure that we have appropriate infrastructure to support growth of the economy and population. Whilst any further deterioration of the local road network, for example, will have a negative impact on our Shire in the short term, the long term effects will extend to a State and National level.

Without a sustainable road network, the movement of agriculture produce and machinery will be hindered. This will significantly impair the Shire’s ability to produce food and fibre, creating economic consequences at a national level. The major challenge will be funding the maintenance and capital improvements required…” (Community Strategic Plan page 18)

Community Consultation – 2011

In November/December 2011, Council conducted a survey of ratepayers to seek input from community members from across the Shire of their vision for the Shire in 2022 and to receive an update on the 2009 survey results to see if the visions have changed. This was further reviewed by Council in 2013 with workshops on Aerodrome, Roads, Flood Levee, and the development of a Public Relations & Marketing Strategy for the Shire.

Some of the key activities community members have told Council they want to see Council concentrate on in the future are:

 Improving roads infrastructure

 Construction and maintenance of footpaths

 Improving Drainage and Stormwater management

 Undertake a feasibility study for the construction of a Flood Levee

These have been included in the updated Community Strategic Plan.(Ref: Community Strategic Plan p4)

Delivery Program

Part 2 of Council’s revised Delivery Program has existing provision in the leadership section (page …) as follows:

*‘Leadership*

*L1.1.1.2 Continue to prepare financially sustainable budgets for consideration by Council*

*L1.1.1.3 Continue to develop rating strategies that are equitable and contribute to a financially sustainable future.’*

Part 1 of Council’s revised Delivery Program includes the following existing information in the section “Message from the Mayor” (page 3) identifying the Tcorp review and issues:

“ Council has undergone a rigorous review of its financial capability undertaken by the NSW Treasury, the Division of Local Government (Morrison and Low Review) and the Independent Local Government Review Panel as one of 152 Council’s in NSW. The NSW State Government is seeking to ensure Local Government is able to meet its obligations and manage infrastructure needs more effectively and responsibly…”

“ Narromine Shire Council has been rated as moderate along with 78 other Councils based on these reviews, which means more work and some tough decisions to improve our sustainability to be rated as sound. Plenty of challenges face us with the possible merger with Dubbo and Wellington Council’s by 2017. Council will need to review and cut its level of service and asset management costs if it is to avoid such a move and has been working closely with the Orana Regional Organisation of Councils to resource share and will be actually pursuing shared service opportunities with Dubbo City Council and Wellington Shire Councils to ensure this occurs.”

(Attachment 2)

Previous Community Consultation – Outcomes 2011

Council has undertaken community consultation in 2011 in relation to key community priorities. Part 1 of Council’s revised Delivery Program identifies key outcomes of community consultation conducted in 2011 (Delivery Program page 4)

Financial Sustainability and the SRV Proposal – Extracts

Part 1 of the Revised Delivery Plan includes a new section titled “Financial Sustainability” (p 23-25). This additional section advises the community in relation to the ‘Rate Peg’ and special rate variation, the three main options explored for financial sustainability, identification of the preferred option (3) proposing to apply for a special rate variation and how the additional funds would be applied. The following extract includes the information provided in this new section:

“ FINANCIAL SUSTAINABILITY - WHAT IS THE ‘RATE PEG’?

Since 1977, certain council revenues have been regulated in NSW under an arrangement known as ‘rate pegging’. Rate pegging sets the maximum percentage increase to general rate revenue for councils.

The rate peg is a percentage amount that is set each year. Previously, the rate peg was set by the Minister for Local Government. Since 2011/12, it has been set by the Independent Pricing and Regulatory Tribunal (IPART).

If a council has not obtained approval for a special rate variation, the rate peg determines the maximum allowable increase in Local Government general rate income for the council. The rate peg percentage for 2012/13 was 3.6%. The rate peg for 2013/14 was 3.4%. The rate peg for 2014/15 is 2.3%.

The rates paid by individual households or businesses will not necessarily go up in line with the rate peg. Councils are able to set rate levels for different categories of ratepayers eg, residential category, business category, mining and farmland. The rate peg applies to the council’s total general rate income, not individual ratepayer assessments.

In addition, land valuation changes may impact on the rates actually payable by individual households or businesses.

Currently, a range of reviews are underway to examine the future sustainability of the NSW local government sector. These reviews have highlighted the unintentional consequences that the rate peg has had on communities like Narromine.

WHAT IS A SPECIAL RATE VARIATION?

Under the provisions of the Local Government Act, Councils are able to apply for a ‘special rate variation’. A special rate variation allows councils to increase general rate income above the rate peg.

There are two types of special rate variations that a council may apply for:

a single year variation (section 508(2)) or a multi-year variation for between two to seven years (section 508A).

There may be a range of reasons why a council may apply for a special rate variation such as:

- to improve the financial position of the council, particularly where there may be financial sustainability issues;

- funding the development and/or maintenance of essential community infrastructure or to reduce backlogs in asset maintenance and renewal;

- funding new or enhanced community services to meet growing demand in the community;

- funding projects of regional significance, and

- covering special or unique cost pressures that the council faces.

OPTIONS TO ACHIEVE FINANCIAL SUSTAINABILITY

While Council will explore all possible alternatives, there are three primary options available to Council to achieve financial 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 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 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.

Proposed application for Special Rate Variation 2015/16 and 2016/17

PREFERRED: OPTION 3 – sustaining services and increasing revenue via a special rate variation.

Council proposes to conduct community consultation in relation to making application to IPART to increase rates above the standard annual increase for 2015/16 and 2016/17, allowing for the delivery of services as programmed and to ensure financial sustainability. This would be done via a process known as a special rate variation. The special rate variation component will be permanent.

