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| Special Variation Application Form – Part B  Council application for 2015/16 |
| Insert Name of Council: Wakool Shire Council  Date Submitted to IPART:  Council Contact Person: Peter Arthur  Council Contact Phone: 03 5887 5007  Council Contact Email: Peter.Arthur@wakool.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.

## 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 |  |
| 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.

The primary purpose of the 7% (inclusive of 2.4% rate peg) special rate variation (SRV) application is to compensate for some of the loss of revenue following the Federal Government’s decision in the May 2014 budget to freeze indexation of the Local Government Financial Assistance Grants (LG FAGs) for three (3) years commencing July 2014.

When the announcement was made the estimated loss of LG FAGs revenue to Council’s LTFP which allowed for a modest 3% per annum increase (last 10 years the average increase was 4.75%) would be $3.2 million. Although the estimated loss has diminished slightly due to the NSW Local Government Grants Commission (NSW LGGC) realising that Small Rural Councils, such Wakool, were going to be the hardest hit by the Federal Government’s decision. Therefore to improve the outcomes for small rural councils the NSW LGGC decreased the non-fixed portion of the grant allocation to metropolitan councils and increased the allocation to non-metropolitan councils. This strategy for Wakool Shire meant an unexpected 2.64% ($92,000) increase in 2014/15 FAGs compared to the previous year. Even with the increase the remaining two (2) years of the indexation freeze will result in a $2.195 million loss of revenue.

The additional revenue raised from the SRV, although will not fully cover the FAGs revenue loss, will be used to help restore existing service levels that were frozen at 2013/2014 levels after the May 2014 Federal Budget announcement.

The activities frozen were:-

\* Rural road network in the areas of maintenance, vegetation control, gravel resheets and bitumen reseals.

\* Town/Villages in the areas of town, parks, gardens and recreation reserve maintenance, street resealing, footpath, kerb & gutter renewal.

## Capital expenditure review

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

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

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

# 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.

Service levels for Wakool’s Local Rural Road Network and Towns & Villages were agreed in the Integrated Planning and Reporting (IP&R) process. In June 2013 Council adopted a revised Roads Classification (including service levels on local roads). This followed a community consultation process, which included a series of community meetings around Wakool Shire.

The May 2014 Federal Budget announcement to freeze the indexation of LG FAGs meant Council would have no other choice but to freeze expenditure on some activities (identified in 2.2) for the 2014/2015 Financial Year). In the absence of other action to increase revenue (such as a Special Rate Variation), Council would have no choice but to maintain the freeze on expenditure for a period of at least three (3) years.

**Activities Frozen**

Local Rural Road Network

Council’s adopted Asset Management Plans include the prediction that over the ten (10) years of the Plans the unsealed road network rating of poor to very poor condition will increase from 15% to 55%. The expenditure freeze indicated above will lead to longer response times and greater defects prior to fixing. A reduction in gravel resheets means that the majority of unsealed roads will not be renewed and there will be little capacity to improve/cater to heavy vehicles. Bitumen reseals program will be wound back. All of this means lower service levels than previously agreed.

Towns/Villages

A reduction in service levels will mean longer grass, an un-kept appearance, playground deterioration; some areas not maintained or allowed to dry-back. Street reseals, footpaths, kerb & gutter renewal programs will be wound back.

All of this means lower service levels than previously agreed.

**Consequence of the Freeze**

The first consequence of the freeze is that previously agreed service levels cannot be maintained. The standard of maintenance can only be reduced so far. Eventually defects increase to unsafe levels; insurance and public concerns are heightened. Eventually the only option for Council is to increase funding levels for maintenance and operations at the expense of infrastructure renewals and capital projects. The evitable outcome of this imbalance is for Council to become increasingly financially unsustainable; leading to a rundown of its assets and an increasingly dissatisfied community.

## 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.

The 2013 Treasury Corporation (TCorp) Report assessed Wakool Shire Council’s current financial sustainability rating as Weak with a Negative outlook. The loss of FAGs revenue due to the indexation freeze further erodes this position, without Council finding other sources of recurrent revenue.

Council is currently undertaking a full review of its operations as it prepares its *Fit for the Future* submission, which is to be lodged by 30th June 2015.

**Consequence of the Freeze**

The consequence of this is that previously agreed service levels cannot be maintained. The standard of maintenance can only be reduced so far. Eventually defects increase to unsafe levels; insurance and public concerns are heightened. Eventually the only option for Council is to increase funding levels for maintenance and operations at the expense of infrastructure renewals and capital projects. The evitable outcome of this imbalance is for Council to become increasingly financially unsustainable; leading to a rundown of its assets and an increasingly dissatisfied community.

## 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).

**Long Term Financial Plan (LTFP) – 2015/16 to 2024/25 (adopted 21/01/2015)**

*Note: The following ratios are included in the LTFP and are based on a Special Rate Variation (SRV) of 7% in 2015/2016.*

Operating Performance Ratio for 2013/14 was (10.48%). It is estimated to average (3.05%) over the term of the LTFP. Council is undertaking a full review of its operations as input into its Fit for the Future submission (required by 30 June 2015). Accordingly, we anticipate further improvement in this ratio.

