

Independent Pricing and Regulatory Tribunal  
New South Wales

## Special Variation Application Form – Part B

**For 2018-19**

**Insert Name of Council:**

Date Submitted to IPART: 12 February 2018

Council Contact Person: Chris Hodge

Council Contact Phone:

Council Contact Email:

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## Tribunal Members

The Tribunal members for this review are:

Dr Peter J Boxall AO, Chair

Mr Ed Willett

Ms Deborah Cope

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

Derek Francis (02) 9290 8421

Anthony Rush (02) 9113 7790

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# 1 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* (the [Guidelines](#)). 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 (apart from Mid-Coast Council) will be ineligible for special variations for the 2018-19 rating year.

## 1.1 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.

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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](#).

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.

## **1.2 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 15 December 2017.

**Any councils that did not notify but intend to apply for a special variation for 2018-19 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](#) 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 12 February 2018**.



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The [User Guide](#) 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](mailto:Arsh_Suri@ipart.nsw.gov.au) or 02 9113 7730

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 70MB for public documents and 50MB for confidential documents. We generally request supporting documents of the same type to be combined and most supporting document categories have a maximum number of 5 documents allowed. 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.

## 2 Preliminaries

### 2.1 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.

### 2.2 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	<input type="checkbox"/>
Enhance financial sustainability	<input checked="" type="checkbox"/>
Environmental services or works	<input type="checkbox"/>
Infrastructure maintenance / renewal	<input checked="" type="checkbox"/>
Reduce infrastructure backlogs	<input checked="" type="checkbox"/>
New infrastructure investment	<input type="checkbox"/>
Other (specify)	<input type="checkbox"/>

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.

Our community has, over time consistently told Council that assets, specifically roads and bridges are of high importance and Council needs to improve their condition. This is evidenced in the 2012 and 2016 Community Surveys as outlined under criteria 4.

In response to this and in the context of Council's previously adopted Fit for the Future submission, Council has undertaken a significant planning process and has identified the need for a permanent 6% rate rise per year for three years (19.1% cumulative increase inclusive of the rate peg). The planning process has identified roads and bridges as the key priority.

Four years of discussion with the State Government resulted in the local government reform process. This encapsulates a number of different undertakings including a series of reviews and, in particular, the Fit for the Future program.

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The Government released its Fit for the Future package in September 2014, in response to the findings of the three-year Independent Review of Local Government. As part of the local government reform process, councils were asked to consider new ways of working and new structural arrangements. A strong focus of the Fit for the Future program was financial sustainability and addressing the issues around the long term maintenance and improvement of councils' infrastructure.

Bellingen Council was asked to submit a proposal by 30 June 2015 outlining its strategy to remain 'Fit for the Future' based against a specific set of criteria. IPART assessed all council submissions and Bellingen was initially determined as 'not fit' due to not fully meeting two of seven financial criteria – one of which was the infrastructure and asset renewals ratio.

IPART's assessment of Council's original 2015 submission provided the following key findings:

- The council does not satisfy the sustainability criterion based on its forecast for a negative operating performance ratio'.
- '....does not meet the criterion for sustainability based on its continuing operating deficits and relatively low building and infrastructure asset renewal ratio'.
- 'We consider a council's operating performance ratio is a key measure of financial sustainability that all Fit for the Future (FTFF) councils must meet, therefore the council is not fit'.
- '.....demonstrates good regional collaboration'.
- '.....analysis has not identified evidence for a better alternative to the council's proposal to stand alone'.
- '....has limited options to improve its financial position and relies on the successful application for and adoption of a special variation'.

Council has carried out a significant body of work in addressing the feedback from IPART particularly regarding the operating result. A steady improvement over the past few years is due to a range of initiatives (as outlined in this application) that have been underway for some time, as well as holding to the commitments made in Council's Fit for the Future submission and resubmission.

Council, along with a number of other councils across the State, was provided with an opportunity to make a resubmission to the Office of Local Government (OLG) for reassessment against the Fit for the Future criteria and this was completed in July 2016 following extensive consultation with and endorsement by the 2012-16 Council.

Whilst Council considers its short to medium position sound, the NSW Treasury Corporation report confirms that Council needs to reduce expenditure and/or increase revenue to ensure its long term financial sustainability. Council has made, and will continue to achieve, significant outcomes in terms of cost containment, efficiency and productivity savings. Details on cost containment are provided in section 7 of this application.

## Council's Financial Position

In 2013, NSW Treasury Corporation provided a Financial Sustainability Rating (FSR) of moderate with a negative outlook. The LTFP provides a summary of the NSW Treasury Corporation Report on pages 7 - 8.

Whilst Council considers its short to medium position sound, the NSW Treasury Corporation report confirms that Council needs to reduce expenditure and/or increase revenue to ensure its long term financial sustainability. Council has made, and will continue to achieve, significant outcomes in terms of cost containment, efficiency and productivity savings. Details on cost containment are provided in section 7 of this application.

These initiatives are around detailed analysis and deep rooted change some of which has already been undertaken with other programs of work to continue. There is however an immediate imperative for additional investment in road infrastructure.

