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| Special Variation Application Form – Part B  Council application for 2015/16 |
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Contents

1 Preliminary 1

1.1 Focus on Integrated Planning and Reporting 1

1.2 Key purpose of Special Rate Variation 1

1.3 Capital expenditure review 2

2 Assessment Criterion 1: Need for the variation 3

2.1 Case for Special Rate Variation - community need 3

2.2 Financial sustainability 5

2.3 Financial indicators 5

2.4 Contribution plan costs above the cap 6

3 Assessment criterion 2: Community awareness and engagement 6

3.1 The consultation strategy 6

4 Assessment criterion 3: Impact on ratepayers 10

4.1 Impact on rates 11

4.2 Consideration of affordability and the community’s capacity and willingness to pay 12

4.3 Addressing hardship 13

5 Assessment criterion 4: Public exhibition of relevant IP&R documents 13

6 Assessment criterion 5: Productivity improvements and cost containment strategies 13

7 List of attachments 14

# Preliminary

## Focus on Integrated Planning and Reporting

Councils must identify the need for a Special Rate Variation to their General Fund’s rates revenue as part of their Integrated Planning and Reporting (IP&R) process. 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 Rate Variation where appropriate.

## Key purpose of Special Rate Variation

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

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

Oberon Council is aiming to maintain financial sustainability, infrastructure maintenance and renewal, while reducing its infrastructure backlog. In May and June 2014, Oberon Council consulted with the community, as part of the Draft Oberon Community Strategic Plan 2014, regarding the possibility of having to increase rates by 10% and 15% respectively for the next two years. The community members were informed that this increase would fund road infrastructure backlog. As there was little response and no objection to this information, in November 2014 Council decided to approach the community to gauge community expectations of service levels and a General Rate increase for the next 5 years. A Survey was developed titled “Resourcing our Future” and distributed to every Oberon Council ratepayer.

The Survey outlined strategies for financial sustainability and what actions are being implemented to increase efficiency and address the financial challenges. These included increasing income; managing borrowings responsibly; consulting with the community; avoiding shocks; increasing advocacy and partnerships; and balancing the budget.

Ratepayers were asked to select between two options:

1. Service levels maintained and improved, with an increase of 10% per year for the next   
   5 years (including the rate peg increase), or
2. Service levels reduced, with an increase of between 5% and 6% per year for the next   
   5 years (including the rate peg increase).

A Community Information Session was held on 20 November which saw approximately 40 community members in attendance. All Oberon Councillors and Executive Management Team were at this meeting. The Mayor, General Manager and Finance & Community Services Director made presentations about the Survey and its purpose, before the floor was opened up for questions.

When the Survey was returned, we received almost 12% of the total distribution.

Almost 75% (201) of the Survey results were in favour of Option 1 to maintain and improve service levels, with a 10% increase per year for 5 years (including the rate peg increase).

Approximately 28% (88) of responses were in favour of Option 2 to reduce service levels with a varied rate increase over 5 year (including the rate peg increase).

The Council met on 9 December to discuss the outcome of the Survey and Community Information Session and to make a determination on whether to submit an Expression of Interest to IPART. After much debate, the Council agreed to submit an expression of interest and to go back to the community with an increase of 7.5% per year over 5 years on General Rates (including the rate pegging increase).

On 20 January Council met to review the draft IPART Special Rate Variation application. It was put on public display and presented to Community Briefing Sessions in Oberon, Black Springs, Burraga and O’Connell.

On 10 February Council held an Extraordinary Meeting and adopted to submit an IPART Special Rate Variation Application for 7.5% (including rate pegging) per year (43.56% cumulative increase, made up of an assumed rate peg of 15.25% and additional rate increase of 28.31%) on General Rates, for the period 2015/16 to 2019/20

## Capital expenditure review

Oberon Council is not undertaking major capital projects that are required to comply with the OLG’s Capital Expenditure Guidelines.

# Assessment Criterion 1: Need for the variation

In the March 2013 TCorp *Financial Assessment, Sustainability and Benchmarking Report* assessed Oberon Council as being in a “sound sustainability position” and recognised that there is a “need to address their Backlog and increase their expenditure on asset maintenance”. It reported that Council had a $16 million Infrastructure Backlog in 2012, of which 87% relates to public roads.