How we will use the funds raised by the proposed Special Rate Variation

Council proposes to apply the funds raised by a special rate variation to enable it to be “Fit for the Future”, including:

- address operating deficits in accordance with New South Wales Treasury

Corporation (TCORP) recommendations,

- address a shortfall in income resulting from the Federal Government’s decision to

not apply CPI increases to Financial Assistance Grants for the next four years, and

- offset interest repayments on loans obtained for road works, complementing

Council’s successful application for the Local Infrastructure Renewal Scheme

(LIRS).”

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## Feedback from the community consultations

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

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

*Outcomes and Feedback from the council’s community engagement activities.*

Responses were received from the community in the form of 234 completed surveys and nine (9) written submissions. As may be expected many of these responses received put forward various arguments against the proposal, and raised matters including seeking council efficiencies as well as other matters unrelated to the special rate variation.

An extensive consultation program of media, mailout, website, public meetings and other community engagement activities was undertaken and Council notes the low percentage of submissions received to total shire population. One of the local media published a number of articles which were quite negative to the proposal. Council issued media releases and a Mayoral column with regular updates to ensure accurate information circulated.

Council has confirmed through community consultation that the community seeks to maintain at least the current level of services and asset maintenance and provision. Council has assessed that the special rate variation is essential for financial sustainability and has committed to optimising its own levels of productivity and cost effectiveness.

Attachments:

Attachment 5 - Copy of media published

Attachment 6 a -Summary of survey responses

Attachment 6 c – Summary of written submissions

Shire population

Narromine Shire covers an area of 5,224km2 within Central New South Wales and has a population of approx. 6,800. The Shire comprises of the three urban centres of Narromine (pop. 3,500) with Trangie (pop. 800) 35kms to the West and Tomingley (pop. 50) 35 km to the South. The remaining 2,500 residents live in the rural area.

Public Meetings

Three public meetings were held in December 2014, one in each of the main areas of the shire. The meetings were well advertised via media, Council website and social media. Attendance for each of the public meetings included key staff, councillors and community members as follows:

Narromine – 55 attendees

Tomingley – 10 attendees

Trangie – 62 attendees

(Summary of Public Meetings – Attachment 6 b)

Information included PowerPoint presentations and verbal responses to matters raised by the community. A summary of key questions and discussion is attached and covered matters including options, clarifying details of the proposed special rate variation and whether permanent, risks in the absence of the proposed SRV including possible reduced levels of service or potential amalgamation, queries regarding Council’s current services, improving Council efficiency, impacts and affordability of the SRV, local issues including more services wanted in individual areas, equity between townships.

A second newsletter (attached) was mailed to all residents in December providing an update and responses to queries and issues raised at these meetings.

Surveys

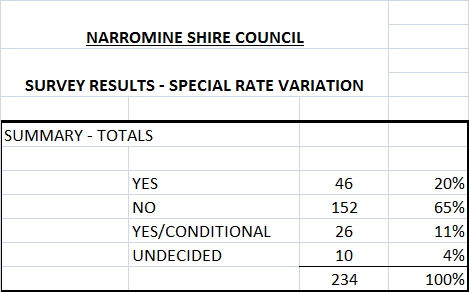
During the consultation period 234 surveys were completed and returned (comprising 184 in hardcopy and 50 online surveys completed). A summary of responses is attached, with a summary of responses by rates category in the table below.

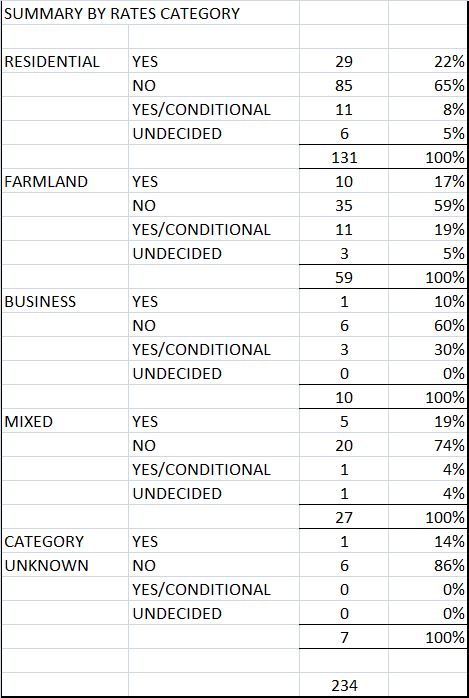
(Survey responses results – Attachment 6 a)

Overall results of the survey is provided in the table below, with combined rating categories included. Overall results **indicates 35% of responses are either in support of the proposed SRV or conditional/undecided, compared to 65% against the proposal.**

Council considers this result in context noting the small proportion of the population of Narromine Shire, being 234 responses from a community of over 6800 people, as sufficiently supportive to proceed.

Comments indicated that many of the respondents wanted to see improved Council efficiencies, at least the current level of services, improved asset maintenance and roads maintenance.





Written submissions

In addition to survey responses, Council received nine (9) written submissions during the consultation period. A copy of each written submission is attached. Comments in the submissions indicated various arguments against the proposed Special Rate Variation.

(Written submissions – Attachment 6 c)

Media reports and other indicators of public awareness of SRV proposal

Broad media coverage was achieved through media releases and paid advertising in local newspapers across the shire. A copy of media coverage is attached.

