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| CouncilLogoJERILDERIE SHIRE COUNCILSpecial Variation Application Form – Part BCouncil Applications for 2015/16 |
| Submitted to IPART: 16 February 2015Council Contact Person: Craig MoffittCouncil Contact Phone: 0358 861200Council Contact Email: mail@jerilderie.nsw.gov.au |

 Independent Pricing and Regulatory Tribunal of New South Wales 2014

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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
* Souncection 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

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

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

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

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

2-24 Rawson Place, Sydney NSW 2000

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

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

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

# Preliminaries

## Focus on Integrated Planning and Reporting

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

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

## Key purpose of special variation

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

|  |  |
| --- | --- |
| Maintain existing services | [x]  |
| Enhance financial sustainability | [x]  |
| Environmental services or works | [ ]  |
| Infrastructure maintenance / renewal | [x]  |
| Reduce infrastructure backlogs | [ ]  |
| New infrastructure investment | [ ]  |
| Other (specify) | [ ]  |

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

Jerilderie Shire Council adopted its first Community Strategic Plan (CSP) in June 2012, after extensive consultation with the community. Within this document are the expectations of our community, with one key outcome being that our roads are consistently maintained to a high standard (attachment # 1).

The NSW Treasury Corporation’s (TCorp) Financial Assessment (attachment # 4), received in April 2013, indicates Council to be sustainable in the short term, but facing increasing pressure over the long term. It also notes that Council will not spend sufficient amounts on capital expenditure to renew and replace its existing assets and it does not have the capacity to undertake additional borrowings.

Council adopted its Asset Management Plans (AMP) in June 2014. The Transport AMP (attachment # 10) clearly indicates a funding shortfall of $7.38m over the next 10 years for priority renewals of transport infrastructure, together with $1.23m funding shortfall over the next 10 years for priority upgrading of transport infrastructure.

Council has been reducing the funding for road renewals and upgrades for a number of years. Following the adoption of the Community Strategic Plan in 2012, it was clearly evident that the continued constrained budget would not allow sufficient funding to meet the community’s priorities.

In preparing the 2014-2018 Delivery Program and Operational Plan (attachment # 2) the option of a further cut back of services was not considered, as it would see capital renewals and restoration obligations not being met.

At the 2014 / 2015 budget workshops with Councillors, the option of a special rate variation to increase funding for road reseals, re-sheeting and rehabilitation, was tabled for Council discussion and consideration.

Other options discussed included:

|  |  |
| --- | --- |
| Increased fees and charges | There is limited opportunity available to Council to increase this revenue stream, predominately RMS contracted works and private works. RMS contracted works and private works are currently undertaken at maximum available opportunities. |
| Increased grant funds | Most grants that could be utilised by Council are $ for $ grants and Council is unable to meet its obligation to find 50% of the budget for works. There are very few grants available for maintenance works. |
| Reduce staffing levels | Some reduction in staff hours has occurred over the past 5 years, however Council staffing is at a minimum level, the average for Councils in our category.Further reduction of staff would lead to reduced service levels and a lack of suitably qualified and trained staff to undertake specialised tasks. |
| Outsourcing | Council has been proactive in outsourcing its expertise to neighbouring Shires and to other State Government agencies toto bring additional income into the Council.This option provided only a minimal income stream. |

After budget workshops and Council’s meeting of 22 April 2014, it was determined to propose a permanent special rate variation of 10% (including the rate peg) for 2 consecutive years, 2015/16 and 2016/17.

## 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.

For a number of years Council has identified the challenge of funding infrastructure and services.

The CSP details the expectations of our community, with one key outcome being that our roads are consistently maintained to a high standard. In the past Council’s road condition has been maintained to a high standard, however Council officers have become concerned that the reduced funding levels for resealing and resheeting will impact on condition ratings in the very near future.

Council’s Transport AMP confirms the requirement for an additional $700K per annum, to maintain Council’s roads at their current condition rating.

Council’s Long Term Financial Plan (LTFP) (attachment # 3), indicates a cash deficit of up to $2million, without the impact of additional rate income.