Securing a SV for investment in transport infrastructure will result in reduced whole of life costs by facilitating intervention at the appropriate points in the asset lifecycle. This will have the effect over the medium to long term of moving expenditure from reactive maintenance to proactive preventative asset management activities. Additional revenue raised, in excess of the rate peg of 2.3%, will go towards infrastructure renewal works, specifically, Council's sealed roads resurfacing and bridge renewal program. This along with other organisational sustainability strategies will assist Council to move towards generating necessary income to assist in the renewal of its infrastructure on an ongoing basis. This will further enable Council to continue to move to an improved position of financial and infrastructure sustainability.

Council's overall operating result has improved from a deficit of \$9M in 2014 to a surplus of \$0.28 million in 2017. This is a net improvement of \$9.3 million over the last three years. Council's LTFP had forecast an operating deficit of \$2.072M for 2016/17. Due to the early payment by the Government of the 2017/18 Financial Assistance Grant in 2016/17, Council's financial statements reported an operating surplus of \$277,000, resulting in Council meeting the operating performance ratio. If the early Financial Assistance Grant was not received, the reported operating result would have been a deficit position of -\$1,449,000. Whilst the actual result would have reported a deficit this is still a significant improvement on the forecast result of \$2.072M included in Council's LTFP.

Significant achievements contributing to the turnaround in results include:

- Special variation in 2014/15
- Revaluation of roads, bridges, footpaths and drainage
- Option to no longer recognise Rural Fire Service assets
- Review of fees and charges
- Achievement of the Fit for the Future expenditure reduction commitments
- Staffing initiatives – review and reduction in staff overtime and leave liabilities
- Increase in Roads and Maritime Services (RMS) State road works
- Shift in operational works to renewal (capital) works
- Energy efficiency initiatives
- Shared service and alliancing initiatives
- A continuing focus on organisational improvements including implementing a program of Service reviews
- Regional advocacy, programs and support through participation in the Mid North Coast Region of Councils (MIDROC)

- General cost containment strategies as previously reported through Council's Special Variation Implementation Planning and Policy Committee
- Early part payment of the 2018/19 Financial Assistance Grant

Whilst the various initiatives outlined above have delivered significant improvement in Council's overall operating result, there remains a major financial commitment that needs to be made. This has been outlined in numerous previous reports to Council and in the reassessment documentation endorsed by Council and submitted to government (and assessed by IPART), in order to address infrastructure renewal.

Council foreshadowed anticipated rate increases in its Fit for the Future resubmission 2016. Specifically, Council's original Fit For the Future implementation plan proposed a SV of 6% (inclusive of the rate peg) for the period of 2017/18 to 2023/24. This has since been revised and significant modelling and operational improvements have resulted in an adjustment to the SV forecast to require 4 x 6% increases inclusive of the rate peg. This effectively reduces the original forecasts by 12% or two years of 6% inclusive of the rate peg. The first of the required 4 x 6% including the rate peg SV was applied for and approved by IPART in 2017/18. The balance represents a cumulative total increase of 19.1% (inclusive of the rate peg).

The imperative for a SV is based on the critical need to address transport infrastructure needs, specifically the sealed road network and the bridge renewal program.

Bellingen Shire manages over \$0.5 Billion in assets on behalf of its community of which, its transport infrastructure forms a significant component.

Council has embarked on the implementation of advanced asset management practices including the implementation of a risk based maintenance management system and full technical analysis of its timber bridges and road pavements. These systems are driving modern best value for money decision making processes. This information has been used to develop the current LTFP.

The condition assessment of the sealed road network has been completed. One of the most significant findings from these assessments is that the condition of the rural sealed road network is well below satisfactory. It has identified that \$6M is required to be spent over the next 10 years to renew the rural roads sealed pavement surface and that an additional \$2M is required for the same period for urban streets. This represents a total sealed pavement resurfacing renewal investment of more than \$8M or approximately \$800,000 per year ongoing to renew sealed pavements to a satisfactory standard.

Bellingen Shire is home to the fourth highest number of bridges in NSW, being custodian for 85 timber and 50 concrete bridges. Of the 85 timber bridges, 22 are load limited and 2 closed due to their deteriorated condition as a consequence of a detailed assessment carried out during 2017, which has been subject to detailed reporting to Council. The load limiting of these bridges places a level of service reduction onto those residents, businesses and industry which rely on these timber bridges to access their place of residence or business. In addition, it poses risk to the community as access for emergency and essential services, such as energy authorities and even the Council, is restricted potentially limiting routine service delivery.

These 85 timber bridges have been prioritised in order of importance considering a range of factors. A \$20M investment is required over the next 10 years to either rehabilitate or renew these essential infrastructure assets. The resurfacing and bridge renewal programs and the LTFP are provided in Attachments M, R and E.

The intention for the revenue generated from a proposed permanent, three year SV of 6% inclusive of the rate peg (19.1% cumulative) is to continue to undertake urgent road resurfacing works and focus on vital bridge renewal works. This is based on the following:

- Limited grant funding available for road renewal projects
- While extremely competitive and limited, funding to support timber bridge works is available. However, to date, most grant funding has concentrated on the National Freight Task within which these bridges and road networks do not qualify. If work is not undertaken to reseal the road network as a priority, it is at risk of needing a full reconstruction which will exponentially increase the cost of works.
- The proposed SV will enable the resurfacing program of works to be completed sooner rather than over an extended period, therefore minimising the risk of accelerated deterioration of the sealed road network, and attendance to urgent bridge repair works
- The proposed SV will partially provide the necessary revenue to renew Council's timber bridges and remove the 22 load limits currently applied
- The implementation of a three year SV will provide the Council with funding certainty allowing it to forward fund grant applications and maximise its investment through the alignment of its renewal program both locally and regionally achieving better value for money.