The Report also noted that Council’s own source operating revenue ratio has been below benchmark each year of the review and it did not have sufficient flexibility which forces it to rely on revenue streams outside of its control. With an infrastructure backlog of approximately 13.3% of its infrastructure asset value, Council has a relatively high level of backlog. Council realises that without funding to decrease the current backlog its assets will deteriorate, the backlog may increase and the level of service may be reduced.

Council has been endeavouring to reduce the infrastructure backlog and in the 2014 Asset Management Plan it advised the community that it does not have enough funding to provide all services at the desired service levels or to provide new services without extra funding. Works and services that cannot be provided at the present funding levels are:

* Sealing all of the unsealed roads across the Shire which the community would like to see sealed,
* Repair of all the road defects across the road network.

Without the Special Rate Variation, the Road Asset Management Plan 2014 (Attachment 1) for the next 5 years is to:

1. Split maintenance expenditure into planned, specific and reactive.
2. Utilise more accurate planned capital expenditure data, not just estimates and recent trends.
3. More closely match planned capital renewal expenditure with the Long Term Financial Plan to account for anticipated spikes and troughs in Council’s spending ability.

As financial capacity builds with the Special Rate Variation, the Road Asset Management Plan for the next 5 years will address the points above and will endeavour to reduce infrastructure backlog by:

|  |  |  |
| --- | --- | --- |
|  |  | *Est. 5 year spend* |
| 1. | **Providing** additional funds to supplement grading on all rural unsealed roads to achieve an acceptable level of service by grading every road at least once a year, or as determined by road usage and climatic conditions | 15% - $219,440 |
| 2. | **Upgrading** and improving heavily utilised rural freight transport routes, such as:   * Dog Rocks Road 23.0km * Lowes Mount Road 19.3km * Hazelgrove Road 17.2km * Beaconsfield Road 38.5km * Sewells Creek Road 23.0km * Campbells River Road 22.8km * Burraga Road 25.0km   - Abercrombie Road 71.5km | 80% - $1,170,343 |
| 3. | **Developing** asset based data sets to determine the life of road assets in terms of maintenance and long term rehabilitation of the local road network | 1% - $58,517 |
| 4. | **Repayment** of Local Infrastructure Renewal Scheme | 4% - $16,629 |

Non-road infrastructure will continue to receive planned maintenance and any major work required will be addressed on an as needs basis.

## Case for Special Rate Variation - community need

During development of the Oberon Community Strategic Plan 2014 and the Long Term Financial Plan, the need for an increase in revenue to ensure financial sustainability into the future was recognised. This will ensure that Council can continue to provide the community with the expected levels of service.

Council broached the subject of rate increases with the Community during consultations with members of the public through information sessions and Community Meetings for the Draft Oberon Community Strategic Plan 2014 after community members expressed a desire for Council to increase its maintenance of the roads, as well as the sealing of new roads with in the Oberon LGA.

Council has been active in seeking other revenue through grants over the past 5 years. Over $5 million of grants have been received from the Commonwealth and State, including both general purpose Financial Assistance Grants (FAGs) and specific purpose grants. A Grants Coordinator commenced in late 2013 to assist with sourcing grant funding from other providers for specific community projects.

Council decided the best option was to approach the community to gain an understanding of their expectations. A Survey “Resourcing Our Future” was developed and distributed to all Oberon LGA Ratepayers to provide feedback about community expectations for service levels and the revenue required to achieve this outcome (Attachment 2).

The Long Term Financial Plan 2015/16 to 2024/25 (Attachment 3) shows the impact of the proposed Special Rate Variation. We are forecasting that an amount of $1,462,929 will be used on roads capital expenditure and maintenance to reduce the infrastructure backlog by improving local roads. The impact to the Long Term Financial Plan, if the Special Rate Variation is not approved, will be an inability to provide the level of service to roads that the community expect.

The possibility of increasing Fees and Charges would not bring in sufficient funds due to the limited level of usage. The use of Investment funds to reduce the Infrastructure Backlog was not considered appropriate as a high portion of these funds are earmarked for specific future projects. Therefore, the most appropriate option is to apply for a Special Rate Variation for the next 5 years to enable Council to remain financially sustainable while maintaining and renewing infrastructure and reducing the infrastructure backlog.

## Financial sustainability

Council’s view is that a Special Rate Variation is needed to maintain financial sustainability to be able to continue to provide, and improve, services to the Oberon community.