Unrestricted Current Ratio for 2013/14 was 3.99 and is estimated to average 4.74 over the term of the LTFP.

Rates & Annual Charges for 2013/14 was 29% Own Sourced Revenue and is estimated to average 31% over the term of the LTFP.

Debt Service Cover Ratio for 2013/14 was 4.52 and is estimated to average 7.72 over the term of the LTFP.

Asset Renewal Ratio for 2013/14 was 1.08 and is estimated to average 1.23 over the term of the LTFP.

Broad Liabilities Ratio, based on 2013/14 Financial Statements, was 3.28. However until the infrastructure backlog is clearly defined and Special Schedule 7 clarified and is audited, this Ratio is relatively meaningless. In the 2013/14 Financial Statements Council recorded the asset renewal planned for the next 10 years as backlog. However Council’s Auditors have stated that “*we* *expect to see a substantial reduction in backlog in 2014/15 when the estimate is revised to only include expenditure required in the short term.”*

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

## The consultation strategy

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

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

Initial Response

Council made some initial statements when it heard of the Commonwealth Government’s decision about the impact of the freeze on LG FAGs in May 2014; and again when it adopted its budget in June 2014.

Community Meetings

Council held series of community meetings in the townships of Barham, Wakool, Moulamein, Murray Downs and Tooleybuc outlining four (4) options for the community to consider.

Option 1 – No SRV

Option 2 – 7% (inclusive of rate peg %) SRV in 2015/16

Option 3 – 14% (inclusive of rate peg %) SRV over 2 years 2015/16 & 2016/17

Option 4 – 20% (inclusive of rate peg %) SRV over 3 years 2015/16, 2016/17 & 2017/18

Media - Newspapers

Media Releases – Friday 23rd May 2014, Wednesday 28th May 2014, 1st July 2014, 25th September 2014, 15th October 2014, 11th December 2014, 22nd January 2015, and 10th February 2015.

Shire Wire Article – August 2014, November 2014 & February 2015 Editions sent to all ratepayers & residents.

Advertisement for Public Meetings – Barham Bridge, Guardian, Pastoral Times and Wongi – 13th to 25th November 2014.

Advertisement calling for SRV Submissions – Barham Bridge, Guardian, Pastoral Times, Northern Times and Wongi – 16th to 19th December 2014.

Media - Radio

The Mayor’s monthly radio interviews through ACE Radio.

General Manager’s ad hoc interviews with the ABC Radio and ACE Radio in response to Media Releases issued (see above).

Website

All SRV media releases, advertisements, power point presentation, addition information was placed on Council’s website.

## 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.

**Public Meetings**

Public Meetings were held in the townships of Barham, Moulamein, Wakool, Tooleybuc and Murray Downs.

Attendances – 133

Voting on Options

Option 1 – No SRV 77

Option 2 – 7% SRV 23

Option 3 – 14% SRV 1

Option 4 – 20% SRV 0

Did Not Vote 32

Meeting Question & Answers

A series of comments, questions and answers come from the public meetings. (Notes recorded are attached.)

**Submissions**

Council received two (2) written submissions – Both were in negative (Submissions are attached)

# Assessment criterion 3: Impact on ratepayers

Criterion 3 within the OLG Guidelines is:

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

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

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

## Impact on rates

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

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

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

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

Council’s rating structure will not change under the proposed SRV. The 7% SRV will be spread evenly over all rating categories and subcategories based on the rates raised from each subcategory in 2014/2015.

Wakool Shire is a rural shire; 71.85% of Council’s rateable land value is farmland and 70.91% of total rates are collected from farmland properties. Therefore the farmland ratepayers will be paying the greater percentage of the SRV.

### Minimum Rates

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

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

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

The rate peg percentage

The special variation percentage 🗹 Rounded to the nearest dollar.

Another amount  Indicate this amount \_\_\_\_\_\_\_\_\_\_\_\_\_

What will the residential minimum rate be after the increase? Council has two sub-categories of residential rates, Urban Residential $428 & Rural Residential $546.

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.

The SRV will be spread evenly over all rate categories and sub-categories based on the rates charge in 2014/15. Council uses minimum rates as it believes there should be a minimum contribution to the services that Council provides. Council is required to provide duplicate services due to the number of small towns/villages in the Shire and the distances between them. Also there is large variation between highest and lowest rateable land in most of the rating categories.

Urban Residential Rate Category

Urban Residential rate sub-category covers properties that are contained within the limits of a town/village. Wakool has six (6) towns/villages spread throughout the Shire and the average distance between all towns/villages is 70km. The largest town on the Shire is Barham with a population of approximately 1,100 residents.