It should be noted that, as with all rolling capital works programs, priorities are reassessed annually as part of the annual budget process.

Securing a SV for investment in transport infrastructure will result in reduced whole of life costs by facilitating intervention at the appropriate points in the asset lifecycle. This will have the effect over the medium to long term of moving expenditure from reactive maintenance to proactive preventative asset management activities. Additional revenue raised, in excess of the rate peg, will go towards infrastructure renewal works, specifically, Council's sealed roads resurfacing and bridge renewal program. This along with other organisational sustainability strategies will assist Council to move towards generating necessary income to assist in the renewal of its infrastructure on an ongoing basis. This will further enable Council to continue to move to an improved position of financial and infrastructure sustainability.

Council clearly articulates the need and purpose of the SV in its IP&R documents, in particularly its Delivery Program and Long Term Financial Plan. These are consistent with our community's priorities based on feedback outlined in the community surveys and other mechanism of engagement. The IP&R documents also consider various recommendations from third party industry experts such as TCorp, IPART, the Independent Local Government Reform Panel and the Fit for the Future assessment. Relevant extracts from Council's Delivery Program and LTFP are provided below for ease of reference:

#### **Delivery Program (extract pages 6-8)**

##### ***FUTURE REVENUE BASE***

##### ***Long Term Financial Plan***

*Bellingen Shire has a rich and diverse community with a focus on quality of lifestyle. To ensure that our community's ideals and values of a healthy, safe and sustainable Shire continue into the future, Bellingen Shire Council (BSC) developed its Bellingen Community Vision. To support the Community Vision, Council has developed a Long Term Financial Plan (LTFP) that enables the vision to be translated into reality.*



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*With an annual operating budget of over \$32M for 2017/18, Bellingen Shire Council delivers a wide range of services to a population of approximately 13,000 residents and to thousands of visitors coming to experience Bellingen's unique natural environment. Like many councils, Bellingen has faced many challenges over recent years, both from within the Shire and from the wider environment.*

*Rate peg increases set by the NSW Government have often fallen short of inflation over the years, meaning that costs are increasing at a higher rate than revenues. This has meant that councils across the State have been significantly disadvantaged by rate pegging with the effect that councils have, for an extended period, spent less than is required on asset maintenance and renewals.*

*Many services that were handled by the State or Commonwealth Government have been moved to Local Government without an appropriate funding adjustment, a process known as 'cost shifting'. Increased government reporting requirements, such as asset reporting, have also impacted on costs. From within the Shire, the demand for improved service levels and new services has also increased costs. All of these impacts have left councils with fewer funds to invest in essential services such as infrastructure maintenance and renewal.*

### **Infrastructure Requirements**

*The Delivery Program places an emphasis on addressing the backlog in relation to transport (road and bridge) infrastructure. The backlog for roads and bridges stood at \$25.09M as at 30 June 2017. In addition, Council is currently revising its Asset Management Plans for roads and bridges to better reflect the current conditions of our transport infrastructure. Bellingen Shire Council is not alone in this situation as councils across NSW face infrastructure renewal challenges. A Local Government Infrastructure Audit undertaken by the Division of Local Government estimated the size of the NSW backlog to be \$7.4b in 2012.*

*Bellingen Shire manages over \$0.5 billion in assets of which its transport infrastructure forms a significant component.*

*Council has embarked on the implementation of advanced asset management practices including a risk based maintenance management system and full technical analysis of its timber bridges and road pavements. These systems will drive modern best value for money decision making processes. This information has been used to develop the current LTFP.*

*The condition assessment of the sealed road network has been completed. One of the most significant findings from these assessments is that the condition of the rural sealed road network is well below satisfactory. It has identified that \$6.07M is required to be spent over the next 10 years to renew the rural roads sealed pavement surface and that an additional \$1.96M is required for the same period for urban streets. This represents a total sealed pavement resurfacing renewal investment of \$8.03M.*

*In addition to the sealed road network, a number of other road improvement projects have been identified through assessment or via community feedback. These include road seal extension projects, drainage improvements, urban road improvement, and retaining wall replacements.*

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*Bellingen Shire hosts 85 timber bridges. Of these 85 bridges, 22 are either load limited or closed due to their deteriorated condition. The load limiting of these bridges places a level of service reduction onto those residents, businesses and industry which rely on these timber bridges to access their place of residence or business. In addition, it places significant risk onto the community as access for emergency and essential services such as energy authorities, and even the Council, is restricted limiting routine service delivery.*

*These 85 timber bridges are being prioritised in order of importance considering a range of factors and a \$20M investment has been established in the LTFP over the next 10 years to either rehabilitate or renew these essential infrastructure assets.*

*As a consequence of the foregoing, a community engagement process will commence in December 2017 in relation to the imperative for increased capital expenditure, specifically for investment in transport (road and bridge) infrastructure works, Council's current financial position, and options for funding works through a special variation.*