The TCorp Financial Assessment, received in April 2013, notes that Council does not have the capacity to undertake additional borrowings, in addition to that already included in the LTFP.

Following TCorp’s financial assessment, Council is reluctant to use borrowings to maintain levels of service, conscious that loan interest payments reduces capacity to fund maintenance and renewals.

Council has reviewed its services and alternative revenue sources.

**Jerilderie Community Strategic Plan 2012-2030**

The following 2 objectives are considered by Council to be part of Council’s core business, and are two of the largest expenses borne by Council. Council have assessed that the proposed rate increase will be used primarily to fund works to meet the community’s expectations in relation to these two objectives:

2.2.1 Infrastructure that facilitates a community that is physically active

This objective requires Council to maintain the pedestrian network in the town and to maintain parks, gardens and recreational facilities.

Key infrastructure in this category in the Shire is ageing and in two cases requires major upgrade works, i.e. the swimming pool and netball courts. These works under the current budget cannot be undertaken unless full grant funding is obtained for the projects.

2.3.1 Deliver roads that ensure safe and enjoyable vehicular passage throughout the Shire

Council’s extensive road network requires a significant allocation of funding. Like a number of rural Councils, Jerilderie’s road network is large compared to the overall population of the Shire, and is utilised by large vehicles including road trains and b-doubles.

The rural roads are important to the Shire’s overall economic wellbeing, as all agricultural produce within the Shire is transported via the road network. Primary producers require safe and accessible roads to maintain their livelihoods.

Council historically has had a resealing program of 12-15 years and a re-sheeting program of 8-10 years. This is considered to be an optimum level of service.

The current level of service has been reduced to beyond 20 years for both resealing and re-sheeting, a less than adequate level.

If no additional revenue can be sourced, the resealing and re-sheeting programs will blow out towards 30 years, at which point Council faces the real prospect of being unable to hold the level of service without major injection of capital funds.

The rate increase will allow Council to maintain level of road maintenance services within a 20 year program.

The permanent special rate variation is required to ensure that the community of Jerilderie Shire can remain active and to ensure the road network is maintained at a standard to adequately support the rural community to maintain its financial wellbeing.

## 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.

TCorp’s financial assessment provided in April 2013, determined that Council’s Financial Sustainability Rating was moderate, however the outlook for the future was negative. The TCorp Report determined that the forecast continuing operating deficits are likely to affect Council’s ability to continue delivering services at its current level. In the view of TCorp, Council will be sustainable only in the short term, facing greater pressures in the long term.

Council’s LTFP was modelled on three scenarios. Scenario 1 includes a calculation with assumptions that include the rate peg amount only. Scenario 2 includes a calculation with a special rate variation of 10% for year 2015/2016. Scenario 3 includes calculations with special rate variations of 10% for years 2015/2016 and 2016/2017.

Cash flow projections for both Scenarios 1 and 2 indicate an unsustainable position over the long term. Scenario 3 indicates a positive cash flow position which will, in fact, allow for additional infrastructure renewal programmes to be implemented.

**Please note:** Council’s adopted LTFP covers the financial years 2014/2015 – 2023/2024. Application Part A WK7 therefore includes only 9 years from the base year.

## 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 following graph shows the proposed cash availability by each of the scenarios proposed:

The operating balance ratio (excluding capital items) for the general fund shows an improving ratio over the long term as shown below. (Treasury’s bench mark is better than

 -4%.)

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** |
| Scenario 1 | -14.21 | -14.23 | -13.97 | -12.56 | -13.54 | -12.26 | -11.72 | -10.41 | -9.86 | -9.58 |
| Scenario 2 | -14.21 | -12.31 | -12.04 | -10.64 | -11.59 | -10.33 | -9.78 | -8.49 | -7.94 | -7.66 |
| Scenario 3 | -14.21 | -12.31 | -10.05 | -8.66 | -9.58 | -8.33 | -7.78 | -6.50 | -5.95 | -5.67 |

Similarly the rates and annual charges ratio and the own source operating revenue ratio show an improvement over the 10 year period if the special rate variation is imposed.