(Media coverage - Attachment 5)

Second Newsletter - Responses to community feedback

Council prepared a second newsletter to clarify many of the questions and issues raised in public meetings and feedback during consultation in November - December 2014. This second newsletter provided an update on information and responses to various matters raised during consultation and Council’s resolution of 10 December 2014 to notify IPART of its intention to apply for 5.9% increase for 2015/16 inclusive of 2.4% rate peg as determined and for 6.5% increase for 2016/17 inclusive of an estimated 3% rate peg. This second newsletter (attached) was mailed directly to all ratepayers in December and included on Council’s website. (Second newsletter – Attachment 5 a)

Specific questions from the community and responses provided in the second newsletter mailed to residents included the following:

**Q. Does Council need as many cars as it has?** A. Council approves any vehicle purchases and the replacement of them annually when the Plant Replacement Program is considered, based on their need and whether or not they are necessary to attract key staff. The number of Council’s light fleet equates to 0.3 vehicles per full time employee. Narromine Shire Council covers an area of 5,224 km2 and these vehicles are a necessary component of inspecting and maintaining Council assets.

**Q. Too much Bureaucracy – how do we get rid of the red tape?** A. Council is trying to simplify procedures but must still comply with all the regulations that govern local government. Our Council is like the other 152 Councils in NSW in this respect. We are an arm of the NSW State Government and have too much legislation to address. We are always looking at ways to reduce red tape and are awaiting the State Government’s lead on this.

**Q. When is my road going to be graded?** A. The frequency of grading is dependent upon Council’s hierarchy of roads. Council has a 10 year long term works program based on this hierarchy.

**Q. Is the $39,000 fee for a consultant to assist with the Special Rate Variation excessive?** A. Council staff do not have the required expertise or time to do the difficult and extensive application to IPART so a consultant experienced in this field was engaged. The final cost is expected to be lower than the budgeted amount which was funded from reserves.

**Q. Council debts – how much do we owe and when will they be finalised?** A. The total outstanding loan amounts at the end of the 2013/14 financial year were just under $1M and all have long repayment terms. The last of these is expected to be paid out in 2027.

**Q. Why does Trangie pay so much in rates? Why not pay the same rate in the dollar as Narromine residents?** A. Trangie land values are way below those in Narromine. Council needs to partially offset the amount of money spent in Trangie each year (which amounts to over $900,000 in direct costs alone). The actual rate amount is still far less than Narromine. The average for a Narromine resident is currently $614 whilst Trangie is $482.

**Q. Cost of amalgamations – have the sums been done, will Council be better off?** A. Council has not undertaken to do the cost benefit analysis at this stage. We will need to prepare a proposal for the NSW State Government by 30/06/2015. However if two Councils amalgamate voluntarily the State Government is offering a $5M incentive for two councils and $11M for three etc.

**Q. Staffing levels – prior to GM’s appointment has it risen?** A. Staffing levels in certain areas such as Asset Management and Engineering have increased with Council approval to meet the State Government’s Integrated Planning & Reporting requirements.

**Q. Why are we continually advertising for more staff?** A. These are mainly replacement staff. Council does not have any more staff numbers than any other comparable council and legally have to advertise for any vacancy within the organisation.

**Q. Will the surveys and submissions be made available at the end of the process?** A. All surveys and submissions will be sent onto IPART as part of the application process. Because of privacy reasons (a lot of the surveys had the ratepayer’s names and addresses added to them) only the summary of the surveys will be made public. A copy of Council’s application to IPART will be available on Council’s website from mid February 2015.

**Q. Where is Council up to with the trial road construction? – GM was supposed to report back in June 2014.** A. Council deferred the trial until the $3M LIRS loan was approved. Now that the loan is finalised, Council will be holding a workshop early in 2015 to plan the trial.

**Q. Update on roads – are we up to date or behind?** A. Council’s work program as at mid December 2014 is up to date. Councillors receive a monthly works report.

**Q. How do you expect pensioners and low income earners to pay more?** A. The increase is modest for pensioners and Council has recently adopted a Hardship Policy and extended time for payments can be given. This applies to all ratepayers suffering genuine hardship.

**Q. Are you going to reduce the proposed SRV % of 6.5 now that the rate peg has been announced as 2.4%?** A. Council resolved at its Ordinary Meeting on the 10th December to go with the 2.4% rate peg in the 2015/16 financial year with the additional 3.5% increase, bringing the total increase in the first year to 5.9%. The second year remains at the typical rate peg of 3.0% with the additional 3.5% increase.

**Q. Ratepayer rang IPART who advised they were surprised that Council has left the SRV process too late!** A. Council discussed its proposed application with IPART in early November 2014 and confirmed appropriate process and timelines in accordance with IPART advice.

Future Actions

One major concern to the community was improved efficiencies within Council’s operations. As a result of this, Council held a workshop on the 9th February 2015 where discussions were held on areas of current operations where improvements could be made. Attending the workshop were Councillors, General Manager, Directors, Engineering Managers and several outdoor staff. Further workshops will be held before the end of the 2014/15 financial year and in conjunction with the 2015/16 budget workshops to further investigate areas where efficiencies can be implemented.

# Assessment criterion 3: Impact on ratepayers

Criterion 3 within the OLG Guidelines is:

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

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

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

## Impact on rates

Much of the quantitative information we need on the impact of the special variation on (General Fund) rate levels will already be contained in Worksheet 5a and 5b of Part A of the application.

To assist us further, the application should set out the rating structure under the proposed special variation, and how this may differ from the current rating structure, or that which would apply if the special variation is not approved.

We recognise that a council may choose to apply an increase differentially among categories of ratepayers. If so, you should explain the rationale for applying the increase differentially among different categories and/or subcategories of ratepayers. This will be relevant to our assessment of the reasonableness of the impact on ratepayers.

Councils should also indicate the impact of any other anticipated changes in the rating structure.

Impact on Rates

Narromine Shire Council seeks to build a sustainable future for ratepayers. Recognising the issue of financial sustainability and the need to ensure adequate funding for ongoing maintenance and replacement of infrastructure assets, including urban and rural roads, the Council is considering securing its rates revenue by increasing rates across all categories through a special rate variation (SRV).

