|  |
| --- |
| Special Variation Application Form – Part BFor 2017-18Issued December 2016 |
| Insert Name of Council:Date Submitted to IPART: 20 February 2017 (extension approved by IPART)Council Contact Person: Linda CoulterCouncil Contact Phone: XXXXXXCouncil Contact Email: XXXXXX |

© Independent Pricing and Regulatory Tribunal of New South Wales 2016

This work is copyright. The *Copyright Act 1968* permits fair dealing for study, research, news reporting, criticism and review. Selected passages, tables or diagrams may be reproduced for such purposes provided acknowledgement of the source is included.

The Tribunal members for this review are:

Dr Peter J. Boxall AO, Chairman

Ms Catherine Jones

Mr Ed Willett

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

Derek Francis (02) 9290 8421

Letitia Watson-Ley (02) 9290 8402

Independent Pricing and Regulatory Tribunal of New South Wales

PO Box K35, Haymarket Post Shop NSW 1240

Level 16, 2-24 Rawson Place, Sydney NSW 2000

T (02) 9290 8400 F (02) 9290 2061

[www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au/)

Contents

1 Introduction 1

1.1 Completing the application form 1

1.2 Notification and submission of the special variation application 2

2 Preliminaries 4

2.1 Focus on Integrated Planning and Reporting 4

2.2 Key purpose of special variation 4

2.3 Capital expenditure review 7

3 Assessment Criterion 1: Need for the variation 7

3.1 Case for special variation - community need 8

3.2 Financial sustainability 15

3.3 Financial indicators 17

3.4 Contribution plan costs above the cap 19

4 Assessment criterion 2: Community awareness and engagement 19

4.1 The consultation strategy 21

4.2 Feedback from the community consultations 24

5 Assessment criterion 3: Impact on ratepayers 28

5.1 Impact on rates 28

5.2 Consideration of affordability and the community’s capacity and willingness to pay 31

5.3 Addressing hardship 33

6 Assessment criterion 4: Public exhibition of relevant IP&R documents 34

7 Assessment criterion 5: Productivity improvements and cost containment strategies 37

8 List of attachments 40

9 Certification 43

# 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 2017/2018* (the [Guidelines](http://www.olg.nsw.gov.au/sites/default/files/Guidelines%20for%20the%20Preparation%20of%20an%20Application%20for%20a%20Special%20Variation%20to%20General%20Income%20for%202017-2018.pdf)). Councils should refer to these Guidelines before completing this application form.

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

In addition, councils must complete the Part B form with the Part A (spreadsheet) form for both section 508(2) or section 508A 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. IPART’s assessment of the application cannot commence without it.

If the proposed special variation includes increasing minimum rates above the statutory limit, or is to apply a higher rate of increase to an existing minimum rate than to its other rates, it is not necessary for the council to also complete the separate Minimum Rates application form. However, this must be clearly identified and addressed in the special variation application. In such circumstances, councils are encouraged to discuss their proposed application with IPART as soon as possible.

As outlined in the Guidelines, new councils created in 2016, or councils whose merger proposals are pending due to legal proceedings, will be ineligible for special variations for the 2017-18 rating year.

## Completing the application form

This form is structured to provide guidance on the information we consider is necessary for us 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 attachments should be clearly cross-referenced in Part B. We prefer to receive relevant extracts rather than complete publications, unless the complete publication is relevant to the criteria. If you provide complete documents when only an extract is relevant, we may ask you to resubmit the extract only. (You should provide details of how we can access the complete publication should this be necessary.)

We publish videos and 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 videos and fact sheets on these topics are available on [IPART’s website](https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/For-Councils/Apply-for-a-special-variation-or-minimum-rate-increase).

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.

## Notification and submission of the special variation application

Notification of intention to apply

Councils intending to submit an application under either section 508(2) or section 508A should have notified us of their intention to apply, via the Council Portal, by Friday 16 December 2016.

**Any councils that did not notify but intend to apply for a special variation for 2017-18 should contact us as soon as possible.**

Online submission of applications

All councils intending to apply for a minimum rate increase must use the [Council Portal](https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/For-Councils/Council-portal) on IPART’s website to register as an applicant council and to submit an application.

You are required to submit the application, via the Council Portal, by **Monday 13 February 2017.**

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:

* Arsh Suri - Arsh\_Suri@ipart.nsw.gov.au or 02 9113 7730
* Himali Ardestani - Himali\_Ardestani@ipart.nsw.gov.au or 02 9113 7710.

File size limits apply on the Council Portal to each part of the application. For this Part B application form the limit is 10MB. The limit for supporting documents is 50MB 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 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 are redacted so that they do not expose confidential content.

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

Hardcopy of application

We ask that councils also submit their application to us in hard copy (with a table of contents and appropriate cross referencing to supporting documents) to the following address by **Monday 13 February 2017**:

**Local Government Team**
The Independent Pricing and Regulatory Tribunal
PO Box K35

Haymarket Post Shop NSW 1240

or

Level 15, 2-24 Rawson Place, Sydney NSW 2000.

# Preliminaries

## Focus on Integrated Planning and Reporting

Councils must identify the need for a proposed special 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 variation where appropriate.

## Key purpose of special variation

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

|  |  |
| --- | --- |
| Maintain existing services | [ ]  |
| Enhance financial sustainability | [ ]  |
| Environmental services or works | [ ]  |
| Infrastructure maintenance / renewal | [x]  |
| Reduce infrastructure backlogs | [ ]  |
| New infrastructure investment | [ ]  |
| Other – Actions to improve health of waterways | [x]  |

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

***Council Submission***

**Purpose**

Council’s application is for a permanent increase to our rate yield of 4.90% in 2017/18, 5.90% in 2018/19 and 5.90% in 2019/20. The additional revenue above the standard rate peg limit will finance increased expenditure on infrastructure Asset Renewal and implement actions to improve the Health of Our Waterways. The asset renewal component is consistent with Council’s Fit for the Future submission.

**Steps Undertaken**

There are two components to this special variation:

***Component One – Asset Renewal***

An increase in our permanent rate income of 1.9% in 2017/18 and increases of 3.4% in 2018/19 and 2019/20, above the actual and estimated rate peg limit, to generate additional revenues to increase our investment in asset renewal and to improve the General Fund operating result. This represents an average increase of 2.9% above the rate peg limit for the three years, which is consistent with Council’s Fit for the Future submission.

The preparation of the Fit for the Future submission involved numerous steps in examining options to improve Council’s operating result, with the options canvassed including:

a) Asset Sales

b) Increased User Fees and Charges

c) Expense Reductions

d) Loan Funds

**a) Asset Sales -** Council has residential and industrial land that it develops and sells, which has allowed Council to maintain an asset base in a relatively good condition, while at the same time having a comparatively low rate yield.

Unfortunately these assets are a finite resource and it is essential that Council has a permanent revenue stream to finance our asset renewal program.

**b) User Fees and Charges –** Council continues to review its wide range of fees and charges and changes have resulted in additional revenues in the tens of thousands of dollars. However our asset modelling indicates that our asset renewal program is underfunded by $2m to $3m, if not more, and therefore substantial additional revenues are required.

**c) Expense Reductions** – Similar to the previous item expenditure reductions are being pursued across the organisation however the magnitude of the funding required is of a scale that needs greater certainty.