**Rates and Annual Charges Ratio ( % )**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** |
| Scenario 1 | 25.87 | 26.34 | 26.58 | 26.71 | 26.91 | 27.01 | 27.18 | 27.27 | 27.43 | 27.53 |
| Scenario 2 | 25.87 | 27.57 | 27.82 | 27.95 | 28.17 | 28.27 | 28.45 | 28.54 | 28.70 | 28.81 |
| Scenario 3 | 25.87 | 27.56 | 29.11 | 29.23 | 29.45 | 29.54 | 29.74 | 29.82 | 30.00 | 30.09 |

**Own Source Operating Revenue ( % )**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** |
| Scenario 1 | 44.78 | 49.99 | 50.04 | 50.11 | 49.95 | 49.87 | 49.73 | 49.70 | 49.55 | 49.49 |
| Scenario 2 | 44.78 | 50.74 | 50.80 | 50.88 | 50.73 | 50.65 | 50.52 | 50.49 | 50.36 | 50.30 |
| Scenario 3 | 44.78 | 50.72 | 51.59 | 51.66 | 51.51 | 51.42 | 51.32 | 51.28 | 51.17 | 51.10 |

Importantly, the proposed special rate variation allows for increased funds being made available for asset renewal. When reviewing the Asset Renewal Ratio, the proportion spent on infrastructure asset renewal as compared to the assets deterioration (depreciation), indicates improvement over 10 years allowing for the return to the community’s expected maintenance levels.

**Asset Renewal Ratio** (Bench mark = >1)

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** |
| Scenario 3 | 1.39:1 | 1.11:1 | 1.07:1 | 1.18:1 | 1.09:1 | 1.08:1 | 1.13:1 | 1.14:1 | 1.23:1 | 1.23:1 |

Please note: 2015 Ratio includes one off restoration cost of swimming pool of $900,000 (fully funded by external grants),

## 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).

Jerilderie Shire Council does not have a Section 94 Contribution Plan as there is minimal subdivision development within the Shire. The urban land development is undertaken by Council to help retain and attract people to the township of Jerilderie.

# 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.

|  |
| --- |
| Box 4.1 Where a council is renewing or replacing an expiring special variation |
| The council’s application should show how you have explained to its community:There is a special variation due to expire at the end of the current financial year or during the period covered by the proposed special variation. This needs to include when the expiring special variation was originally approved, for what purpose and the percentage of (General Fund) general income originally approved.The corresponding percentage of general income that the expiring special variation represents for the relevant year.Whether the temporary expiring special variation is being replaced with another temporary or a permanent increase to the rate base.The percentage value of any additional variation amount, above the rate peg, for which the council is applying for through a special variation.If the proposed special variation was not approved ie, only the rate peg applies, the year-on-year change in rates would be lower, or that rates may fall.The council also must attach, to its application to IPART, a copy of the Instrument of Approval that has been signed by the Minister or IPART Chairman. |
|  |

 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.

## The consultation strategy

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

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

Council commenced its community awareness and engagement with the exhibition of the draft Delivery Program and Operational Plan 2014-2018. This document clearly outlines the need for the special rate variation (attachment # 2 - page 2, Message from the Mayor).

Public exhibition of the draft Delivery Program and Operational Plan occurred from 29 April 2014 with the submission period closing 16 June 2014. The community were invited to make submissions on the draft Delivery Program and Operational Plan and proposed special rate variation by 16 June 2014. In addition, consultation on the permanent special rate variation included:

* Public meetings – 21 May 2014 and 25 September 2014
* Media Release 29-04-14 (attachment # 5)
* Letter to Ratepayers and Residents x 3 (attachment # 5)
* Mayor’s Jerilderie Journals x 4 (attachment # 5)
* Media Reports-Southern Riverina News x 7 (attachment # 5)
* Council Newsletters x 2 (July and November 2014) (attachment # 5)
* Public Survey August 2014 (attachment # 6)
* Radio and television coverage
* Website and social media

**Community Meetings**

The first meeting was held in the Civic Hall on 21 May 2014 at 7pm. Approximately 60 people attended the meeting and raised various issues. Attached is the powerpoint presentation for the meeting (attachment # 13).