In reviewing Council’s sustainability, effective infrastructure and service management, and efficiency as part of the Fit for the Future Program that has been introduced by the NSW State Government, Council reviewed its Operating Performance, Own Source Revenue, Building and Infrastructure Asset Renewal; Infrastructure Backlog; Asset Maintenance, Debt Service, and Real Operating Expenditure per Capita over time. The result of this review is that Council is very close to achieving the required results by the NSW State Government to be classified as a Financially Sustainable.

Council is at a point were we could continue to be financially sustainable, while reducing our Road Infrastructure Backlog, if we are able to obtain additional revenue over the next 5 years, through a rate increase of 7.5% per year, rather than the lower rate pegging percentage normally allowed.

As mentioned above, the March 2013 TCorp *Financial Assessment, Sustainability and Benchmarking Report* assessed Oberon Council as being in a “sound Sustainability position” and recognised that there is a “need to address their Backlog and increase their expenditure on asset maintenance”. It reported that Council had a $16 million Infrastructure Backlog in 2012, of which 87% relates to public roads.

The Report also noted that Council’s Own Source Operating Revenue Ratio has been below benchmark each year of the review and it did not have sufficient flexibility which forces it to rely on revenue streams outside of its control. With an infrastructure backlog of 13.3% of its infrastructure asset value, Council has a relatively high level of backlog. Council recognises that without funding to decrease the current backlog its assets will deteriorate, the backlog may increase and the level of services may be reduced.

Council recognise the use of debt could be a useful tool to assist with the reduction of the infrastructure backlog and have recently obtained a $1.6 million Local Infrastructure Renewal Scheme loan for the Mayfield Road upgrade. This is a loan over 10 years with a 3 percent subsidy provided by the State Government.

## Financial indicators

An application has been submitted under Transport NSW’s Fixing Country Roads grant program to upgrade two local roads (Beaconsfield and Sewells Creek) to improve freight efficiencies and safety of the freight task for the softwood timber industry which is critical to the economy of the Oberon LGA. Total project cost is $990,000.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **FINANCIAL PERFORMANCE INDICATORS - GENERAL FUND** | | | | | | |
| **Scenario: 7.5% Ordinary Rate Increase** | **2014/15** |  | **2015/16** | **2016/17** | **2017/18** | **2018/19** |
| Operating Performance Ratio 2 | -4.68% |  | -1.11% | -1.56% | 0.50% | 0.99% |
| Unrestricted Current Ratio | 3.27 |  | 3.56 | 4.23 | 4.53 | 4.97 |
| Debt Service Ratio | 1.28% |  | 2.12% | 2.29% | 1.96% | 1.99% |
| Capital Expenditure Ratio | 2.21 |  | 1.12 | 1.03 | 1.06 | 1.03 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **FINANCIAL PERFORMANCE INDICATORS - CONSOLIDATED** | |  |  |  |  |  |
| **Scenario: 7.5% Ordinary Rate Increase** | **2014/15** |  | **2015/16** | **2016/17** | **2017/18** | **2018/19** |
| Operating Performance Ratio 2 | -6.21% |  | -2.36% | -2.94% | -0.26% | 0.83% |
| Unrestricted Current Ratio | 3.66 |  | 3.97 | 4.57 | 5.00 | 5.38 |
| Building & Infrastructure Renewals Ratio | 111.82% |  | 99.74% | 90.40% | 114.13% | 100.31% |
| Asset Renewal Ratio (all assets) | 161.80% |  | 115.44% | 109.56% | 115.70% | 105.09% |
| Capital Expenditure Ratio | 2.17 |  | 1.34 | 1.18 | 1.24 | 1.13 |
| Debt Service Ratio | 1.33% |  | 2.51% | 3.17% | 3.32% | 3.65% |

## Contribution plan costs above the cap

Not applicable

# Assessment criterion 2: Community awareness and engagement

Oberon Council has consulted and engaged our community about the Special Rate Variation using a variety of engagement methods to ensure that the community is aware of the need for, and extent of, the proposed rate increases.

## The consultation strategy

The core values of Oberon Councils Community Engagement strategies are based on the belief that those who are affected by a decision have a right to be involved in the decision making process. (Foundations of public participation 2012) – Oberon Council has engaged with the community about Special Rate Variations using a variety of engagement methods to ensure that the community are fully aware of the need for and extent of the proposed rate increase.

The five key principles of the Community Engagement Process have been to inform, consult, involve, collaborate and empower the Oberon community about the application to IPART for a Special Rate Variation.