**d) Loan Funds** – Loan funds are an inappropriate funding source for recurrent asset renewal programs.

The rate percentage increases identified are considered to be the minimum needed to allow Council to reach a break even operating result (positive Operating Balance Ratio for the General Fund) and to ensure that our infrastructure Asset Renewal Ratio meets the benchmark of at least 100% on a regular basis.

***Component Two – Healthy Waterways***

An increase in our permanent rate income of 1.5% in 2017/18, above the actual rate peg limit, to create a permanent income stream to undertake actions to improve the health of our waterways.

The initial focus will be on improvements to the Richmond River, Shaws Bay and Lake Ainsworth.

The need for this funding is supported by State Government approved Coastal Zone Management Plans (CZMPs) for the Richmond River Estuary, Shaws Bay, and the Ballina Shire Coastline, along with an adopted Management Plan for Lake Ainsworth.

The Richmond River has been identified as one of the unhealthiest rivers on the east coast of NSW and Council is looking to demonstrate leadership by implementing actions identified in the Richmond River Estuary CZMP.

The health of the Richmond River has also been identified as one of the highest priorities in community surveys undertaken by Council, and the recently elected Council also identified this as a major issue as part of the local government election.

The Shaws Bay, Lake Ainsworth and Ballina Shire Coastline CZMPs and Management Plans also include a significant amount of works that are well beyond Council’s current financial capacity.

These statutory documents have been developed and adopted following significant community consultation processes and the works identified in the documents reflect the community’s aspirations, along with essential works needed to protect the health of our waterways.

In summary Council’s application is as follows:

**Item 2017/18 2018/19 2019/20**

Rate Peg (actual / estimated) (%) 1.5 2.5 2.5

Asset Renewal (%) 1.9 3.4 3.4

Healthy Waterways (%) 1.5 0.0 0.0

**Total Annual Increase (%) 4.9 5.9 5.9**

## Capital expenditure review

You should complete this section if the council intends to undertake 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 in 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, in particular 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 implementing 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, as well as alternative funding options (to a rates rise).

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

## 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 proposed 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 Long Term Financial Plan forecasts for the General Fund and how this relates to the need the council identified. Our assessment will also consider the assumptions which underpin the council’s Long Term Financial Plan 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.

***Council Submission***

**Needs and Desires**

Needs - Asset Renewal

The need for the additional asset funding formed part of Council’s Fit for the Future submission where it was identified that Council was unable to meet the benchmarks for a break-even or better operating result (Operating Balance Ratio) and the 100% Asset Renewal ratio, based on a three year average, without additional rate revenue.

Council’s Fit for the Future submission included our improvement plan that listed the various actions that Council was taking in respect to its overall financial position. These actions are all being implemented, with the need for this additional rate increase being part of that improvement plan.

The need was determined following:

1. a substantial review of Council’s infrastructure asset data and condition assessments to refine the depreciation estimates for all categories of infrastructure
2. confirmation of the funding needed to ensure that our assets were being renewed in a timely manner
3. review of Council’s operating expenditure budgets and service levels to identify opportunities to generate savings and transfer those savings to asset renewals
4. review of our fees and charges to confirm opportunities for increased revenue
5. and finally, identification of the minimum level of additional rate income needed to finance any shortfall.

In respect to our IP&R documents, specific mention is made of Council’s compliance with the Fit for the Future Program in the Delivery Program / Operational Plan, with the following table being an extract of page 29 of the adopted 2016/17 document. The complete document is available on our website.



This table is part of the Engaged Leadership Program in the Delivery Program.

In addition to this extract, the Council adopted document referred to as the “Long Term Financial Plan (Overview) – June 2016”, which is also on our website as part of our IP&R documents, provides the different scenarios analysis. This document provides an easy to read summary of our Long Term Financial Plan (LTFP) and a copy of that document is included as Attachment 3.3.

Needs - Healthy Waterways Programs

The need for additional expenditure on our waterways has been identified from a number of reports, observed conditions, as well as community sentiment.

In the latest Echohealth report (University of New England – June 2015), the Richmond Catchment Ecohealth was given an overall grading of D minus. A copy of an extract from that report is included as Attachment 13.1.

Council, in collaboration with Lismore City Council, Richmond Valley Council and Rous County Council (formerly the Richmond River County Council) prepared the Richmond River Estuary – Coastal Zone Management Plan (CZMP), which has been gazetted as a CZMP by the NSW State Government.

This plan identifies works to the value of $16.5m over ten years, with limited works undertaken to date, due to a lack of funding. Council is looking to implement works in the Ballina Shire local government area through this additional funding stream. Refer to Attachment 13.2 for an extract of the works plan from that CZMP.

Council also has adopted and gazetted CZMPs for Shaws Bay and the Ballina Shire Coastline, both of which identify a substantial amount of works. A Management Plan is in place for Lake Ainsworth and it is the intention of Council to review that plan to also have an adopted and gazetted CZMP in place for Lake Ainsworth. Attachment 13.3 provides relevant extracts from those documents.

Other independent reports include the latest State of the Beaches report (Beachwatch – Office of Environmental Health) which identifies areas within Shaws Bay and Lake Ainsworth as having a poor / very poor grading in relation to water quality.

An extract from that document is included as Attachment 13.4.

There has also been a historical occurrence of Richmond River Blackwater events and fish kills. It is widely recognised that, whilst such events cannot be eliminated entirely, the magnitude and impact of such events can be reduced (through appropriate programs) to allow the Richmond River to reach a sustainable level. Fish kills have had a major detrimental impact on the Ballina Shire economy due to the dependence of Ballina on its waterways and tourism.

In respect to our IP&R documents there are a number of references to the CZMPs and Management Plans as part of the Healthy Environment Program in our Delivery Program/ Operational Plan and one relevant extract from page 22 that document is as follows:



The actions referenced HE1.1.1a, HE1.2.1a, HE1.2.1b and HE1.2.1c are all relevant to the Healthy Waterways Program.

**Community Desires**

The importance of asset renewal and healthy waterways to the community has been statistically measured by Council through surveys undertaken by an independent research firm, being Micromex Pty. Ltd.

These surveys interview a substantial number of residents and provide a high confidence level in the results.

The surveys have been undertaken in 2008, 2012, 2014 and 2016 and they measure the level of IMPORTANCE and SATISFACTION that the community attaches to a wide range of Council services.

In respect to IMPORTANCE for the 2016 survey period, Roads continued to have the highest importance score (4.73) to the community, which is consistent with previous surveys.

The Overall Health of the Richmond River was ranked as the fourth (4.65) most important service to the community behind Garbage Collection (4.67) and Beaches and Foreshores (4.67).

Using the Unipolar scale applied by Micromex, 3.90 to 5.00 is identified as a high level of importance to the community.

Drainage and flood management (4.22) also have a high level of importance with a significant part of the additional monies to be expended on asset renewal for our stormwater as part of the Asset Renewal Program.

The Micromex survey also measures SATISFACTION with services; i.e. the community’s assessment of how satisfied they are with Council’s provision of these services.

A comparison of the Importance scoring with the Satisfaction scoring provides the PERFORMANCE GAP. The higher the performance gap, the greater the difference is between the provision of that service by Ballina Shire and the expectation of the community for that service/facility.

For the Performance Gap rankings, the Overall Health of the Richmond River ranked as number one (i.e. largest performance gap) and Roads ranked as number two.

This is consistent with previous surveys and demonstrates a strong desire from the community to improve our service levels in these two areas.

A copy of the importance levels and performance gaps from the 2016 Micromex Community Satisfaction Report is included as Attachment 6.1.