This presentation outlines that Jerilderie Shire has foregone rate rises in the past. In the years 1983-1987 the rates were not increased by the statutory limit or rate cap. In 1986 rates were not increased at all. This means that Council has foregone income to the value of $2.4 million over this time. The annual foregone income grew to 15% of rates income in the first 5 years, fluctuating to between 10% and 15% for the next 25 years.

The second community meeting was held in the Civic Hall on 25 September 2014 at 7pm, with 58 people in attendance. Attached is the powerpoint presentation for the meeting (attachment # 13).

**Survey**

A survey was sent out with the annual rate notice (attachment # 6). 91 surveys in total were returned (8.3%).

**Other**

Various media reports were published in the local paper regarding the special rate variation (attachment # 5)

There have been a number of private meetings between ratepayers, Councillors and Council Officers. These meetings are offered to all ratepayers and members of the public enquiring about the special rate variation and/or the impact on their individual rate assessment/s.

At the October meeting of Council, a presentation was received from two rural ratepayers in response to the proposed permanent special rate variation.

Attachment # 14-Confidential Individual Assessments Spreadsheet

## Feedback from the community consultations

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

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

The most effective methods of gaining community input were the community meetings, submissions made regarding the Delivery Program and Operational Plan and the community survey.

The submissions received during the exhibition period for the Delivery Program and Operational Plan were presented to Council at its meeting of 24 June 2014. This report outlined the need for additional public meetings at a time more appropriate for the rural ratepayers of the Shire and consideration of other forms of communications, including a survey. All but 1 of the 25 submissions raised concerns about the proposed rate increase (attachment # 6).

In August 2014 a survey was provided to the residents and ratepayers of Jerilderie Shire. Of the 91 surveys returned, 28 (31%) agreed with the special rate variation, 55 (60%) were opposed to the rate variation, 8 (9%) no comment. 91 surveys equates to 8.3% of rate assessments.

The results of the survey were presented to the October meeting of Council (below):

Feedback from the community meetings was received (attachment # 6) and general discussions indicates 40 of the attendees were opposed to the 2 x 10% rate increases.

#  Assessment criterion 3: Impact on ratepayers

Criterion 3 within the OLG Guidelines is:

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

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

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

## Impact on rates

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

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

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

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

The permanent special rate variation will see an overall increase of $127,929 in 2015/2016 and $261,361 in 2016/2017.

Average rate increase in the residential area will be approximately $19 in 2015/16 and $38 in 2016/17.

The biggest increase will be in our rural areas. There are 7 farmland sub categories within the Shire. The average increase for each sub category is shown in the media release dated 10 February 2015 (attachment # 5). Average cumulative increases in the rural sector range from $196 to $2,927 per assessment.

See Confidential Individual Assessments Spreadsheet (attachment # 14) which includes each individual assessment showing the proposed increases.

Council has prepared a worksheet based on Part A Application WK5a which shows more indicative land values attributable to Jerilderie Shire Council for rate impacts (attachment # 16).

### Minimum Rates

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

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

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

The rate peg percentage [ ]

The special variation percentage [ ]

Another amount [ ]  Indicate this amount \_\_\_\_\_\_\_\_\_\_\_\_\_

What will the residential minimum rate be after the increase? \_\_\_\_\_\_\_\_\_

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

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

## 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.

The increase in the residential rate is considered minimal. At an average of $19 in 2015/16 and $38 in 2016/17, the capacity of ratepayers to fund this increase is considered reasonable. Council has considered the overall increase for a residential property owner and advises that whilst an increase of approximately 5% for water charges and usage will be applied, sewer charges and waste charges will remain at the current level for the foreseeable future.

With business rates rising on average $34 in 2015/16 and $59 in 2016/17, it is considered affordable given their capacity to generate income.

Rates are a wealth tax, and capacity to pay is measured by land value. Land value in rural areas is a measure of capacity to produce income. Rural landowners will bear the greatest impact of the increases, with approximately 90% of rates income generated from the farming sector. Council considers these categories of landowners have capacity to pay, due largely to the current return to good conditions, together with current generally robust prices for agricultural commodities.