1. Inform through Public Meetings: which were held in the Oberon Township as well as the surrounding villages of Black Springs, Burraga and O’Connell. In May 2014 discussions commenced as part of the Draft Oberon Community Strategic Plan 2014 public exhibition process. In November 2014 a Community information session was held to explain the Community Survey and the consequences of the proposed rate variation options. In January and February of 2015 further meetings were held to explain Council’s decision to apply for a 7.5% per year including rate pegging for 5 years rather than the 10 % increase which was the result of the Survey.

Small meetings included Council and Community Committee meetings with the Executive Management Team and Councillors addressing several small meetings where they discussed the reasons why we are applying for a Special Rate Variation and how it would affect our long term financial sustainability.

The goals of all these meetings were to provide the public with balanced and objective information to assist them to understand the need for and alternatives to a rate increase.

1. Involve the Community: through a range of Media Sources including the Mayor and General Manager speaking to local television (WIN and Prime TV) and ABC Radio , local newspaper articles in the *Oberon Review ,*postings on social media sites including Councils Facebook page.

The goal of this phase of the process was to ensure that the public were given the opportunity to express their issues and concerns and that these issues were directly reflected in the alternatives developed for a rate increase.

1. Consult and Empower: through a Survey titled *Resourcing our Future* which was distributed to all Oberon LGA ratepayers in November 2014. Ratepayers were provided with opportunities to provide feedback through the Survey process. With 12% of ratepayers responding to the Survey, with 75% selecting option1 for a 10% increase for 5 years with maintained and improved service levels. The goal of this phase was to place decision making in the hands of the public.
2. Collaborate through Public Exhibition: The Draft Oberon Community Strategic Plan 2014 contained details of proposed increases for 2015/16 and 2016/17 for 15% and 10% respectively. Council adopted the Oberon CSP 2014 and provided a commitment to consult with the community about the rating structure and the General Rate increase. As a result of this, the Resourcing our Future Survey was developed, distributed to all Oberon LGA ratepayers and made available at various Council facilities, including the Administration Centre, the Oberon Library and the Oberon Visitor Information Centre. This draft IPART application and relevant documentation was put on public display at the Administration Centre, Oberon Library, Burraga, Black Springs and O’Connell, Council’s Website; with a notice on Council’s Facebook page that it is available for viewing and comment.

The Survey that was developed, the *Resourcing our Future* document, invited ratepayers to ‘Have a Say’ on the level of increase and service they would be prepared to accept. The Survey presented two options for a General Rates increases of 10% and approximately 5% each year for 5 years. These increases include an assumed Rate Pegging Limit of 2.5%.

The *Resourcing our Future* Surveys were mailed to all Oberon Council Ratepayers on   
12 November and a total of 309 Surveys were returned.

An Information Session was held to discuss the Survey on Thursday 20 November 2014 at the Robert (Bob) Hooper Community Centre from 6.00pm with management staff and most Councillors attending. Approximately 40 persons from the community attended.

Concerns were raised at this meeting regarding the following matters:

* **NSW Forests and National Parks**: concern around the fact that NSW Forestry and National Parks **do not pay rates** and why is Oberon Council not lobbying the State Government to have this changed; discussion also about the amount of money spent by NSW Forestry on roads within the Oberon LGA;
* **Depreciation:** there were questions about the amount of depreciation on assets and that the Asset Management Plan included in the Oberon CSP 2014 was not clear;
* **Operating Costs**: difficult to understand how costs could be increasing 7% when income was only raising at an average of 2.5% with rate pegging; there were questions around staff efficiencies and whether Oberon Council had, or intended to, conduct efficiency reviews;
* **Impact on Farmland**: farmers are having a difficult time at the moment with difficult markets and they will not be getting a 10% increase in their income to cover this increase;
* One member commented that Oberon Council is one of the better Council’s that he has had experience with and that ratepayers should be more accepting.

While responses were provided at the Community Information Session to these concerns and other questions, the General Manager committed to have an Issues Paper prepared to distribute if and when Council decided to submit an Expression of Interest/Application to IPART for a Special Rate Variation of the General Rates.

**SURVEY RESULTS**

The result of the Survey responses is as follows:

* Option 1 Maintain and Improve Service Levels: 10%increase 201
* Option 2 Reduced Service Levels: 5 % increase 88
* Other 20

The following comments were received with the Surveys.