The Micromex surveys for 2014, 2012 and 2008 are available on our website.

Further evidence in relation to the healthy waterway program proposal is provided by 94% of residents stating that “health of our waterways” is a priority for them/their household (page 51 of the 2016 Micromex Community Satisfaction Report) and 71% of residents stating that investment in “health of our waters” should be increased (page 52).

A copy of the relevant sections of that document is included as Attachment 6.2.

Finally, Council’s Community Strategic Plan (CSP), Delivery Program (DP) and Operational Plan (OP) emphasise the importance of these services.

The CSP has identified “Engaged Leadership” and “Healthy Environment” as two of its four key Directions.

For “Engaged Leadership”, one outcome we are striving to achieve is “Council’s finances and assets are well managed”. One of the strategies our DP then identifies to achieve that outcome is that Council will enhance financial sustainability.

For “Healthy Environment”, one of the outcomes we are striving to achieve is “We understand our environment”. One of the strategies our DP then identifies to achieve that outcome is that Council will protect and enhance our waterways.

These directions and outcomes are supported by Delivery Program Strategies and Operational Activities to achieve those outcomes. Reference is made to pages 22 and page 29 of the Council’s adopted Delivery Program and Operational Plan for 2016/17, which outlines the strategy and actions being followed in respect to the asset renewal and healthy waterways programs. Refer to Attachment 2.

**Decision to Seek Higher Rate Income**

In respect to our increased investment in Asset Renewal, Council’s financial modelling identified that expenditure of $2m to $3m extra, at least, was needed to meet the benchmark infrastructure Asset Renewal ratio of at least 100%. This level of additional income was also required to provide a consistent operating surplus (positive Operating Balance Ratio) in the near future.

Based on our existing rate base, it was not feasible for Council to generate this level of extra expenditure from either cost savings, or fee increases, or a combination of both, therefore an increase in our permanent rate income was decided upon, as the last available option.

Importantly, Council has taken a conservative approach and even with this additional income we will only be generating marginal operating surpluses and other funding avenues will still need to be pursued to ensure that the Asset Renewal ratio is met on a consistent basis.

IPART actually made specific mention of the small operating surpluses being forecast as part of its review of our Fit for the Future submission.

In respect to the Healthy Waterways Program, the newly elected Council identified this as a key priority for our community, therefore it was included as part of our consultation program.

Other key considerations in respect to this decision were:

1. the Office of Local Government (OLG) comparative data reports continue to highlight that many of our comparative benchmarks are below the Group or similar council average, which reflects the limitations we have in respect to savings in existing operating revenues and expenses. One primary example is our staff to population ratio, which in the latest available report on the OLG website (2014/15) identifies one employee to 152 residents for Ballina Shire. When we compare this to councils in this region the variances are substantial (i.e. Byron Shire (1 to 130), Tweed Shire (1 to 135), Lismore City (1 to 107) and Richmond Valley (1 to 94). Indicators such as this highlight Council is operating at a relatively lean level.
2. Similarly our average residential rate remains relatively, as per the following summary which was supplied by the rating staff for each of the councils listed for the 2016/17 financial year:

**Council Ballina Byron Clarence Coffs Lismore Rich Val Tweed**

Residential Rate 943 1,137 999 1,173 1,207 888 1,358

This provides Council with an opportunity to consider what could be termed as reasonable rate increases.

1. Council has also resolved to cease the levying of our Waste Operations Charge. This charge is currently levied on all residential and farmland properties. The charge for 2016/17 is $73. The revenue raised from this charge has assisted Council in repaying loan debt relating to our waste operations. With the retirement of that debt Council has determined that the charge will not be levied for 2017/18 onwards.

This represents an annual saving to every residential and farmland property of $73 per annum, based on the 2016/17 charge.

1. After many years of prudent financial management, Council’s water, wastewater and waste operations are now at a level, where financially, we are in a position to minimise increases in their relative annual charges for the next three years.

Low increases in these charges then helps to minimise the overall financial impact on our ratepayers.

**Why the Special Rate Variation is the Most Appropriate**

The special rate variation is the most appropriate funding option for the increased Asset Renewal program as this is a recurrent expenditure that must be continued permanently into the future. This is not a short term program but rather a permanent strategy, which means a permanent income stream is needed. The magnitude of the desired funding increase also meant that other options, such as expenditure reductions and standard fee increases, were not viable.

In respect to the Healthy Waterways Program, we have three gazetted CZMPs (Richmond River, Shaws Bay, Ballina Shire Coastline) and an existing Management Plan (Lake Ainsworth) that is scheduled to be updated to a CZMP during the next two years.

The CZMPs have extensive works programs, at a minimum based on a ten year time frame, and towards the end of that period, the plans are typically reviewed and a new ten year plan prepared.

The magnitude of works in those plans is well beyond the income being generated from the Healthy Waterways component of this proposal and it is Council’s intention to leverage any monies with grants and contributions from other parties and government organisations.

Similar to the Asset Renewal works it is essential that Council has a permanent revenue source to support these plans.

Council is mindful of its overall level of rate income and as per the OLG comparative reports we benchmark our income against similar councils, particularly from a regional perspective. The following table provides the average rates for the councils listed, with the figures sourced directly from the rating staff at each of the councils. When we apply the average ordinary rates for similar or adjoining councils to our existing number of rateable assessments it reinforces the large discrepancy in total rate yields.

**Benchmarking – Total Rate Yield – 2016/17**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Property Type** | **Ballina ($)** | **Byron** **($)** | **Coffs** **($)** | **Lismore ($)** | **Richmond Valley ($)**  | **Tweed ($)** |
| Residential Average Rate | 943 | 1,136 | 1,172 | 1,207 | 889 | 1,348 |
| Business Average Rate | 3,160 | 2,644 | 4,090 | 4,740 | 2,514 | 2,976 |
| Farmland Average Rate | 1,448 | 1,606 | 2,152 | 2,300 | 1,450 | 2,006 |
| **Number of assessments for Ballina Shire** |
| Residential | 15,642 (87%) |
| Business  | 1,287 (7%) |
| Farmland | 1,046 (6%) |
| **Total Rate Yield ($’000)** | **20,332** | **22,852** | **25,847** | **27,386** | **18,658** | **27,014** |
| **Annual Difference to Ballina ($’000)**  | **0** | **2,520** | **5,515** | **7,054** | **(1,674)** | **6,682** |

The variance in rate yields is significant, with the exception of Richmond Valley which is in the middle of a five year program of increases, above the rate peg limit.

Byron Shire Council has also recently resolved to apply for a four year increase at 7.5% per annum.

These figures help to highlight that councils with similar characteristics, service levels, demographics and socio economic conditions as Ballina Shire, are generating millions of dollars extra in rate income each year.

**How the Special Rate Variation Impacts the LTFP**

The Healthy Waterways Program additional revenue has no impact on Council’s LTFP, as the additional revenue is totally offset by a matching expense.

The Asset Renewal Program additional revenue benefits our operating result, as increased operating revenues are matched against increased capital expenditure, which in turn also improves our Asset Renewal Ratio

The impacts, for the General Fund only, are outlined in the following tables.

**General Fund Operating Result – SRV Excluded**



**General Fund Operating Result – SRV Included**



As per these tables the inclusion of the SRV allows Council to achieve an operating surplus for the General Fund in 2018/19, whereas without the SRV an operating surplus is not achieved until 2025/26.