*Engagement activities will continue until the end of January 2018 and include community forums in each town, a web-based Special Variation One Stop Shop, fact sheets, responses to community questions and submissions via fact sheets and FAQ's, media releases and a resident mail-out.*

#### **Long Term Financial Plan (extract pages 17, 24-25)**

*Council continues to address its infrastructure priorities by successfully applying for a 6% SRV in 2017/18, and applying for 3 consecutive 6% rate rises in years 2018/19 – 2020/21 (19.1% cumulative increase). The additional income generated as part of the special rate variation will target our priority roads in need of urgent resealing repairs along with those bridges currently under load limits and further identified as needing rehabilitation or replacement.*

#### **Asset Management**

*Infrastructure (assets) expenditure will progressively be mapped against maintenance and renewal programs recommended by respective asset management plans. In accordance with Council's asset management review, asset maintenance has been increased by CPI with a strong focus on asset renewals as opposed to the construction of new assets.*

*Subject to successful special rate variations and subsequent loan borrowings, assets should be maintained and renewed in accordance with the respective asset management plans and agreed condition intervention levels.*

*The 10 Year Asset Management Capital Works Program focuses on the renewal of Council's infrastructure and effective management of Council's plant and vehicles. The capital works listing in the annexures are based on a consolidated position (as per Attachment 19). Council is currently integrating the full 10 year capital program into Council's relevant Asset Management Plans.*

*Securing a SV for investment in transport infrastructure will result in reduced whole of life costs by facilitating intervention at the appropriate points in the asset lifecycle. This will have the effect over the medium to long term of moving expenditure from reactive maintenance to proactive preventative asset management activities. Additional revenue raised, in excess of*



the rate peg of 2.3%, will go towards infrastructure renewal works, specifically, Council's sealed roads resurfacing and bridge renewal programs. This along with other organisational sustainability strategies will assist Council to move towards generating necessary income to assist in the renewal of its infrastructure on an ongoing basis. This will further enable Council to continue to move to an improved position of financial and infrastructure sustainability.

### **Summary**

As outlined above, Council's decision to make an application for a SV has been based on extensive planning over a number of years and is reflective of the recommendation of numerous external reports such as the TCorp review and FFF assessment. The planning process has considered and taken into account the community's desire for better maintained infrastructure such as roads and bridges (as detailed in community survey results). The details of which are outlined throughout this application.

Council has been transparent with its community using a variety of avenues to communicate the proposed rate rises, detailing where the additional funds will be spent and the impact it will have on ratepayers. In addition to this, Council's IP&R documents have clearly articulated the proposed rate rises which have been included in Council documents for the past 3 years.

Whilst Council has made significant financial improvements to its operating results through the implementation of numerous efficiency initiatives, Council cannot deliver on the community's needs and expectations, and be financial sustainable over the long term, without the proposed SV.

## **2.3 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 <input type="checkbox"/>	No <input checked="" type="checkbox"/>
If Yes, has a review been done and submitted to OLG?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

### 3 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 Government agencies.*

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.

#### 3.1 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.

### **Need for a Special Rate Variation**

The community's needs and desires in relation to service delivery and asset maintenance and provision relevant to the SV application are identified in the 2016 Customer Satisfaction Surveys and Council's recently completed condition assessments of the sealed road and bridge networks.

These drivers provided the basis for recommendations to Council in November 2017 including further engagement with the community on the need to invest in transport infrastructure, specifically the sealed road and bridge network.

Section 2 of this application addresses the need for a SV from an asset management perspective. Set out below is a detailed response in relation to community need and opinion.

### **Community Survey**

The 2016 community survey was a random and representative telephone survey of 400 local residents to measure their satisfaction with Council service levels. It was completed in late 2016. Residents were asked to contribute to a series of questions including:

- Satisfaction with and importance of key services and facilities
- Overall satisfaction with Council
- Contact with Council
- Council website
- Perception of safety
- Overnight visitors

The report highlighted the following:

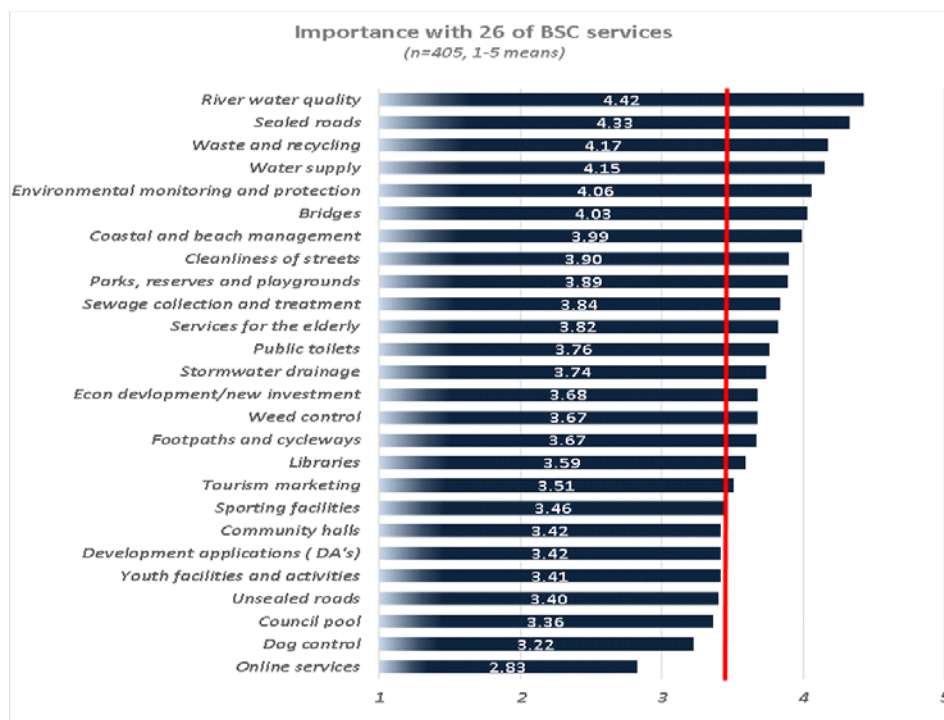
- The highest mentioned priority for future Council resourcing was sealed roads at 41%
- Sealed roads was also highlighted as the greatest shortfall i.e. least satisfied
- In terms of their overall satisfaction with Council's performance, 26% of respondents declared themselves satisfied against 36% dissatisfied and the balance neutral
- Among the eight facilities and services scoring less than or equal to the neutral ranking both unsealed and sealed roads as well as weed control scored poorly and a fraction higher than development applications and business development/new investment
- Bridges scored highly at 19% in terms of priorities for future Council resourcing