Under the SRV, Council proposes to increase aggregated residential, farmland and business rates over a two year period commencing 2015/16 as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Rates | 2015/16 | 2016/17 | Average |
| Residential (% change) | 5.69% | 6.50% | 6.10% |
| Farmland (% change) | 6.52% | 6.50% | 6.51% |
| Business (% change) | 5.31% | 6.50% | 5.90% |
| Mining (% change) | 5.91% | 6.50% | 6.20% |

The proposal provides for two years of increases of 5.9% for 2015/16 (comprising 2.4% determined rate peg and special variation of 3.5%) and 6.5% in 2016/17 (comprising 3% estimated rate peg and special variation of 3.5%). In the following year (ie 2017/18) the revised total rate would increase by the normal rate pegging percentage (estimated at 3% per annum). The increases for 2015/16 and 2016/17 are proposed to remain as a permanent increase to rates and to be applied across all categories as shown in the table above.

The cumulative percentage increase to the general rate over the two years will be an overall 12.78% with the proposed special rate variation. In comparison, without the special rate variation the cumulative increase over the two years would be 5.47% with rate pegging only (based on 2.4% for 2015/16 and estimated 3% for 2016/17)

The impact on rating categories by the end of the SRV implementation period shows a cumulative increase across residential rates in Narromine Shire will be 12.56%, 13.44% across farmland rates and 12.15% across business rates.

The additional income to Council for the first year would be approximately $170,000 and the additional income to Council for the second year would be approximately $185,000.

The Western Research Institute (WRI) was engaged to assess the impact of the implementation of the proposed rate increases, including consideration of whether the proposed rates increase is comparable to other price and cost increases in Narromine Shire LGA, the impact of the proposed rates increase on household expenditure and business viability, in addition to the impact of the proposed rates increase on Narromine Shire LGA’s ranking relative to its peers in terms of personal income and socio-economic indicators.

(Attachment 13 b)

The report concludes that the impact of the proposed rates increase on general rates for residential, farmland and non-farmland business is assessed as follows:

The rate increase is considered reasonable, if it is in line with the majority of other price and cost increases over the next 2 years, or if the proposed rate increases will “catch up” with the majority of other price and cost increases over the 2 year period.

The impact of the rate increase on households is considered insignificant if rates, as a percentage of household expenditure, change by less than 1 percentage point, and the level of rates as a percentage of household expenditure remains under 1%.

The impact of the rate increase on the viability of Narromine Shire businesses is considered insignificant if the rate increase as a percentage of industry value added changes by less than 1 percentage point, and the level of rates as a percentage of industry value added remains under 1%. This assumes company tax of 30% has been deducted.

The rate increases are considered consistent with Narromine Shire rankings in terms of personal income and socio-economic (dis-)advantage, if:

 Following the implementation of the SRV, the rates ranking of Narromine Shire is brought in line with its average personal income ranking;

 Some form of assistance accompanying the rate increases is provided in order to compensate for the rate increases in Narromine Shire over the 2 year period.

The WRI report confirms as follows:

*Despite the fact that residential rates as a proportion of household expenditure is above 1% for some household categories, the proposed increase of residential rates in Narromine Shire is likely to have a negligible impact, because under the proposed SRV, rates as a percentage of total household expenditure will decline by 0.03 percentage points between 2014/15 and 2016/17 in the ‘All households’ category. Therefore, the proposed SRV will not unduly compromise residents overall expenditure;* ***the reasonableness criterion is satisfied****.*

*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.*

*Despite the fact that the rates/value added ratio for farm businesses is above 1%, the proposed rates increase is likely to have a negligible impact on capacity to pay because modelling suggests that the rates to value added ratio will decline.*

*Overall the* ***reasonableness criterion is satisfied*** *in both business and farmland rate cases.*

### Minimum Rates

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

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

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

The rate peg percentage x

The special variation percentage x

Another amount  Indicate this amount \_\_\_\_\_\_\_N/A\_\_\_\_\_\_

What will the residential minimum rate be after the increase?

|  |  |  |  |
| --- | --- | --- | --- |
| **PROPOSED MINIMUM RATE  Inc Rate Peg + SRV** |  | 5.9% SRV | 6.5% SRV |
| **RESIDENTIAL CATEGORY** | **Current 2014/15** | **2015/16** | **2016/17** |
| ***Average Minimum Rate- Residential*** | **314.32** | **332.87** | **352.17** |

The council must explain how the proposed special variation will apply to the minimum rate of any ordinary and special rate, and any change to the proportion of ratepayers on the minimum rate for all relevant rating categories that will occur as a result.

You should also explain the types of ratepayers or properties currently paying minimum rates, and the rationale for the application of the special variation to minimum rate levels.

Minimum Rate

The number of properties on the minimum rate in each category and proportion of ratepayers on the minimum rate after the SRV will have **negligible change** as shown in the following table:

|  |  |  |  |
| --- | --- | --- | --- |
| **PROPERTIES ON MINIMUM RATE** |  | 5.9% SRV | 6.5% SRV |
| **RESIDENTIAL CATEGORY** | **2014/15 as at 1/7/14** | **2015/16** | **2016/17** |
| Rural Residential | 54 | 54 | 54 |
| Narromine | 140.2 | 140.2 | 133.2 |
| Trangie | 89 | 91 | 91 |
| Tomingley | 11 | 11 | 11 |
| Skypark | 0 | 0 | 0 |
| ***Total Residential Assessments*** | **294.2** | **296.2** | **289.2** |
| **BUSINESS CATEGORY** | **2014/15 as at 1/7/14** | **2015/16** | **2016/17** |
| Business | 37 | 38 | 38 |
| Narromine | 56.8 | 56.8 | 56.8 |
| Trangie | 24 | 24 | 24 |
| Industrial Estate | 15 | 16 | 16 |
| ***Total Business Assessments*** | **132.8** | **134.8** | **134.8** |
| **FARMLAND CATEGORY** | **2014/15 as at 1/7/14** | **2015/16** | **2016/17** |
| Farmland | 23 | 23 | 23 |
| ***Total Farmland Assessments*** | 23 | 23 | 23 |
| **MINING CATEGORY** | **2014/15 as at 1/7/14** | **2015/16** | **2016/17** |
| Mining | 0 | 0 | 0 |
| ***Total Mining Assessments*** | 0 | 0 | 0 |
|  |  |  |  |