The likelihood of that being achieved by 2025/26 is also debateable as an eight year timeframe does increase the risk of variations occurring in the forecast.

These tables also represent the latest review of our LTFP, following the completion of the December 2016 Quarterly Budget Review, which has been reported to the February 2017 Ordinary meeting of Council.

## Financial sustainability

The proposed special variation may be intended to improve the council’s underlying financial position for the General Fund, 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, NSW Treasury Corporation). Indicate how such assessments of the council’s financial sustainability are relevant to supporting the decision to apply for a special variation.
* The council’s view of the impact of the proposed special variation on its financial sustainability.

***Council Submission***

Ballina Shire Council was one of the first councils to have a Financial Assessment and Benchmarking report undertaken by Tcorp, in 2012, with that report allowing Council to source Local Infrastructure Renewal Scheme Loans from the NSW State Government.

A further report by Council from Tcorp in April 2013, identified Council as having a Financial Sustainability Rating (FSR), with a neutral Outlook. A copy of that report is included as Attachment 4.

Council agreed with that rating for a number of reasons; i.e.

1. our asset condition assessments are relatively satisfactory and we have a low asset backlog, therefore we are in a sound position moving forward
2. the majority of our financial ratios are compliant with agreed benchmarks, excepting the Asset Renewal Ratio, and we are continuing to incur operating deficits. This means there is a need to improve these two areas of Council’s finances (Asset Renewal Ratio and Operating Balance Ratio).
3. Our outlook is neutral, as additional funds are not being freed up in the near future to further improve our investment in asset renewal and improve our current operating deficit.
4. The moderate and neutral ratings reflect that we are in a tight financial position, with the advantage of being able to improve our financial position through increased revenue opportunities and continued control of expenses, however there is also the risk of our financial position deteriorating through poor management of revenues and expenses. This also means we have little room to change service levels within the existing funding streams.

In respect to the Fit for the Future Program, in reviewing the various indicators and benchmarks, Council’s position can be summarised as follows:

a) Our Water and Wastewater (Sewer) Operations are forecast to generate operating surpluses for 2016/17. This will be the first time this has occurred in many years, if at all.

b) For the General Fund, the two key indicators where Council is having difficulty complying with the benchmarks are the Operating Balance ratio and the Asset Renewal Ratio.

It is these two ratios that the Asset Renewal component of this application is targeting.

In summary the Fit for the Future indicators and the Tcorp evaluations confirmed Council’s own opinion of our financial position in that the Council was sound financially, with our assets in reasonable condition, however there were longer term concerns in respect to the operating result and insufficient funding for asset renewal. There was also little scope to move within the existing budget framework.

This has resulted in Council deciding to apply for additional funds for asset renewal work which in turn helps to improve our operating result.

## Financial indicators

How will the proposed special variation affect the council’s key financial indicators (General Fund) over the 10-year planning period? Please provide, as an addendum to the Long Term Financial Plan, 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).

***Council Submission***

The LTFP (excel spreadsheet version) is included as Attachments 3.1 (inclusive of SRV) and 3.2 (exclusive of SRV).

Key ratio forecasts in the supporting spreadsheets are as follows:

**General Fund Ratios – SRV Included**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **FFTF Indicator** | **2017/18** | **2018/19** | **2019/20** | **2020/21** | **2021/22** | **2022/23** | **2023/24** | **2024/25** | **2025/26** | **2026/27** |
| Infrastructure Backlog  | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% |
| Asset Maintenance  | 107.6% | 106.3% | 107.3% | 106.7% | 107.4% | 106.5% | 107.2% | 106.4% | 107.1% | 106.3% |
| Debt Service  | 9.5% | 8.8% | 8.5% | 7.8% | 7.7% | 7.3% | 6.7% | 5.5% | 4.3% | 3.6% |
| Own Source Operating Rev  | 65.5% | 67.6% | 70.8% | 72.8% | 72.1% | 73.7% | 77.6% | 81.4% | 81.5% | 81.7% |
| Real Op Expend Per Capita | 91.2% | 89.6% | 90.2% | 88.2% | 88.6% | 86.5% | 86.9% | 85.5% | 85.4% | 85.5% |
| Asset Renewal  | 152.1% | 140.4% | 83.1% | 110.6% | 144.2% | 151.2% | 110.0% | 86.7% | 94.6% | 103.7% |
| Operating Performance | -2.2% | -0.1% | 0.6% | 1.5% | 2.0% | 2.4% | 2.9% | 3.4% | 3.9% | 4.5% |

**General Fund Ratios – SRV Excluded**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **FFTF Indicator** | **2017/18** | **2018/19** | **2019/20** | **2020/21** | **2021/22** | **2022/23** | **2023/24** | **2024/25** | **2025/26** | **2026/27** |
| Infrastructure Backlog  | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% |
| Asset Maintenance  | 107.6% | 106.3% | 107.3% | 106.7% | 107.4% | 106.5% | 107.2% | 106.4% | 107.1% | 106.3% |
| Debt Service  | 9.5% | 8.9% | 8.7% | 8.1% | 8.0% | 7.6% | 7.0% | 5.8% | 4.5% | 3.8% |
| Own Source Operating Rev  | 65.4% | 67.2% | 70.2% | 71.9% | 71.1% | 72.8% | 76.8% | 80.6% | 80.8% | 81.0% |
| Real Op Expend Per Capita | 90.7% | 89.1% | 89.6% | 87.7% | 88.1% | 86.0% | 86.4% | 85.0% | 84.9% | 85.0% |
| Asset Renewal  | 151.0% | 136.2% | 73.9% | 97.4% | 128.9% | 135.8% | 94.6% | 71.1% | 79.0% | 88.1% |
| Operating Performance | -2.4% | -1.1% | -1.6% | -1.6% | -1.6% | -1.2% | -0.7% | -0.2% | 0.3% | 0.9% |

Green represents the benchmark being reached, whereas red represents non-compliance.

As per these two tables the Operating Performance of the organisation continues at a deficit for a number of years without the additional revenue.

The Asset Renewal ratio improves significantly with the additional revenue, albeit that further improvements still need to be made to that ratio to ensure compliance in every year.

Importantly, with the special rate variation, the Asset Renewal ratio does comply with the 100% benchmark on a ten year average.

These ratios are based on the three year averages, as defined by the Fit for the Future Program, where appropriate.

## Contribution plan costs above the cap

You should complete this section if the proposed 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:[[1]](#footnote-1)

* 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, and
* any reference to the proposed contributions (which were previously to be funded by developers) in the council’s planning documents (eg, Long Term Financial Plan and Asset Management Plan AMP.

|  |
| --- |
| N/A |

# Assessment criterion 2: Community awareness and engagement

Criterion 2 in the Guidelines is:

*Evidence that the community is aware of the need for and extent of a rate rise. The Delivery Program and Long Term Financial Plan 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 community awareness and input occur. IPART’s fact sheet includes guidance to councils on the community awareness and engagement criterion for special variations.*

Our fact sheet on the requirements for community awareness and engagement is available on the IPART website.[[2]](#footnote-2)

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

* it has consulted and engaged the community about the proposed 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, and
* 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 major rating category (in both percentage and dollar terms)
* the annual increase in rates that will result if the proposed 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), and
* the rate levels that would apply without the proposed special variation.

More information about how the council may engage the community is to be found in the Guidelines, the IP&R manual and our fact sheet.

|  |
| --- |
| 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 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 rate rises under the proposed special variation and attach relevant samples of the council’s consultation material.