OPTION 1

* I refer to the pamphlet ‘Resourcing our Future’ and reluctantly nominate Option 1 as my preference. However, I consider the pamphlet fails totally to consider agricultural interests in the shire; unless of course, it is included in ‘environment’ which is a broad term which can cover so many meanings. Oberon is an attractive district but its Council services are just that – Oberon. Without generally poor road works and some village maintenance the old Evans Shire district receives little or no attention except an ever increasing number of large vehicles speeding on roads far too narrow for them and over-all safety. They are an accident waiting to happen with several drivers forced off the right-of-way. A major problem is Sifton weed (biddy bush) which is steadily increasing its coverage but every time I raise the subject with Councillors the response is some muttering and a change of subject. It can be controlled by mechanical and/or chemical means and only calls on ta disciplined approach; a programme which I’m sure could be developed and managed by Oberon Council. If there is no action taken on Sifton weed there will be little left for Council to manage. Please accept my apologies for your meeting on 20th a surgeon has prior claim.
* For residents without waste disposal services, maybe Council would consider one free trip to the tip each quarter to dispose of a trailer/ute load of rubbish. Control system issue: 4 coupons with rate notices - coupons can be used as necessary.
* Amalgamation - ignoring something unpleasant wont make it disappear.

OPTION 2

* You have asked for my pay. If a business is battling it has to cut costs and become more efficient. I feel the Shire Council is not efficient it just wants more money. The landholders on Beaconsfield Road get nothing for their rates except the road graded occasionally. Farmers do not get a 10% increase in their income because things are a bit tough; we have to make do with what we earn. I think the Shire should streamline its operations and make it work.
* The rates are already too high, with not even a taxi to get to the shops. A car is needed to get to the bus stop for Bathurst. No convenience in transport.
* Manage better
* You must be joking
* How about cutting indoor staff numbers - that would save money.
* We own close to 1,100 acres of farmland close to town with access via Bailey Lane and Nunan’s Hill Road, neither of which are sealed. We have to remove our own garbage to Oberon tip, where we pay a fee to dump our own garbage. We are not connected to town gas or sewerage. So what exactly are we getting for the $4,441 in rates we paid (in the 2012-13 year)?
* Option 2, with service levels reduced is still 5% growth at compound interest for 5 years!! Option 1, with service levels maintain and improve is 10% growth with compound interest for 5 years. In both models, ratepayers owning farmland (who receive NIL services from Council rather than occasional grading of our unsealed roads) pay about twice what business ratepayers pay and about three times the average residential rate, yet the business and residential ratepayer receives the bulk of the services. Nor have you provided any guarantee that the rates wont stay at 5% or 10% growth after the 5 years!! The Council needs to: 1) adjust the relative rate charges to better reflect those who most benefit from Council services, or 2) provide better services to farmland ratepayers to justify the very high rates, or 3) review the efficiency of current expenditure levels, so as to keep the rates in line with general inflation which is must lower than 5% pa.
* My reasons for this are identical to Oberon Council’s reasons for increasing rates. As a farmer my costs are rising far more than my income. This then, of course, makes it impossible to pay for: i) infrastructure, renewing and repairing; ii) catastrophies and shocks, e.g. droughts, fire; iii) weed control; and iv) care of the land and environment. With climate change things are getting harder and there is greater risk of lower income and catastrophies to contend with. Life is becoming more difficult for everyone and we are just going to have to accept reduced services. Conserving water is the greatest challenge and should be Council’s biggest priority. We can live with reduced services but we can’t live without water.
* Get rid of fat cats and 'piss ups' (this person has sent back their Survey with all pictures, except roads, crossed off).

OTHER

* Increase rates by CPI: theoretically this should allow Council to maintain current services since CPI is designed to accurately reflect inflation (if CPI rise is not enough that is a problem with Commonwealth statisticians not ratepayers), user-pays for 'frills': no footpaths, playing fields, stormwater drainage, public toilets, libraries, swimming pools any place close to my property. Special interest groups such as football enthusiasts should be prepared to pay costs associated, why do far/rural ratepayers have to subsidise?  residential? Seems that they get vast bulk of benefits but only pay one third farmland rates (all I get is a road).
* Service levels maintained and reduce your costs by $180,000 p.a. Suggest a start is to look at your staffing.
* Preferred option is to amalgamate
* Not enough information
* Status quo - not enough information
* Amalgamate with Bathurst.
* Leave the way they are
* I do not feel that this handout has provided me with enough info to make a decision
* Rate peg increase only
* We do not agree with either option because farmland ratepayers paying a lot more of an increase to other ratepayers per year when some of the rural roads still will not be sealed or maintain like other roads and the streets.