Table 1 below, extracted from the survey results, highlights the communities view regarding sealed roads as high importance but low satisfaction.

Higher Importance, Lower Satisfaction	Higher Importance, Higher Satisfaction
Sealed roads Econ development/new investment Stormwater drainage Footpaths and cycleways Weed control	Water supply Cleanliness of streets Waste and recycling Parks, reserves and playgrounds River water quality Bridges Coastal and beach management Libraries Services for the elderly Sewage collection and treatment Public toilets Environmental monitoring and protection
Lower Importance, Lower Satisfaction	Lower Importance, Higher Satisfaction
Unsealed roads Development applications ( DA's)	Tourism marketing Youth facilities and activities Online services Dog control Council pool Sporting facilities Community Halls

*Table 1 – provision of services by importance and satisfaction.*

Table 2 below, extracted from the survey results, indicates that ‘everything is considered important’ based on the mean importance score of 2.83 (out of a possible 5).



*Table 2 - Importance of services*

This demonstrates a community expectation that Council will continue to deliver a broad range of services to the community. This raises challenges around service delivery and the potential opportunity cost of the delivery of those services.

Table 3, extracted from the survey results, outlines satisfaction in terms of service provision.

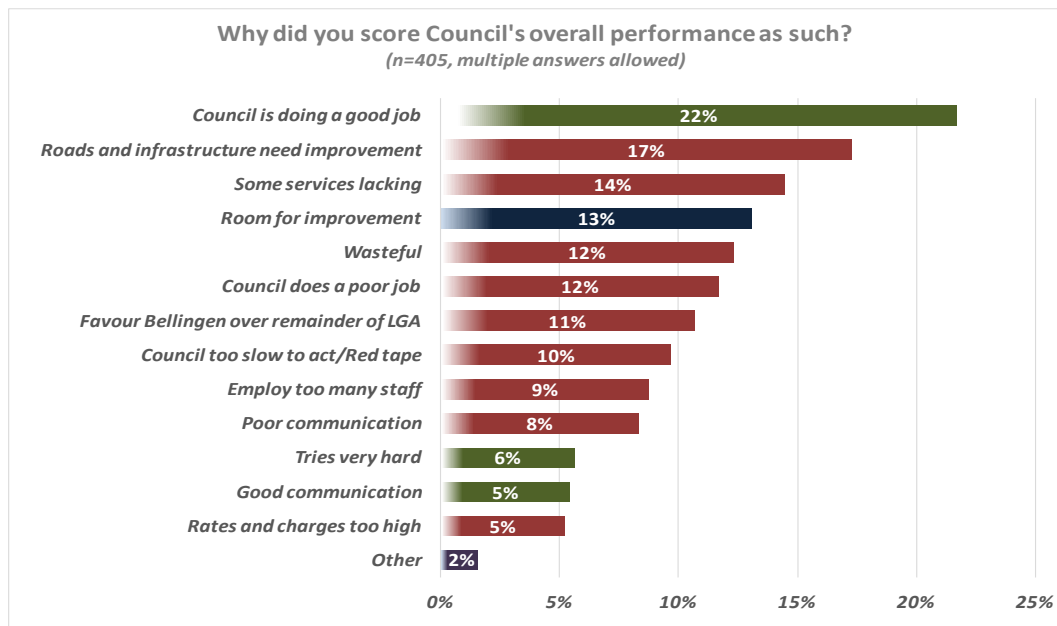


Figure 3 – overall performance

Table 4, extracted from the survey results, outlines which three services are believed to be the most important in terms of allocating Council resources.