***Council Submission***

Council’s adopted IP&R documents for 2016/17 included the proposal for a special rate variation of 2.9% above the rate pegging limit for three years from 2017/18 to 2019/20 as part of the Long Term Financial Plan (LTFP) (Overview) document, which provides a written summary of the LTFP, along with the LTFP budget document itself.

Council’s adopted Delivery Program and Operational Plan also makes specific reference to Council complying with the State Government’s Fit for the Future Program. Refer to Attachment 2.

These documents, which were adopted in June 2016, did not include the 1.5% proposed for the Healthy Waterways Program as this is an initiative of the newly elected Council. However the documents did make reference to implementing the various CZMPs and Management Plans as clarified in Section 3.1 of this application. The Council CSP also makes reference, at a broad level, to the types of activities being proposed by this application; as per the following two extracts from pages 24 and 25 of that document. The existing CSP is currently under review following the election of a new Council.





In response to the Council resolution to proceed with a special rate variation application for 2017/18 to 2019/20, Council undertook a specific consultation program with the key elements being as follows:

1. Letter sent to every rateable property in the Shire (16,105 in total with some owners having multiple properties). This letter provided a comprehensive overview of the proposal, along with a fact sheet
2. Fact sheets and related information displayed on Council’s website
3. Public meetings held at Alstonville, Ballina, Lennox Head and Wardell, which included a powerpoint presentation.
4. Weekly newspaper advertising in the Ballina Shire Advocate, which is a free newspaper circulated to virtually every residence in the Shire. Our resident surveys confirm that this newspaper is one of the main sources of information on Council activities for the community
5. On-line survey on Council’s website
6. Independent survey of approximately 400 residents undertaken by Micromex Pty. Ltd.
7. Media releases

Copies of these documents are included in Attachment 5.1, with the Micromex survey response included as Attachment 6.3.

The independent survey provided by Micromex Pty. Ltd. included the following statement:

*A large proportion of respondents (59%) were already aware that Council was exploring sentiment towards a Special Rate Variation, suggesting that Council had conducted effective methods of communication to the community regarding a SRV (page 9).*

The feedback from Micromex is that this is a good result, and as per their comments, “Council had conducted effective methods of communication to the community regarding an SRV”.

## 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 proposed 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.

***Council Submission***

The feedback from the community consultation was reported to an Extraordinary Council meeting held 10 February 2017.

A copy of that report is included as Attachment 13.5.

In summary Council received a significant amount of feedback with the level of response summarised as follows:

**Public Meetings**

Attendance numbers were Alstonville (50), Lennox Head (30), Ballina (39) and Wardell (29). These meetings were for information only with no vote taken.

**Written Submissions**

Council received a total of 118 written submissions, with copies of submissions included as Attachment 6.6 onwards.

There were 14 letters that provided some level of support for both or one of the proposed rate variations and 96 against (the balance of letters received were requests for information only).

This resulted in an overall response rate of approximately:

|  |  |  |  |
| --- | --- | --- | --- |
| **Item** | **Support No.** | **% Support Out Of Total** | **% Against** |
| Asset Renewal | 11 | 10% | 90% |
| Healthy Waterways | 14 | 13% | 87% |

**On-line Survey on Council Website**

A total of 501 on-line responses were completed. Question 9 of the survey asked “How supportive are you of Council applying for both the Healthy Waterways and Asset Renewal Programs?”

The level of support was as follows:

**Preference Number Percentage**

Strongly supportive 56 11

Supportive 44 9

Somewhat supportive 37 7

Not very supportive 69 14

Not at all supportive 295 59

A total of 73% of the respondents did not support the proposal for both programs.

The on-line survey asked a number of other questions also, with that information outlined in the attached Council report as per Attachment 13.5. A copy of the responses is also included as Attachment 6.5.

**Micromex Survey**

A totalof 403 residents were surveyed by Micromex.

The Micromex survey canvassed four options:

1. No special rate variation
2. Healthy Waterways variation of 1.5% extra, plus the 1.5% rate peg in 2017/18
3. Asset Renewal variation of 2.9% extra for the period 2017/18 to 2019/20, on top of the rate peg of 1.5% for 2017/18 and an estimated 2.5% rate peg for 2018/19 and 22019/20
4. Both the Healthy Waterways and Asset Renewal Programs based on a total of 4.9% in 2017/18 and 5.9% in 2018/19 and 2019/20.

The level of support for each option was follows.

**Option One – No special rate variation**

**Preference Percentage**

Very supportive 12

Supportive 18

Somewhat supportive 18

Not very supportive 29

Not at all supportive 23

**Option Two – Healthy Waterways only**

**Preference Percentage**

Very supportive 10

Supportive 21

Somewhat supportive 30

Not very supportive 23

Not at all supportive 19

**Option Three – Asset Renewal only**

**Preference Percentage**

Very supportive 9

Supportive 31

Somewhat supportive 26

Not very supportive 20

Not at all supportive 14

**Option Four – Both Healthy Waterways and Asset Renewal**

**Preference Percentage**

Very supportive 28

Supportive 24

Somewhat supportive 22

Not very supportive 11

Not at all supportive 15

At stated by Micromex in their report, based on this survey, option four had the highest level of support at 74% (71% support for ratepayers only).

A copy of the Micromex report is included as Attachment 6.3.

Mr Stuart Reeve, Managing Director of Micromex Pty. Ltd, also provided an email advice to Council, dated 14 February 2017, where he was clarifying the survey results, which stated in part as follows:

*The community support and preference for Option 4 has the strongest support score and preference score we have seen for the highest option in an SRV.*

This is an exceptional level of support from the community for this proposal. A copy of that email correspondence is included as Attachment 6.4.

In respect to the opposition to the survey the major concerns, as per the Council report, can be summarised as follows:

1. Council’s rates are unaffordable – Council is very mindful of this and as per Section 3.1 of this application our general rates remain comparatively low compared to similar councils.
2. Total rates and charges bill is too high - Council is removing the Waste Operations Charge and Council has explicitly resolved to minimise any increases in our Water, Wastewater, Stormwater and Waste charges for the three year period.

The benefit of this is outlined in the following table, which outlines the total change per annum for the average residential property in Balina Shire for the three year period.

**Change in Average Residential Property – Total Rates and Charges Bill**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Item** | **2016/17** | **2017/18** | **2018/9** | **2019/20** |
| **Ordinary Rate** | **943** | **989** | **1,048** | **1,109** |
| % Change |  | 4.90 | 5.90 | 5.90 |
| **Stormwater**  | **25** | **25** | **25** | **25** |
| % Change |  | 0.00 | 0.00 | 0.00 |
| **Water Access**  | **200** | **204** | **210** | **215** |
| % Change |  | 2.00 | 2.50 | 2.50 |
| **Water Consumption (172 kls)** | **368** | **375** | **385** | **394** |
| % Change |  | 2.00 | 2.50 | 2.50 |
| **Wastewater Charge** | **925** | **953** | **977** | **1,001** |
| % Change |  | 3.00 | 2.50 | 2.50 |
| **Domestic Waste Collection** | **367** | **374** | **383** | **393** |
| % Change |  | 2.00 | 2.50 | 2.50 |
| **Waste Operations Charge** | **73** | **0** | **0** | **0** |
| **Total** | **2,901** | **2,920** | **3,028** | **3,137** |
| **% Change** |  | **0.65** | **3.70** | **3.60** |

1. Council should work within its existing budgets – As outlined earlier the magnitude of revenue required for asset renewal means this is not a feasible option. Similarly, due to Council’s relatively low level of rate income, freeing up funds for the Healthy Waterways program would negatively impact Council’s existing service levels.