There are 1,059 rateable properties under this rating sub-category of which 832 will be paying the minimum rate of $428pa which is $28pa more than 2014/15 minimum rate. The rateable land value for this rating sub-category range is $4,000 to $1,590,000.

Rural Residential Rate Category

Rural Residential rate sub-category covers those properties contained outside the limits of towns/villages. There are properties of less than 40 hectares in size and there dominant use is not farming or for commercial purposes for profit.

There are 588 rateable properties under this rating sub-category of which 370 will be paying the minimum rate of $546pa which is $36pa more than 2014/15 minimum rate. The rateable land value for this rating sub-category range is $500 to $575,000.

Farmland Rate Category

There are 923 rateable properties under this rating category of which 75 will be paying the minimum rate of $559pa which is $37pa more than 2014/15 minimum rate. The rateable land value for this rating sub-category range is $500 to $5,565,000.

Business Rate Category

There are 269 rateable properties under this rating category of which 153 will be paying the minimum rate of $450pa which is $30pa more than 2014/15 minimum rate. The rateable land value for this rating sub-category range is $500 to $1,130,000.

## 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.

As part of the consideration of a SRV application Council put forward four (4) rate increase option for consideration.

Option 1 – No SRV – Reduced level of service and review capital works program.

Option 2 – 7% (inclusive of rate peg %) SRV in 2015/16 – Restore existing levels of service.

Option 3 – 14% (inclusive of rate peg %) SRV over 2 years 2015/16 & 2016/17 – Maintain current service levels and advance the timber bridge replacement program without the need to borrow.

Option 4 – 20% (inclusive of rate peg %) SRV over 3 years 2015/16, 2016/17 & 2017/18 – Improvement of the current levels of service delivery and improvement of the current programmed reduction in the infrastructure backlog.

Council’s Decision

On 21st January 2015, Council resolved as follows:

This followed an extensive community consultation process. In doing so, Council gave consideration to affordability and the community’s capacity and willingness to pay.

In coming to its decision Council concluded that it was of paramount importance to at least restore current levels of service - so as not to be in the position to have to divert funding from capital asset renewals to maintenance, which would lead inevitably to a less financially unsustainable Council.

The issues considered by Council in coming to its decision were:-

- The 2013 TCorp assessment of Council’s current financial sustainability as Weak with a Negative outlook.

- The 2013 the Infrastructure Audit which assessed Council’s infrastructure management to be Moderate.

- The NSW Government’s Local Government *Fit for the Future* reforms.

- The Commonwealth Government’s decision to freeze LG FAGs for three years.

- That the additional revenue raised from SRV portion of the 7% (4.60%) is $186,000 and will largely compensate for loss for FAGs revenue. In addition some productivity improvements and cost containment strategies will need to be implemented as well. These will be considered in Council’s 2015/2016 budget process.

## Addressing hardship

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

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

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

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

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

The Hardship Policy and Application Form are on the Council’s website. As Council is not targeting one particular rate category or sub category with the SRV it believes the current policy addresses the issues of hardship appropriately.

# 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)

IP&R Process

- Draft IP&R documents were adopted by Council on 14th May 2014 and were placed on public exhibition from 28th May 2014 to 24th June 2014.

- Council resolved the final adoption of the current IP&R documents on 27th June 2014. This included the proposal of a 7% SRV (inclusive of rate peg %) for 2015/16 as Council’s preferred option in the Delivery Program and Long Term Financial Plan.

- Council reaffirmed its intention to make application for a SRV for 2015/16 at its 17th September 2014 ordinary meeting.

- The 2014/15 Long Term Financial Plan was amended on 21st January 2015 to include a fourth option - no SRV. This was for the sake of comparison.

- Council on 21st January 2015 resolved to apply for a 7% SRV (inclusive of rate peg %) for 2015/16 in accordance with s508(2) of the Local Government Act, 1993 on 21st January 2015.

# Assessment criterion 5: Productivity improvements and cost containment strategies

Criterion 5 within the OLG Guidelines is:

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

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

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

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

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

Council is currently reviewing its operations, including the organisational structure, as it prepares its Fit for the Future submission, which is due by 30 June 2015. Attached is a list of operational savings which were suggested by staff.

Council is implementing a strategy to install photovoltaic systems (solar power panels) to reduce electricity costs.

Council has developed its own bridge construction model for the replacement of its timber bridges. Instead of tendering for design and construction of bridges to be replaced, Council designs, purchases materials, sub-contracts pile driving, makes its own concrete decks and uses its own plant and workforce to construct the bridge. Council has made significant savings under this method and is able to retain employment locally.

# List of attachments

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

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

# Certification

**APPLICATION FOR A SPECIAL RATE VARIATION**

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

Name of council: **Wakool Shire Council**

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

General Manager (name): **Bruce Graham**

Signature and Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_/\_\_\_\_/2015

Responsible Accounting Officer (name): **Peter Arthur**

Signature and Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_/\_\_\_\_/2015

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)