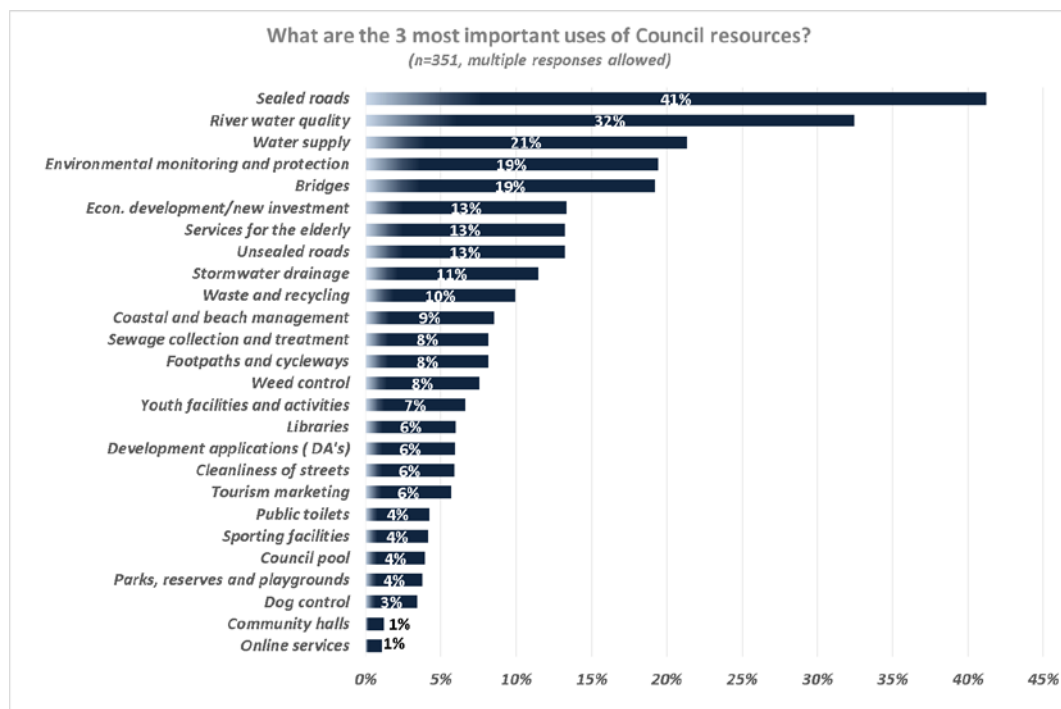


Table 4 – importance in terms of allocation of resources

It is considered that the foregoing demonstrates the need for Council to continue to progress its plan to invest in local infrastructure and specifically in its road resurfacing and bridges renewal programs of work that a SV will assist in realising. It also supports the need for Council and the community to consider a SV as well as ongoing engagement around service provision priorities in the context of service cost and overall willingness to pay for such services.

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The community's expectation is that Council will continue to deliver a broad range of services to the community. This raises challenges around service delivery and the potential opportunity cost of the delivery of those services.

In regards to the community perception of Council's rates and annual charges, the survey results (refer table 3 above) demonstrates that 5% of respondents believed that rates and charges are too high. Additionally, when asked the question, 'What are the 3 most important uses of Council resources', 41% of respondents stated sealed roads with bridges coming in at equal fourth at 19%.

Both the December 2017 and February 2018 Council reports outlined community engagement, needs and priorities in relation to page 6 of the Delivery Program as follows:

### ***Delivery Program (extract pages 6-8)***

#### ***FUTURE REVENUE BASE***

##### ***Long Term Financial Plan***

*Bellingen Shire has a rich and diverse community with a focus on quality of lifestyle. To ensure that our community's ideals and values of a healthy, safe and sustainable Shire continue into the future, Bellingen Shire Council (BSC) developed its Bellingen Community Vision. To support the Community Vision, Council has developed a Long Term Financial Plan (LTFP) that enables the vision to be translated into reality.*

*With an annual operating budget of over \$32M for 2017/18, Bellingen Shire Council delivers a wide range of services to a population of approximately 13,000 residents and to thousands of visitors coming to experience Bellingen's unique natural environment. Like many councils, Bellingen has faced many challenges over recent years, both from within the Shire and from the wider environment.*

*Rate peg increases set by the NSW Government have often fallen short of inflation over the years, meaning that costs are increasing at a higher rate than revenues. This has meant that councils across the State have been significantly disadvantaged by rate pegging with the effect that councils have, for an extended period, spent less than is required on asset maintenance and renewals.*

*Many services that were handled by the State or Commonwealth Government have been moved to Local Government without an appropriate funding adjustment, a process known as 'cost shifting'. Increased government reporting requirements, such as asset reporting, have also impacted on costs. From within the Shire, the demand for improved service levels and new services has also increased costs. All of these impacts have left councils with fewer funds to invest in essential services such as infrastructure maintenance and renewal.*

##### ***Infrastructure Requirements***

*The Delivery Program places an emphasis on addressing the backlog in relation to transport (road and bridge) infrastructure. The backlog for roads and bridges stood at \$25.09M as at 30 June 2017. In addition, Council is currently revising its Asset Management Plans for roads*



and bridges to better reflect the current conditions of our transport infrastructure. Bellingen Shire Council is not alone in this situation as councils across NSW face infrastructure renewal challenges. A Local Government Infrastructure Audit undertaken by the Division of Local Government estimated the size of the NSW backlog to be \$7.4b in 2012.

Bellingen Shire manages over \$0.5 billion in assets of which its transport infrastructure forms a significant component.

Council has embarked on the implementation of advanced asset management practices including a risk based maintenance management system and full technical analysis of its timber bridges and road pavements. These systems will drive modern best value for money decision making processes. This information has been used to develop the current LTFP.