Minimum rate across categories with proposed Special Rate Variation

The proposed special rate variation will apply evenly to the minimum rate across categories on the basis that this is considered to provide an equitable distribution of the increase.

The resultant changes the minimum rate across categories is shown in the following table:

|  |  |  |  |
| --- | --- | --- | --- |
| **PROPOSED MINIMUM RATE  Inc Rate Peg + SRV** |  |  |  |
| **RESIDENTIAL CATEGORY** | **Current 2014/15** | **2015/16** | **2016/17** |
| Rural Residential | 252.79 | 267.70 | 283.23 |
| Narromine | 398.42 | 421.93 | 446.40 |
| Trangie | 324.74 | 343.90 | 363.84 |
| Tomingley | 197.25 | 208.89 | 221.00 |
| Skypark | 398.42 | 421.93 | 446.40 |
| ***Average Minimum Rate- Residential*** | **314.32** | **332.87** | **352.17** |
| **BUSINESS CATEGORY** | **Current 2014/15** | **2015/16** | **2016/17** |
| Business | 547.31 | 579.60 | 613.21 |
| Narromine | 902.67 | 955.93 | 1,011.37 |
| Trangie | 890.01 | 942.52 | 997.19 |
| Industrial Estate | 869.55 | 920.85 | 974.26 |
| ***Average Minimum Rate - Business*** | **802.39** | **849.73** | **899.01** |
| **FARMLAND CATEGORY** | **Current 2014/15** | **2015/16** | **2016/17** |
| Farmland | 252.79 | 267.70 | 283.23 |
| ***Average Minimum Rate- Farmland*** | **252.79** | **267.70** | **283.23** |
| **MINING CATEGORY** |  |  |  |

## Consideration of affordability and the community’s capacity and willingness to pay

The council is required to provide evidence through its IP&R processes, and in its application, of how it assessed the community’s capacity and willingness to pay the proposed rate increases. This is to include an explanation of how the council established that the proposed rate rises are affordable for the community.

Evidence about capacity to pay could include a discussion of such indicators as SEIFA rankings, land values, average rates, disposable incomes, the outstanding rates ratio and rates as a proportion of household/business/farmland income and expenditure, and how these measures relate to those in comparable or neighbouring council areas.

As many of these measures are highly aggregated, it may also be useful to discuss other factors that could better explain the impact on ratepayers affected by the proposed rate increases, particularly if the impact varies across different categories of ratepayers.

We may also consider how the council’s hardship policy (see Section 5.3 below) might reduce the impact on socio-economically disadvantaged ratepayers.

Affordability and Community capacity and willingness to pay

The proposed increase is limited to a two year period and the lowest rate feasible to achieve financial sustainability while enabling Council to maintain service levels and financial sustainability.

Council is committed to its stated Values and Principles including “Council Services will be accessible and affordable for all shire residents” (Community Strategic Plan – Attachment 1)

Independent Assessment of Affordability of the SRV –Report Western Research Institute (WRI)

An independent report prepared by WRI provides a comprehensive summary of community indicators for Narromine Shire and indicates community capacity to pay the proposed special rate variation. (WRI report – Attachment 13 b)

The Western Research Institute (WRI) was engaged to assess the impact of the implementation of the proposed rate increases, including consideration of whether the proposed rates increase is comparable to other price and cost increases in Narromine Shire LGA, the impact of the proposed rates increase on household expenditure and business viability, in addition to the impact of the proposed rates increase on Narromine Shire LGA’s ranking relative to its peers in terms of personal income and socio-economic indicators.

The report concludes that the impact of the proposed rates increase on general rates for residential, farmland and non-farmland business is assessed as follows:

The rate increase is considered reasonable, if it is in line with the majority of other price and cost increases over the next 2 years, or if the proposed rate increases will “catch up” with the majority of other price and cost increases over the 2 year period.

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The rate increases are considered consistent with Narromine Shire rankings in terms of personal income and socio-economic (dis-)advantage, if:

 Following the implementation of the SRV, the rates ranking of Narromine Shire is brought in line with its average personal income ranking;

 Some form of assistance accompanying the rate increases is provided in order to compensate for the rate increases in Narromine Shire over the 2 year period.

The WRI report confirms as follows:

*Despite the fact that residential rates as a proportion of household expenditure is above 1% for some household categories, the proposed increase of residential rates in Narromine Shire is likely to have a negligible impact, because under the proposed SRV, rates as a percentage of total household expenditure will decline by 0.03 percentage points between 2014/15 and 2016/17 in the ‘All households’ category. Therefore, the proposed SRV will not unduly compromise residents overall expenditure;* ***the reasonableness criterion is satisfied****.*

*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.*

*Despite the fact that the rates/value added ratio for farm businesses is above 1%, the proposed rates increase is likely to have a negligible impact on capacity to pay because modelling suggest that the rates to value added ratio will decline.*

*Overall the* ***reasonableness criterion is satisfied*** *in both business and farmland rate cases.*

Comparison of rates to peer Local Government Areas (LGA)

In relation to rating comparison with its peer councils, the WRI report concludes as follows:

*Narromine Shire residential rates have been rising in accordance with its peer LGA rates and ranks favourably, having rates well below the respective peer group median. This indicates that Narromine Shire residents are likely to be able to continue to pay their rates under the SRV. (*Ref WRI Report – Attachment 13 b)

## Addressing hardship

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

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

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

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

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

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.