**Council Actions in Response to Submissions**

The key actions Council is taking in response to the submissions are:

1. We are applying for a minimalist increase with very small operating surpluses forecast.
2. We are continuing to review the forecast increases in our water, wastewater and waste charges to see if the proposed increases can be further reduced, especially for this three year period
3. We are continuing to review service levels and our other fees and charges to ensure our investment in asset renewal is maximised.

# Assessment criterion 3: Impact on ratepayers

Criterion 3 in the 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 Delivery Program and Long Term Financial Plan 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 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 proposed special variation. We also review how the council has 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 proposed special variation on 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, and how this was communicated to the community. 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 Submission***

Council has not indicated any preference to change the existing rating structure.

The 2016/17 rating structure is outlined in the following table which is an extract from our 2016/17 Operational Plan:



Council’s existing rating structure can be summarised as follows:

* Residential Rate – Approximately 50% of the rate income is sourced from a standard base charges to minimise the impact of variances in land values
* Business Rate – Council policy is to generate approximately 20% of the total rate yield from business rates.

Prior to this policy being introduced the Ballina Shire average business rate was the lowest in the State for Group 4 councils

* Farmland Rate – The rate in the dollar is typically approximately 80% of the residential rate, with this calculation determined following the calculation of the business rate
* Mining Rate – Council does not have any properties categorised as mining. The mining rate is set at the same as the business rate for the purposes of adopting the rates each year.
* Base Charge – The same base charge is applied to business and farmland properties, as calculated for the residential properties; i.e. all properties pay the same base charge.

Council is also being supplied with new land valuations for 2017/18, which could mean that the rate levied on individual properties could vary significantly, dependent on the movement in land values.

In respect to the direct impact on ratepayers the average variances were included in the correspondence forwarded to all ratepayers, as per Attachment 5.1.

A summary of the information used in the consultation process is as per the following summary.

**Estimated Variation to Average Rates Per Category of Property**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Item** | **2016/17** | **2017/18** | **2018/9** | **2019/20** | **Total Change ($)** |
| **Standard Rate Pegging Increase** |  | **1.50%** | **2.50%** | **2.50%** |  |
| Average Residential Rate | 943 | 957 | 981 | 1,006 | 63 |
| Average Business Rate | 3,160 | 3,207 | 3,288 | 3,370 | 210 |
| Average Farmland Rate | 1,448 | 1,470 | 1,506 | 1,544 | 96 |
|  |  |  |  |  |  |
| **With Additional Percentage** |  | **4.90%** | **5.90 %** | **5.90%** |  |
| Average Residential Rate | 943 | 989 | 1,048 | 1,109 | 166 |
| Average Business Rate | 3,160 | 3,315 | 3,510 | 3,718 | 558 |
| Average Farmland Rate | 1,448 | 1,519 | 1,609 | 1,703 | 255 |
|  |  |  |  |  |  |
| **Average Extra Rates Each Year** |  |  |  |  |  |
| Residential Extra |  | 32 | 67 | 103 | **103** |
| Business Extra |  | 107 | 222 | 348 | **348** |
| Farmland Extra |  | 49 | 103 | 159 | **159** |

The “average extra rates each year” figures provide the difference paid for each year, due to the proposed special rate variation. This is an average only and some people will pay more and some less.

A key item that assists in the implementation of this increase is the removal of the existing waste operations charge of $73.

### Minimum Rates

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

As previously discussed, if the proposed special variation includes increasing minimum rates above the statutory limit, or is to apply a higher rate of increase to an existing minimum rate than to its other rates, it is not necessary for the council to also complete the separate Minimum Rates application form. However, this must be clearly identified and addressed in the special variation application.

|  |  |  |
| --- | --- | --- |
| Does the council have minimum Ordinary rates? | Yes [ ]   | No X |

If *Yes*, does the council propose to increase minimum Ordinary rates by:

The rate peg percentage [ ]

The special variation percentage [ ]

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

What will minimum Ordinary rates be after the proposed 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.

N/A

## 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.

***Council Submission***

A key consideration for Council has been our overall level of rates and charges and how they compare with similar councils. Section 3.1 of this application identified the current average ordinary rates for the councils listed as per the following table.

**Benchmarking – Total Rate Yield – 2016/17**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Property Type** | **Ballina ($)** | **Byron** **($)** | **Coffs** **($)** | **Lismore ($)** | **Richmond Valley ($)**  | **Tweed ($)** |
| Residential Average Rate | 943 | 1,136 | 1,172 | 1,207 | 889 | 1,348 |
| Business Average Rate | 3,160 | 2,644 | 4,090 | 4,740 | 2,514 | 2,976 |
| Farmland Average Rate | 1,448 | 1,606 | 2,152 | 2,300 | 1,450 | 2,006 |

We also examined our total rates charges account and the following is an extract from the Council presentation to the public meetings that were held in adopting our 2016/17 Delivery Program and Operational Plan.

**Total Residential Rates and Charges – 2016/17**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Residential** **Property** | **Ballina**  | **Byron**  | **Clarence****Valley** | **Coffs Harbour** | **Lismore** | **Richmond Valley** | **Tweed**  |
| Ordinary Rate | 943 | 1,137 | 999 | 1,173 | 1,207 | 888 | 1,358 |
| Stormwater | 25 | 25 | 0 | 25 | 25 | 25 | 25 |
| Water Access | 200 | 179 | 116 | 143 | 248 | 139 | 166 |
| Water 150kl | 321 | 371 | 356 | 407 | 512 | 318 | 428 |
| Waste Water | 925 | 1,097 | 1,092 | 806 | 855 | 934 | 805 |
| Waste Collection (incl waste levies) | 440 | 386 | 360 | 636 | 460 | 425 | 325 |
| **Total** | **2,854** | **3,195** | **2,923** | **3,190** | **3,307** | **2,729** | **3,107** |
| **% to Ballina** | **100%** | **112%** | **102%** | **112%** | **116%** | **96%** | **109%** |

As per these figures, the average total rates and charges account payable for a residential property in Ballina Shire compares favourably to similar councils.

Even with the proposed special rate variation, the total rates and charges bill for the average residential assessment in Ballina Shire will be well below the majority of the councils listed.

In respect to the ability of the community to pay, some of the key indicators for Ballina Shire Council, along with other councils in the Northern Rivers are as follows.

**Socio-Economic Factors for Northern Rivers**

**Council Ballina Byron Lismore Rich Val Tweed**

% Pensioner Residential Rate 23 18 24 27 24

% Unemployment Rate 5.5 8.8 7.3 8.3 6.6

Average Taxable Income 40,734 37,689 38,784 35,020 39,594

Socio Economic Index Ranking 99 98 66 7 68

These figures have been sourced from the Office of Local Government’s comparative report for 2013/14, which appears to be the latest report available.

These figures reflect that on a comparative basis Ballina Shire has a stronger economy through higher income levels and lower unemployment rates in our region and our SEIR ranking is the highest in the region.

In respect to outstanding rates and charges the percentage outstanding for all rates and charges for the last seven financial years is follows:

* 2015/16 – 4.45%
* 2014/15 – 4.77%
* 2013/14 – 5.63%
* 2012/13 – 7.05%
* 2011/12 – 7.59%
* 2010/11 – 9.81%
* 2009/10 – 12.17%

Council is not anticipating that this trend of improvement will change due to the proposed special rate variation.