The condition assessment of the sealed road network has been completed. One of the most significant findings from these assessments is that the condition of the rural sealed road network is well below satisfactory. It has identified that \$6.07M is required to be spent over the next 10 years to renew the rural roads sealed pavement surface and that an additional \$1.96M is required for the same period for urban streets. This represents a total sealed pavement resurfacing renewal investment of \$8.03M.

In addition to the sealed road network, a number of other road improvement projects have been identified through assessment or via community feedback. These include road seal extension projects, drainage improvements, urban road improvement, and retaining wall replacements.

Bellingen Shire hosts 85 timber bridges. Of these 85 bridges, 22 are either load limited or closed due to their deteriorated condition. The load limiting of these bridges places a level of service reduction onto those residents, businesses and industry which rely on these timber bridges to access their place of residence or business. In addition, it places significant risk onto the community as access for emergency and essential services such as energy authorities, and even the Council, is restricted limiting routine service delivery.

These 85 timber bridges are being prioritised in order of importance considering a range of factors and a \$20M investment has been established in the LTFP over the next 10 years to either rehabilitate or renew these essential infrastructure assets.

As a consequence of the foregoing, a community engagement process will commence in December 2017 in relation to the imperative for increased capital expenditure, specifically for investment in transport (road and bridge) infrastructure works, Council's current financial position, and options for funding works through a special variation.

Engagement activities will continue until the end of January 2018 and include community forums in each town, a web-based Special Variation One Stop Shop, fact sheets, responses to community questions and submissions via fact sheets and FAQ's, media releases and a resident mail-out.

### **Decision making process and consideration of alternatives**

Council, in resolving to support the option for a 6% SV for three years (19.1% cumulative inclusive of rate peg) at the December 2017 Ordinary Meeting, considered the following:

- The need and purpose of a SV in relation to the infrastructure works required to be undertaken and current financial forecasts
- Community feedback and sentiment
- The community's capacity to pay
- The impact on affected ratepayers
- The proposed Delivery Program and Long Term Financial Plan
- Productivity improvements
- Cost containment strategies

Council has limited alternatives to generate the required revenue to support its ageing infrastructure. This is supported by the findings in Council's original Fit for the Future assessment which indicated: '...that Council had limited options to improve its financial position, and relied on a successful special rate variation application...' This is also supported by the TCorp recommendations as part of their 2013 assessment.

In considering the above, Council resolved to adopt one of two options as outlined in the LTFP for a general rate increase being the rate peg only and 6% SV for the next 3 years - 2018/19 – 2020/21 - (19.1% cumulative increase inclusive of the rate peg). As part of the decision making process, Council concluded that the impact to service delivery without a SV would have a significant detrimental impact socially and economically across our community. The 3 year 6% SV (19.1% cumulative including the rate peg) will contribute an additional \$8.3M towards Council's \$20M bridge renewal program and its \$8M roads reseal program over the life of the LTFP.

While the view of Council is that revenue from a SV of 6% over 3 years (19.1% cumulative of the rate peg) will assist Council to move towards generating necessary income to assist in the renewal of its infrastructure on an ongoing basis, Council will continue to look to efficiencies and cost containment strategies to assist in funding the infrastructure program as well as additional borrowings (forecasting an additional \$4.5M over the next 10 years as outlined in the LTFP) and identifying additional income sources as detailed in section 7 of this application. Partnerships or public private partnerships are not considered a viable alternative.

Council will continue with its financial sustainability strategies to realise greater efficiencies and cost savings. Council's adopted LTFP models a \$300K operational cost reductions/savings, commencing with \$150K saving in 2017/18 and \$150K in 2018/19, continued throughout the LTFP in order to improve Council's infrastructure. This builds on Council's track record of delivering on efficiency initiatives in the past, details of which are outlined in section 7 of this application. Further details of Council's financial modelling is detailed in Council's LTFP attached to this application.



The impact of the proposed SV is outlined in Part A of the application. A summary is provided below:

	Impact of Special Variation on LTFP										
	Year 1 2018-19	Year 2 2019-20	Year 3 2020-21	Year 4 2021-22	Year 5 2022-23	Year 6 2023-24	Year 7 2024-25	Year 8 2025-26	Year 9 2026-27	Year 10 2027-28	Sum of 10 years
<b>INCOME</b>											
Income excluding capital grants and contributions	256,214	535,325	838,967	859,942	881,440	903,476	926,063	949,215	972,945	997,269	8,120,856
<b>OPERATING EXPENSES</b>											
Increase in rates and annual charges	256,214	279,112	303,642	20,974	21,499	22,036	22,587	23,152	23,730	24,324	997,269
Increase in rates and annual charges above base case	2.51%	2.52%	2.53%	-0.04%	-0.04%	-0.04%	-0.04%	-0.03%	-0.03%	0.00%	9.78%

### 3.2 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.

#### Financial Sustainability

In 2013, the NSW Government engaged NSW Treasury Corp (TCorp) to undertake a financial capacity and sustainability review of all NSW councils. The review considered the councils' financial performance against a range of benchmarks, looking at councils' borrowing capacity and their financial sustainability. To be considered financially sustainable, councils had to show that they had sufficient revenue to deliver the level of services that the communities expect. The outcome was that each council was provided with a Financial Sustainability Rating (FSR) and financial outlook.