As a measure to assist the community where needed, Council prepared a Draft Hardship Policy in 2014 and following a period of public exhibition adopted the Hardship Policy at its meeting of 11 February 2015. (Res 2015/20).

(Council’s adopted “Hardship Policy ” - Attachment 7)

This policy seeks to provide assistance to ratepayers who are experiencing genuine difficulties with the payment of their rates and to provide a process for the appropriate assessment of all financial hardship applications.

This policy is available to the ratepayers of all land categorized as Residential or Farmland for rating purposes within the Narromine Shire Council local government area, subject to the following limitations:

 The property must be the ratepayer’s principal place of residence

 The applicant must be the owner of the property and must be liable for the payment of rates and charges on the property

 Genuine financial hardship can be displayed and supporting documentation is required

The policy is prepared in accordance with the provisions of The Local Government Act, 1993 to assist ratepayers in cases of financial hardship. In particular:

 Section 601 – Hardship resulting from certain valuation changes

 Section 564 – Agreement as to periodical payment of rates and charges

 Section 567 – Writing off accrued interest

 Section 577 – Extension of concession to avoid hardship

Council will consider applications for assistance in accordance with the following

principles:

 Council will individually assess cases of financial hardship.

 Council will not reduce rates or annual charges, but will consider alternative available approaches to dealing with cases of financial hardship.

 Council may consider a scheme of periodical payment outside the due dates in

cases of hardship or extenuating circumstances.

 Council may consider the write off of accrued interest and costs.

 Council may consider deferral of rates due to certain valuation changes.

 Council may consider waiving or reducing of Council fees.

 A register of approved applications will be maintained.

Debt Recovery Policy

Council reviewed its Debt Recovery Policy in 2014 and following a period of public exhibition adopted its revised Debt Recovery Policy at its meeting of 11 February 2015 (Res 2015/20).

(Council’s adopted “Debt Recovery Policy” - Attachment 13 c)

Council’s Debt Recovery Policy provides guidelines for recovering outstanding rates, fees and charges owed to Council. The policy provides opportunity for payment by instalment and waivure of interest in some circumstances of hardship where application is made in accordance with the Hardship Policy.

The policy also encourages instalment payments by pensioners with outstanding rates and charges, stating as follows:

*…“Pensioners with outstanding rates and charges should be encouraged to enter into an arrangement to pay by fortnightly instalments using Centrelink’s Centrepay option. Minimum amount accepted by Council is $20.00 per fortnight.”….*

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

Criterion 4 within the OLG Guidelines is:

*The relevant IP&R documents[[5]](#footnote-5) must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation to its general revenue.*

Briefly outline the significant IP&R processes the council has undertaken to reach the decision to apply for a special variation. Include the details of and dates for key document revisions, public exhibition period(s) and the date(s) that the council adopted the relevant IP&R documents.

You should also include extracts from council minutes as evidence that the documents were adopted.

The council is reminded that amendments to the Community Strategic Plan and Delivery Program require public exhibition for at least 28 days prior to adoption, while amendments to the Long Term Financial Plan and Asset Management Plan/s do not require public exhibition.[[6]](#footnote-6)

**Integrated Planning and Reporting Documents - Process**

2012 – Adoption of IP&R documents

At its meeting on 15 May 2012 Council resolved to exhibit for 28 days the draft Integrated Planning & Reporting documents. Subsequently at its meeting of 19 June 2012 Council adopted IP&R documents noting community submissions received, resolving as follows:

*“1. That in accordance with Schedule 8 of the Local Government Act 1993, Council adopt the draft Integrated Plan consisting of the 10 year 2012/22 Community Strategic Plan, 4 year 2012/16 Delivery Program, Annual Operating Plan 2012/13 (which includes Revenue Policy and Fees & Charges) and Resourcing Strategy documents (4 year 2012/16 Workforce Plan, 10 year 2012/22 Long Term Financial Plan, Asset Management Policy, Asset Management Strategy, 10 year 2012/22 Asset Management Plans) subject to the amendments proposed in the report….”*

*(Res 2012/164 – Attachment 13 d)*

2014 –Special Rate Variation Amendments – Revised Delivery Program and Revised Long Term Financial Plan

(Revised Delivery Program Attachment 2

Revised Long Term Financial Plan – Attachment 3)

Following its decision at its meeting of October 2014 to apply for a special rate variation, Council prepared its revised Delivery Program and revised Long Term Financial Plan. Amendments included narrative on financial sustainability and the proposed Special Rate Variation in addition to SRV impacts on rating categories and forecasted General Fund operating results.

At its meeting of 12 November 2014, Council considered the revised documents and resolved *“That Council adopt the revised Delivery Program 2012-2016 and revised Long Term Financial Plans and resolve to place them on public exhibition for 28 days.”*

(Res 2014/365- Attachment 13 d)

The revised Delivery Program and revised Long Term Financial Plan were exhibited for 28 days in November-December 2014.

The Revised Long Term Financial Plan amendments included General Fund and consolidated forecasts. Additional narrative on LTFP amendments and the SRV was included in a further report to Council and adopted on 11 February 2015.

(Res 2015/19 - Attachment 13 d)

The revised documents were exhibited and all submissions received during the period November 2014 to January 2015 in relation to these documents and the Special Rate Variation proposal were considered.