## Addressing hardship

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

|  |  |  |
| --- | --- | --- |
| Does the council have a Hardship Policy? | Yes [x]  | No [ ]  |
| If Yes, is an interest charge applied to late rate payments? | Yes [x]  | No [ ]  |
| Does the council propose to introduce any measures to reduce 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 hardship policy or other measures are referenced in the council’s IP&R documents (with relevant page reference or extract provided).

***Council Submission***

Council’s Financial Assistance for Rates, Annual Charges and Fees Policy is included as Attachment 7.1. (This policy was previously titled the “Financial Hardship – Rates and Charges” policy however the policy was renamed to reflect a wider coverage of matters).

The policy provides broad authority for the General Manager to manage applications for financial support. The policy is purposely written this way as it is extremely difficult to cover every scenario in a policy document.

The policy does provide for the option of deferral of rates and charges against the property estate for eligible aged pensioners and self-funded retirees. This was written to assist in managing situations where pensioners may be residing in a prime beachfront location and due to increases in land value the rates on the property may have become unaffordable. Even though this option is available Council has not actually reached formal agreement with a property owner in respect to this scenario.

Council also has a policy titled “Pensioner Concessions – Rates and Charges” (copy also attached at Attachment 7.2) which outlines how applications for pensioner concessions are to be managed. Importantly this policy, as per clause seven, states that pensioners will not be exempt from interest charges on overdue rates.

At this point in time Council has not identified any additional strategies for the management of personal hardship, primarily as our rates still remain affordable on a comparative basis to a number of other councils in this region. Any applications for hardship will be dealt with on a case by case basis.

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

Criterion 4 in the Guidelines is:

*The relevant IP&R documents 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.[[3]](#footnote-3) You should also include extracts from council minutes as evidence that the documents were adopted.

The council is reminded that the Community Strategic Plan and Delivery Program (if amended), require public exhibition for at least 28 days prior to adoption. Amendments to the Long Term Financial Plan and Asset Management Plan do not require public exhibition.[[4]](#footnote-4) However, it would be expected that the Long Term Financial Plan would be posted, in a prominent location, on the council’s website.

***Council Submission***

The Community Strategic Plan (CSP) was adopted by Council following the 2012 local government elections and prior to 30 June 2013. The consultation for the CSP resulted in Council adopting four key directions, or community aspirations, “Healthy Environment” and “Engaged Leadership” being the directions relevant to this application.

A summary of the outcomes and benefits identified for Engaged Leadership and Healthy Environment, as per pages 24 and 25 of the adopted CSP, were included in Section 4.1 of this application (Refer also to Attachment 1)

The recently elected Council has confirmed that it will continue with the four key directions identified in the existing CSP for the new CSP and a draft document is being prepared on that basis. The Council must adopt this new CSP before 30 June 2017.

In respect to the current Delivery Program (DP) and Operational Plan (OP) both documents were reviewed by Council during 2016 for adoption for the 2016/17 financial year. The advertising period for those documents was from early May 2016 to 6 June 2016, with the documents being adopted at the 23 June Ordinary meeting.

As per Section 3.1 of this application, the adopted Delivery Program and Operational Plan make specific reference to the Fit for the Future Program and the various components of the Healthy Waterways Program as per the following extracts:





The LTFP and the LTFP (Overview) were also adopted at the 23 June 2016 Ordinary meeting, and this is important as the LTFP provided the financial plan based on Council’s Fit for the Future submission.

The relevant extract from the Council minutes for that meeting is as follows:

***230616/1 Resolved***

*(Cr Ben Smith/Cr Robyn Hordern)*

*1. That Council adopts the 2016/17 to 2019/20 Draft Delivery Program and 2016/17 Operational Plan which includes the Long Term Financial Plan (budget) and Fees and Charges, as exhibited, inclusive of any amendments determined at this meeting*

***……….***

Following the Council election in September 2016, and an extensive Council induction period, the newly elected Council then decided to proceed with the special rate variation application, as per our Fit for the Future submission, inclusive of the change to include the Healthy Waterways program.

That resolution, from the 15 December 2016 Ordinary meeting is as follows. The resolution also authorised an update to our LTFP to reflect this revised financial plan.

***151216/2 Resolved***

*(Cr Keith Williams/Cr Nathan Willis)*

1. *That Council commence a consultation process with the community to seek an additional three year rating increase based on the following assumptions:*

|  |  |  |  |
| --- | --- | --- | --- |
| ***Item*** | ***2017/18*** | ***2018/19*** | ***2019/20*** |
| ***Estimated Rate Pegging Limit*** | ***1.5%*** | ***2.5%*** | ***2.5%*** |
| *Asset Renewal*  | *1.9%* | *3.4%* | *3.4%* |
| *Healthy Waterways* | *1.5%* | *0.0%* | *0.0%* |
| ***Total Rate Increase*** | ***4.9%*** | ***5.9%*** | ***5.9%*** |

1. *The funds derived from this proposal are to be allocated approximately as follows based on a current estimate of the additional revenues to be generated:*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Item*** | ***2017/18*** | ***2018/19*** | ***2019/20*** | ***%*** |
| ***Additional Income*** | ***695,000*** | ***1,447,000*** | ***2,265,000*** | ***100*** |
| *Road and Stormwater*  | *395,000* | *713,000* | *1,163,000* | *51* |
| *Community Buildings* | *0* | *150,000* | *280,000* | *12* |
| *Open Spaces and Sports Fields* | *0* | *270,000* | *480,000* | *21* |
| *Healthy Waterways* | *300,000* | *314,000* | *342,000* | *15* |

1. *That Council endorses an update of the Integrated Planning and Reporting documents, such as the Long Term Financial Plan, to reflect the revised water, wastewater and waste annual charge assumptions as per the memorandum from the General Manager dated 15 December 2016 (trim reference #16/106703), along with the implementation of the community consultation program consistent with the last application.*
2. *That Council authorises the General Manager to advise IPART of this updated proposal*

The updated LTFP (budget) and LTFP (Overview), which includes the revised proposal were then included on our website as part of the consultation reference material.

Those documents are now also included on our website in the IP&R section, which is found under the quick link titled Our Community: Our Future.

Copies of all Council minutes are also found on our website under the Your Council heading.

Copies of the LTFP (Overview) both as at 30 June 2016 and as at 15 December 2016, are included as Attachments 3.3 and 3.4.

# Assessment criterion 5: Productivity improvements and cost containment strategies

Criterion 5 in the Guidelines is:

*The IP&R documents 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 during the last two years (or longer) and any plans for productivity improvements and cost containment over the duration of the proposed special variation.

These strategies, which may be capital or operational in nature, must be aimed at reducing costs and/or improving efficiency. Indicate if any initiatives are to increase revenue eg, user charges. Please include below whether the proposed initiatives (ie, cost savings) have been factored into the council’s Long Term Financial Plan.