Please refer to Attachment 4a, for letters received from Ratepayers submitted with the Surveys and Attachment 4b for Minutes from the Community Information Sessions.

# Assessment criterion 3: Impact on ratepayers

Council considered an IPART Application for Special Rate Variations at several Councillor Workshops, Information Briefing Sessions and Council Meetings. The Minutes of the Council adoption to submit an Expression of Interest follows.

**Thursday 9 December 2014**

Councillor Workshops were held to consider the Rating Structure and Financial Sustainability issues, and a view was formed that the General Rates be increased above the allowable Rate Pegging limit set by the NSW State Government. This is done through an Application to the Independent Pricing & Regulatory Tribunal (IPART) for a Special Rate Variation.

That Council submit an Expression of Interest to IPART for a Special Rate Variation of General Rates for 5 years commencing from the 2015/16 financial year at a 7.5% increase per year which includes the rate pegging increase.

Carried 01 091214

Following the Expression of Interest, Council went out to the community to raise awareness and obtain feedback on a possible application to IPART for a Special Rate Variation.

The rate implication of the proposed rate increase has been explained to the ratepayers using the following table:



This table was used during the Community Briefing Sessions, distributed through a Media Release, and provided to Councillors in the report to make a final determination on whether or not to submit a Special Rate Variation Application to IPART.

Council then considered a Report at an Extraordinary Meeting on 10 February to submit an application for IPART (Attachment 11). The Minute of that meeting follows:

That Council submit an IPART Special Rate Variation Application for 7.5% (including rate pegging) per year (43.56% cumulative increase, made up of an assumed rate peg of 15.25% and additional rate increase of 28.31%) on General Rates, for the period 2015/16 to 2019/20.

Carried 01 100215

## Impact on rates

As well as using the table on the previous page, the Community and Council were provided with the following information to explain the impact on rates over 5 years would be an accumulative rate of 43.56%, which would raise approximately $4,462,929 in General Rates.

**Year Special rate variation Special rate cumulative Special rate cumulative Annual Income Gain**

**(inc. rate pegging) (exc. rate pegging) (inc. rate pegging)**

1 7.5% 2.4% 7.5% $157,356

2 7.5% 5.47% 15.56% $166,292

3 7.5% 8.64% 24.23% $183,371

4 7.5% 11.90% 33.55% $201,870

5 7.5% 15.25% 43.56% $221,898

**Total $1,462,929**

### Minimum Rates

The Special Rate Variation may affect ordinary rates, special rates and/or minimum rates.

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

## 

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

More than any other tax the level of rates is determined not by “ability to pay” but the “willingness to pay” (strong foundations for sustainable local infrastructure Ernst and Young). Oberon Council recognises the importance of assessing the affordability of a rate rise across all groups of Ratepayers.

In determining the affordability of the Special Rate Variation and the community’s capacity to pay, Oberon Council have made an assessment of a number of key socio–economic indicators including Oberon’s SEIFA ranking, average annual income for individuals, growth in average annual income and average residential rates as a percentage of annual income. Council has also compared its average rates across all rating categories to those of neighbouring Councils and other Group 10 Councils   
(Attachment 5).

Oberon is a relatively prosperous and vibrant rural community with a low unemployment rate of just 4.8%. The main economic pillars of the Oberon LGA are forestry, timber manufacturing, agriculture and tourism. These industries are considered to be relatively stable compared to neighbouring Councils such as Lithgow who have been impacted by the downturn in mining industries.

The average annual income of individuals is $44 687 which is considerably higher than the OLG Group 10 average of $35,157. Growth in individual’s annual income over the period 2006-2010 was   
approximately 5%.

The Oberon LGA is unique in that due to its close proximity to Sydney a significant number of Ratepayers reside outside the Shire and own rural lifestyle and agricultural properties in Oberon. The incomes of these ratepayers would not be reflected in census data but it is assumed that the majority of these Ratepayers are high income earners with sufficient capacity to pay for a Special Rate Variation.

Oberon is ranked at 79 out of 153 Councils in NSW in the SEIFA rating, indicating that it represents a community of median financial and social wellbeing.