Council received no submissions on the revised documents.

At its meeting of 11 February 2015 Council resolved as follows:

*“that Council adopt –*

*The revised Narromine Shire Council Delivery Program 2012- 2016*

*The revised Narromine Shire Council Ten Year Long Term Financial Plan which includes the consolidated plan, with separate plans for the general, water and sewerage funds; and*

*The narrative which forms part of the Ten Year Long Term Financial Plan;*

*That the adopted versions be placed on Council’s website and submitted with Council’s Special Rate Variation application*.” (Res 2015/19)

*(Attachment 13 d)*

# Assessment criterion 5: Productivity improvements and cost containment strategies

Criterion 5 within the OLG Guidelines is:

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

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

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

Where possible, the council is to quantify in dollar terms the past and future productivity improvements and cost savings.

The council may also provide indicators of efficiency, either over time or in comparison to other relevant councils. We will make similar comparisons using various indicators and OLG data provided to us.

*Productivity improvements and cost containment strategies that council has implemented in the last two years (or longer) and any plans for productivity improvements and cost containment during the period of special variation.*

Council has actively reviewed its operations and costs over the past two years and progressed initiatives for productivity improvements and costs containment strategies including the following:

- Council has “fine-tuned” its organisational structure and made significant staff changes to ensure there is more stability. One critical change was the establishment of the Asset Management Unit for the development of funded works programs, aligned to the Asset Management Plans, with the Directors to undertake the projects plus upgrading the important functions of Records, Information Technology, Events, Tourism and Economic Development.

- Council has developed seven (7) Infrastructure Asset Management Plans including Water, Sewerage, Waste, Roads, Aerodrome, Buildings and Recreational Facilities, to ensure works programs are geared to sustaining the life cycle of the asset within the available resources.

- Strategic plans are being developed for all of the assets which will enable the level of service, retention or otherwise of the asset to be reviewed by Council and fully informed decisions made by them on a planned, non ad-hoc basis. Strategic Plans have been developed for the Narromine Aerodrome, Roads, Water, Sewer and Waste following extensive community consultation during 2013/14.

- Internally, our Roads Management practices are being improved in consultation with our community needs and civil engineering consultants, with productivity gains anticipated to complement our Roads Asset Management obligations.

- Reviews have also been undertaken in other areas of Council’s responsibility in order to ensure our financial and asset management capability, including a review of our levels of service.

Resource Sharing

Council has been actively working to progress alliances and sharing of resources for improved capacity and sustainability in the long term. Council has formed strong alliances within the Orana Regional Organisation of Councils (comprising 12 other councils), the Lower Macquarie Water Utilities Alliance (12 others), the Macquarie Regional Library (3 others), Orana Arts and Netwaste, etc. This enables Council to participate in the ‘shared resources’ philosophy as part of a Joint Organisation of Councils to be established and maintain a sustainable financial position to ensure Council retains its independence as a ‘stand alone’ Council in lieu of the possibility of being a western dormitory suburb of the proposed Dubbo Regional Council, along with Wellington Shire, to the east of Dubbo. (Annual Report 2013-14 page 9 – Attachment 13 e)

Cost Savings

Council conducted a review of assets and prepared an asset management plan, in accordance with recommendations from TCorp. Outcomes of the plan include a strategic approach to maintenance and costs into the future, providing for efficiencies and scheduling improvements.

New Asset Management System implemented resulted in savings of over $500,000 in 2013/14 in depreciation costs alone. Services and operations are being reviewed to determine a revised schedule of maintenance for existing assets for further efficiency improvements.

Council has completed a three year internal audit plan reviewing financial and risk management areas to ensure compliance. A further three year option is currently being considered to enable Council to compare our operations with comparative councils with the goal of improving efficiencies.

Council resolved in November 2014 to revise its organisational structure with a reduction of directorates from four to three.

Administrative efficiencies include purchase of IPads for Councillors to reduce the cost of printing meeting papers.

Staff productivity and skills improvements are actively being progressed, including a new Performance Management System to assist with the monitoring the performance of staff and highlighting areas for improvement, enhancing skill levels of employees with additional training, review of recruitment practices for improved staff selection.

Various initiatives have been completed in recent years or are currently underway. For example:

All systems of Council have been reviewed and improved with the establishment of an Asset Management Unit, Asset Plans, 10 year long term Work Plans and weekly work plans etc.

A new Asset Management System has been purchased and is now operational resulting in over $500,000 in savings in 2013/14 in depreciation costs alone. The next step is to look at levels of service for our assets and implement them in the near future. This will determine a schedule for maintenance of existing assets so that money is being spent at the optimum time and thereby improving efficiency.

Council has completed a three year internal audit plan which looked into the financial and risk management areas to ensure compliance and which ultimately lowered our risk exposure. A further three year plan is being investigated which will look at comparing our operations to other “like” councils with the aim of improving efficiencies in areas such as plant utilisation, procurement, contracts, governance etc., for example to identify and implement “best practices” to improve efficiency.

A major review of Council’s Information Technology needs has commenced.

Council policies and procedures (in excess of 100), are being reviewed and implemented.

Staff productivity and skills improvements are being progressed. As staff leave, all positions are reviewed and replaced with qualified staff that have the much needed skill sets in engineering, information technology, records, roads and supervisory experience. A Performance Management System has been purchased which will assist with monitoring the performance of staff and highlighting further areas for improvement in productivity and management. The skills level of our workers is being enhanced with additional training to fill any gaps and to meet statutory obligations.

Recruitment practices are regularly reviewed and improved to ensure the right people are hired for the job with the right attitude and skill set.