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 Submission***

Council continues to pursue productivity and efficiency improvements with recent examples of note, as reported in the regular review of our Operational Plan, which is reported to the elected Council each quarter, as follows:

* Council has entered into an agreement with Essential Energy to begin replacing faulty street light fittings and for the installation of new street light fittings with LED fittings, now that Essential Energy has completed its LED street light fitting testing program. LED fittings are energy efficient but also offer an extremely long maintenance free life compared to the existing street lighting. This is expected to save Council tens of thousands of dollars per annum.
* A technology based management system has been developed to assist supervisors undertake what are currently manual WHS competency assessments. This tool uses an e-form to conduct the assessments, then automatically records the outcomes in Council’s document management system and finally it provides reports on the status of each staff member, with alerts when an assessment or document review is overdue. This functionality and automation will be available in the field, and will significantly reduce the administration of this task which can involve several hundred assessments on an ongoing basis. As many of our staff are involved in high risk construction and other activities, the improvements to the system will also reduce Council's risk exposure.
* Instigated an end-to-end business process review of the DA Approvals process resulting in the implantation of Trapeze software that has resulted in significant efficiencies in our Building Services section.
* Distribution of smart devices to our Engineering Works section provides an excellent tool for managing tasks generated in our Customer Request Management System. The distribution of the technology has reduced the printing of email with tasks and this in turn has reduced response times. Staff estimate that they are spending around one quarter of the time we previously did in regards to the task of recording and documenting the impacts of storms.
* The annual audit arrangements for the internal store were completed with new technology meaning the audit was undertaken in two hours compared to the previous two days. This also meant the store was able to remain in service during the audit period.
* Recently installed GPS equipment into two of our motor graders.  This technology will lead to more efficient use of materials due to more accurate grading.
* We have also recently installed GPS equipment in our street sweeper and the collected data is being used to analyse the allocation of work for this plant item to reduce non sweeping travel time.
* We have initiated a project within Engineering Works section to undertake a number of service level reviews to improve operational efficiencies.  The priority activities in the first stage of this program are street sweeping, rural road vegetation management, gravel surface maintenance, and the engineering specification for our constructed road pavements.
* We have also installed engine monitoring equipment in our loaders – the purpose of this is to provide data to assist in the long term management of the idle time operating of the plant.  Using this data we are able to operate and manage the loaders to avoid additional maintenance costs and risk of damage or shortened life to the engine from the effects of engine idle.
* Replaced several multi-function devices with more efficient machines, and introduced additional scanning capacity for Records and Information Management (RIM) staff. These actions will reduce the organisations printing costs by $18,000 per annum and boost productivity of RIM staff through increased efficiencies.
* Released 'responsive' refresh of Council website - more than 40% of traffic to the site is from mobile devices so this upgrade provides a richer experience for users on mobile devices and eliminates a tier of software that is no longer required, saving $18,000 per year in software licensing fees.
* Implementation of a new desktop GIS solution was completed. This solution now has GIS datasets available to field-staff via mobile devices, and also to the public via Council’s website. This results in a significant reduction in paper-based processes and will result in productivity gains.
* Implementation of pressure management zones to save water – it will take several more months to have all the zones operational.
* Optimisation of aerators at the Ballina Wastewater Treatment Plan has seen the monthly electricity bill decrease from $42,000 to $20,000. Lennox Head has also decreased from $30,000 to $18,000.
* Our rural road projects, where appropriate, are being designed with the incorporation of new geosynthetic materials and this has resulted in savings in road pavement costs for rehabilitation projects.
* Council has adopted a resurfacing strategy in respect to the management of resealing the existing road network. New subdivisions in the Shire have traditionally had their road network constructed with an asphaltic concrete (AC) surface. As many of these roads are now becoming due for resealing Council debated whether the roads should be resurfaced with AC or bitumen, with bitumen having a lower cost and a lesser life. Council subsequently adopted a strategy of converting AC to bitumen with the exception of some higher order (increased traffic volumes) roads.

The estimated benefits to Council from this process were identified in the report as follows:

Model 10 year total cost 10 year average cost

Scenario 1 – Like for Like $12,868,160 $1,286,816

Scenario 2 - Bitumen $7,580,157 $758,016

Scenario 2, being the adopted approach, means that Council is now able to stretch its road funding over a significantly greater amount of road resealing projects, than what would be the case if the like for like, scenario one approach, was adopted.

**Comparative Benchmarks**

Finally it is also important to again reinforce Council’s existing efficiencies as supported by our comparatively low rate base and low staff numbers per capita. That information can be sourced from the OLG comparative data reports.

# 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, extracts from the Community Strategic Plan).

Other attachments will be required from some, but not all, councils. For example, 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. Councils may number the attachments as they see fit.

|  |  |
| --- | --- |
| 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: Community Strategic Plan – extracts | X[ ]  |
| Attachment 2: Delivery Program  | X[ ]  |
| Attachment 3.1: Long Term Financial Plan with projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in Excel format (inclusive of special rate variation) | X[ ]  |
| Attachment 3.2: Long Term Financial Plan with projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in Excel format (exclusive of special rate variation)  | X[ ]  |
| Attachment 3.3: Long Term Financial Plan (Overview) – June 2016 | X[ ]  |
| Attachment 3.4: Long Term Financial Plan (Overview) – December 2016 | X[ ]  |
| Attachment 4: NSW Treasury Corporation report on financial sustainability – April 2013 | X[ ]  |
| Attachment 5: Consultation - Letter to all ratepayers, fact sheet, media releases, public meeting notices, newspaper articlesAttachment 5.1: Public meeting powerpoint presentation | X[ ]  |
| Attachment 6: Community feedback (as per below)Attachment 6.1: 2016 Micromex Community Satisfaction Report – Importance Levels and Performance GapAttachment 6.2: 2016 Micromex Community Satisfaction Report – Healthy WaterwaysAttachment 6.3: 2017 Micromex Survey Special Rate Variation ReportAttachment 6.4: Micromex email dated 14 February 2017Attachment 6.5 – Copy of results of on line surveyAttachment 6.6 – Community Feedback Submissions – WrittenAttachment 6.7 – Community Feedback Submissions – Written (received late) | X[ ]  |
| Attachment 7: Hardship Policy as belowAttachment 7.1: Financial Assistance PolicyAttachment 7.2: Pensioner Concession Policy | X[ ]  |
| Attachment 8: Resolution to apply for the proposed special variation | X[ ]  |
| Attachment 9: Certification (see Section 9) | X[ ]  |
| **Other Attachments** |  |
| Attachment 10: Relevant extracts from the Asset Management Plan  | X[ ]  |
| Attachment 11:Past Instruments of Approval (if applicable) | N/A[ ]  |
| Attachment 12: Resolution to adopt the revised Community Strategic Plan (if necessary) and/or Delivery Program | N/A[ ]  |
| Attachment 13: Other (please specify) | X[ ]  |

**Attachments – Other**

13.1 Echohealth report (University of New England – June 2015)

13.2 Richmond River Estuary CZMP – Works Plan

13.3 Shaws Bay CZMP – Works Plan

13.4 State of the Beaches report (Beachwatch – Office of Environmental Health)

13.5 Report to the Extraordinary Council meeting 10 February 2017

# Certification

**APPLICATION FOR A SPECIAL RATE VARIATION**

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

Name of council: Ballina Shire

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

General Manager (name): Paul Hickey

Signature and Date: 20 February 2017

Responsible Accounting Officer (name): Linda Coulter

Signature and Date: 20 February 2017

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. 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-1)
2. <https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/For-Councils/Apply-for-a-special-variation-or-minimum-rate-increase> [↑](#footnote-ref-2)
3. The relevant IP&R documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and where applicable, the Asset Management Plan. [↑](#footnote-ref-3)
4. Office of Local Government (then Division of Local Government), *Integrated Planning and Reporting Manual for local government in NSW*, March 2013, pp 5-6. [↑](#footnote-ref-4)