While there is some unwillingness to pay the proposed increase in rates, Council considers that the largest expense going into the future will be maintaining the rural road network in the Shire.

Changing farming practices require higher mass vehicles to access additional roads within the Shire. These vehicles reduce the life of unsealed and sealed roads. To ensure the road network is maintained to the standard as noted in attachment # 1 - Community Strategic Plan (page 17) *“Our roads maintained to a consistently high standard”,* the rate increases proposed are required to ensure sufficient funding is available for road network renewals into the future.

Council has considered the increased rates compared to adjoining Local Government areas (confidential attachment # 15). Comparison with neighbouring Shires indicates levels equal to or below after the permanent special rate variation has been applied. In the case of one neighbouring Shire, we are above.

## Addressing hardship

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

|  |  |  |
| --- | --- | --- |
| Does the council have a Hardship Policy? | Yes [ ]  | No [x]  |
| 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 [x]  |

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

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

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

Council does not have a hardship policy. Individual ratepayers can however, make application to Council to consider their position in relation to hardship. There has been one request for hardship in the last 20 years from a rural ratepayer, resulting in agreement for delayed payments.

# 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)

The Delivery Program and Operational Plan 2014 - 2018 clearly outlines the need for the special rate variation (see page 2, Message from the Mayor).

Community Consultation for the Delivery Program 2014-2018 and Operational Plan 2014/2015 was as follows:

* Public Exhibition of this document occurred from 29 April 2014 with the submission period closing 16 June 2014.
* 25 Submissions were received during the exhibition period. These were summarised in the report to Council 24 June 2014. This report outlined the need for additional public meetings at a time more appropriate for the rural rate payers of the Shire and consideration of other forms of communications, including a survey.
* Council resolved to accept the Long Term Financial Plan and adopt the Delivery Program and Operational Plan (Minute 71/06/14) (attachment # 12):

At Council’s meeting of 28 October 2014, Council resolved (attachment # 8) as follows:

*144/10/14 \* The Minister for Local Government be advised of Council’s proposal to make application to increase rates in the 2015/2016 and 2016/2017 financial year (Minute 144/10/14)*

*\* Discussions on the rate increase proposal be held at the workshop session proposed for Tuesday 3 February 2015 at Fairway B & B*

# 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.

Jerilderie Shire Council has introduced a number of cost saving initiatives to improve the efficiency of Council including:

* No supervision at Swimming Pool and Sports Stadium, reducing annual operating costs by approximately $27,000 per annum
* Handing back of buildings and land owned by the Crown – notably the Willows Museum –reducing annual operating costs by approximately $18,000 per annum
* Private Works – Council continues to source contract works from Roads and Maritime Services where possible on State and National roads within Council’s boundary. Other private works are sought where Council has the capacity. Council historically has undertaken on-farm works associated with irrigation and other land forming. This forms a large portion of private works income. In recent times Council has carried out Engineering works within neighbouring Council areas on their behalf. These practices in turn ensure staffing skills and levels are maintained and the plant and equipment assets are kept in a modern, well maintained condition.

Council continues to monitor staffing levels, to ensure that salary, wage and oncost expenses are adequately contained. Council outsources to consultants rather than employ additional staff in the areas of risk management, information technology and engineering consultancy.

Council project manages the majority of its own building and infrastructure construction, specialised studies and plans.

Consulting services to neighbouring Council’s generate approximately $25,000pa income.

#  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, 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 | [ ]  |
| Attachment 8: Resolution to apply for the special variation | [x]  |
| Attachment 9: Certification | [x]  |
| **Other Attachments** |  |
| Attachment 10: Relevant extracts from the Asset Management Plan  | [x]  |
| Attachment 11: Past Instruments of Approval (if applicable) | [ ]  |
| Attachment 12: Resolution to adopt the ~~revised~~ Community Strategic Plan (if necessary) and/or Delivery Program | [x]  |
| Attachment 13: JSC powerpoint presentations x 2Attachment 14: **Confidential Individual Assessments Spreadsheet**Attachment 15: **Confidential Council Comparison Spreadsheet**Attachment 16: Part A WK5a and b Council Indicative | [x] [x] [x] [x]  |

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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)