Recent resignations have provided the opportunity to reconsider the continuation of these positions.

Asset Management – Efficiency and Productivity Improvements

Over the past two years Council has achieved efficiency and productivity gains in its asset management across four key areas -

1. Capital Project Delivery savings

2. Operating Expenditure waste minimisation

3. Extra income to Council through better quality and quantity of Grant applications

4. Depreciation savings through better attribute and condition data management

1. Capital Project Delivery efficiency savings

Improved accuracy in cost estimates to ensure works completed within budget

Material properties such as gravel are engineered and assessed ‘fit for purpose’ hence rework reduced to almost nil.

Agreements and schedules of rates for local/ongoing suppliers to minimise administration.

Problems identified through inspections and resolved through improved project ‘milestones’ planning before crews get to site, optimising day labour and plant utilisation.

Optimum mix of Contractors and day labour chosen for each stage of a project.

Comprehensive project plans complete with designs given to crews.

Kick off meetings with crews to ensure transfer of information and understanding.

Weekly monitoring/inspections and monthly meetings to address issues before they become costly.

Project final inspections and NCR’s issued prior to being eligible for closure.

Capitalisation done quarterly instead of Yearly to align with finance.

2. Operating Expenditure waste minimisation:

Improvements through Proactive’ not ‘Reactive’ approach to Maintenance.

Planned Maintenance Scheduling with Time/Condition triggers for infrastructure asset classes to ensure consistency and correct levels of service applied.

Improved Works Management to filter complaints and prioritise reactive work according to pre adopted intervention levels.

Routine inspection programs implemented to keep track of Asset Conditions address intervention levels, and prioritise future capital and maintenance works.

Strategic asset management (SAM) modelling now commenced to review levels of service and the corresponding cost and condition implications.

Asset lifecycle costs assessed, analysed and optimised.

3. Additional grant funding applications and revenues:

Stormwater Management Service Charge $55k/year annually from 2014.

LIRS grant awarded - interest savings of $90k in year 1 over $500k over 10 years.

Footpath and Cycleways $70k for 2014/15 potentially $70k for 2015/16.

Traffic Facilities line marking and signs grants $10k-$15k per year.

Fixing Country Roads / Bridge renewal potentially $1.25M.

Heavy Vehicle safety and Productivity program (potentially $600k).

Restart NSW $1.8M for new water infrastructure assisted MEO.

Footy Fund - Potentially $60k for Trangie Burns Oval.

$50k Waste asbestos disposal private works.

$19K work for John Holland.

$5k Work for Trangie Caravan Park.

Other ‘private works’ revenues of approx. $20k in 2014.

4. Depreciation savings through better attribute and condition data management:

Improved Asset Management System database.

Improved asset management identification, condition assessment, valuation, depreciation.

Independent valuation of assets underway for completion in 2015.

Other Improvements

Additional Asset Management improvements over the past two years include the following:

New and updated policies and procedures for increased efficiencies.

Completion and implementation of Asset Strategies and Asset Management Plans.

Completion of 10 year plans for all capital works reserves.

New Customer Requests Management and Works Management system designed and ready for roll out and training of staff to greatly aid efficiency and tracking of Customer interfaces.

GIS mapping of assets classes and integration with Asset database .

Implementation of E-tendering (Tenderlink) is saving Council staff many hours of administration on each tender for multiple users in multiple Departments.

Sky Park stage 4 redesigned by in house assets team and now compliant to Standards and eligible for a construction certificate - project managed by Asset Team delivered by contractors will make the Council approx $400k.

# List of attachments

The following is a list of the supporting documents to include with your application. Some of these attachments will be mandatory to all special variation applications eg, Attachment 1, extracts from the Community Strategic Plan. Other attachments will be required from some, but not all, councils. For example, Attachment 10, extracts from the Asset Management Plan, would be required from a council seeking approval of a special variation to fund infrastructure. Councils should submit their application forms and attachments online through the Council Portal in the following order.

|  |  |
| --- | --- |
| Item | Included? |
| **Mandatory forms and Attachments** |  |
| Part A Section 508A and Section 508(2) Application form (Excel spreadsheet) | x |
| Part B Application form (Word document) – this document | x |
| Attachment 1: Relevant extracts from the Community Strategic Plan | x |
| Attachment 2: Delivery Program | x |
| Attachment 3: Long Term Financial Plan with projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in Excel format | x |
| Attachment 4: TCorp report on financial sustainability | x |
| Attachment 5: Media releases, public meeting notices, PowerPoint Presentation, newspaper articles, fact sheets relating to the rate increase and special variation | x |
| Attachment 6: Community feedback (including surveys and results if applicable) | x |
| Attachment 7: Hardship Policy | x |
| Attachment 8: Resolution to apply for the special variation | x |
| Attachment 9: Certification | x |
| **Other Attachments** |  |
| Attachment 10: Asset Management Plan and Asset Management Strategy | x |
| Attachment 11: Past Instruments of Approval (if applicable) |  |
| Attachment 12: Resolution to adopt the revised Delivery Program | x |
| Attachment 13: Other (please specify) – see below | x |

Other Attachments:

1. The Independent Auditors’ Report for the year ending 30 June 2014
2. Western Research Institute – Assessment of the impact of the proposed special rate variation
3. Debt Recovery Policy – Adopted December 2014
4. Council Reports and Resolutions – Special Rate Variation proposal reports and resolutions
5. Annual Report 2013/14 – Extract page 9

# CERTIFICATION

**APPLICATION FOR A SPECIAL RATE VARIATION**

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

Name of council: Narromine Shire Council

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

General Manager (name): Greg Lamont

Signature and Date:

Responsible Accounting Officer (name): Yvonne Clarke

Signature and Date:

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

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