During the community consultation process Council identified two groups of Ratepayers who would be most impacted by a Special Rate Variation – pensioners and farmers.

Oberon Council recognises that for the Oberon farming community a rate increase has a significant impact as farmers incomes are dependant on variable commodity prices, rising costs of production and climatic risks such as drought. While the average farmland rate of $1,585 is considerably lower than the Group 10 average of $2,192, it must be noted that average rural holdings in Oberon are much smaller than other farming areas as Oberon has a considerable number of lifestyle blocks that are subject to a farmland rate.

A specific risk to the Oberon LGA is its ageing population with 25% of our population over the age of 60. Currently, there are 374 ratepayers (14.6 %) who claim the pensioner rebate. The impact of a Special Rate Variation on these Ratepayers who are on a fixed income will be managed through the development and implementation of a Hardship Policy and agreed Payment Plans that is available to all ratepayers.

## Addressing hardship

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

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

Council has been reviewing all of its Policies over the past 12 months and will be introducing an improved Hardship Policy to the February 2015 Council meeting for adoption (Attachment 6).

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

The Special Rate Variation was also discussed at the following Council meetings (refer   
Attachment 7) for copies:

* Report item 05.03 to the Finance Committee Meeting held on 28 August 2014 and related minute.
* 16 September 2014 Ordinary Meeting – Finance and Community Services Monthly Activity Report
* 19 November 2014 Ordinary Meeting – Finance and Community Services Monthly Activity Report
* 16 December 2014 Ordinary Meeting – Finance and Community Services Monthly Activity Report
* General Business discussed during 5 November 2014 Finance Committee Meeting

# Assessment criterion 5: Productivity improvements and cost containment strategies

Improving the financial sustainability at Oberon Council through productivity improvements and cost containment strategies will be based on the recommendations contained in TCorp’s *Financial Sustainability of New South Wales Local Government Sector- Finding Recommendations and Analysis* 2013, and strong foundations for sustainable local infrastructure Ernst and Young 2012. These strategies include:

1. Ensuring breakeven operating expenditure on key infrastructure and service provision
2. Lowering operating costs and increasing service output
3. Creating value through the procurement process
4. Prioritising and Borrowing for local infrastructure investment
5. Participation in Joint Venture programs.

Council has demonstrated its willingness to increase borrowings (through a Local Infrastructure Renewal Scheme supported loan) to address infrastructure backlogs and improve intergenerational equity.

The Executive Management Team reviewed the 2014 Long Term Financial Plan and identified potential efficiencies and cost savings. These include:

* introducing ‘better grading practices and improve drainage on local unsealed roads, for example the trial held in June 2014;
* creating work practice efficiencies for major capital works through the use of new technology, and attendance at workshops, field days and demonstrations
* creating efficiencies in staff training, reduce staff numbers through natural attrition and succession planning;
* realising savings in procurement costs - we are participating in the Centroc Regional Procurement Program which aims to make sustainable savings and create efficiencies; improve probity and reduce risk, and strengthen regional collaboration;
* participating in Centroc initiatives and confirming to participate in the Central West Joint Organisation pilot; and
* initiating debt recovery through the introduction of an external debt recovery agency. The first   
  12 months has seen a slight decrease in the debt recovery ratio.

The Executive Management Team continues to analyse the workforce capacity in an effort to gain efficiencies. Through succession planning and staff departures, we have started to make improvements which are highlighted in the amended 2014 Workforce Management Plan (Attachment 8).

# List of attachments

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| **Mandatory forms and Attachments** |
| Part A Section 508A and Section 508(2) Application form (Excel spreadsheet) |
| Part B Application form (this Word document) |
| Attachment 1: CSP Extract |
| Attachment 2: Delivery Program |
| Attachment 3: Long Term Financial Plan |
| Attachment 4: TCorp Report on Financial Sustainability |
| Attachment 5: Survey submissions (letters from ratepayers) and Minutes |
| Attachment 6: Community Briefing Sessions – Minutes and Feedback |
| Attachment 7: Hardship Policy |
| Attachment 8: Resolution to apply for the Special Rate Variation |
| Attachment 9: Certification |
| Attachment 10: Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and Special Rate Variation |
| Attachment 11: Asset Management Plan extract |
| Attachment 12: Selective Comparisons (Oberon and Blayney) |
| Attachment 13: Council discussions on Special Rate Variation |