Bellingen Shire Council received a FSR rating of **moderate** and an outlook of **negative**. This meant that Council has adequate capacity to meet its financial commitments in the short to medium term, and acceptable capacity in the longer term. However, the negative rating means that Council's financial position could deteriorate in the future unless it takes steps to improve its sustainability.

In its review, TCorp made the following observations of Bellingen Shire Council:

- Council's Unrestricted Current Ratio had been well above benchmark for the previous four years, indicating sufficient liquidity

- BSC had operating deficits for the previous four years, and forecasted operating deficits into the future
- High reliance on grants, not sustainable without grants
- Forecast capital expenditure was insufficient to cover the cost of forecast asset renewals
- No additional borrowing capacity in the short to medium term
- A high number of flood events had negatively affected BSC's operating expenses and ability to renew its assets
- High infrastructure backlog with an increasing trend

For councils assigned with a negative outlook, TCorp provided some recommendations and areas of investigations to assist in improving the sustainability position. The recommendations include:

- The need to source additional revenue, such as by a Special Variation (SV)
- For councils with sufficient borrowing capacity, to consider using debt funding to reduce infrastructure backlogs
- Devising programs and strategies to contain costs and improve efficiencies
- Further improvements in Asset Management Plans and integration into the Long Term Financial Plan
- Increasing spending on maintenance and infrastructure renewal while balancing this with the need for capital expenditure on new assets

In response to the TCorp Review, Council has already implemented a broad range of initiatives to address the issues identified, including successful applications to IPART for SVs in 2014/15 and 2017/18 which has resulted in the following:

#### **Special Rate Variation 2014-2015**

The ordinary rates included an 11.8% SV which was approved by the Minister in June 2014. The SV applies to all rateable land within the Shire. The 2014/15 SV generated approximately \$0.56M in additional revenue in 2014/15, and \$6.42M over 10 years. The increase is funding and servicing a loan of \$4.85M for Council's capital works program to address transport infrastructure backlog and additional maintenance on the road network. The \$6.42M SV funds are allocated in the following way:

- \$0.75M to meet the balance of interest on a loan which Council successfully received an interest rate subsidy under the Local Government Infrastructure Renewals Scheme
- \$4.85M to repay principle of the loan
- \$0.82M additional expenditure on capital works program

## 2016/17 Capital Works

Projects	2016/17 Actual	SV Funded
Bridge Renewal Projects	\$773,594	\$581,594
Road Renewal Projects	\$857,251	\$686,695
Heavy Patching & Reseal Projects	\$746,720	\$600,000
Gravel Road Formation Renewal Projects	\$442,911	\$442,911
Gravel Road Resheeting	\$387,382	\$387,382
Shoulder Grading	\$43,630	\$43,630
<b>Total Capital Works Delivered in 2016/17 FY</b>	<b>\$3,251,487</b>	<b>\$2,742,212</b>
<b>Maintenance Funded by SV</b>		\$200,00
<b>SV Income 2016/17</b>		\$583,420

These measures are factored into the IP&R documents and Fit for the Future initiatives.

### Service Reviews

The implementation of a service review program across Council is delivering enhanced efficiency and effectiveness, improved productivity, and identified savings then outcomes of which were formally captured and reported through Council's Financial Sustainability Program Board and reported to the SRVIPP Committee.

An overview of the service review program is as follows:

#### Completed:

- Organisational structure - Financial Services, Operations, Environmental & Planning, Customer Service
- Weed management
- Swimming pools
- Bridge maintenance and repairs
- Roads maintenance
- Waste management
- Ranger services
- Fees and charges
- Library scanning (RFID) project
- Plant review
- Land rationalisation
- Public conveniences
- Asset maintenance management system (Reflect)
- Building rationalisation
- Property Review
- Water/Sewer review

#### Underway:

- Information Technology
- Human Resources
- Stores
- Procurement
- Operations

#### **Shared Services and Alliancing**

Bellingen Shire Council recognises the opportunities to increase efficiency and improve financial sustainability through shared services and alliancing and the opportunities that this process presents. Council currently participates in a number of shared services including waste, libraries, provision of ranger services and joint procurement of an Information Technology system with Kempsey Shire Council with both councils resolving to appoint a provider in November 2017 the outcome of which is anticipated to realise substantial savings. Council is also a leader in regional projects including HR, WHS, Road and bridge investment etc.

Council has identified a range of initiatives that are forecast to deliver improved efficiencies and reduced costs. The Mid North Coast Region of Councils (MIDROC) Shared Services KPMG report offers projections and opportunities of up to \$2 million explicit to Bellingen Shire Council that our modelling has not specifically factored in. Notwithstanding that, as savings are realised, they will be operationalised through future long term financial plans.

The Board of the Mid North Coast Region of Councils has resolved to become a Joint Organisation and has prepared a Strategic Plan, which is progressively being adopted by the member councils in conjunction with the consideration of reports regarding Joint Organisations. Next steps in the process involve:

- Determining priority projects
- Developing an implementation plan
- Identification of key success factors including funding and resourcing
- Development and implementation of a stakeholder engagement plan and a communications plan
- Development of an evaluation framework as the basis for agreement and defining success
- Establishment of the entity and governance framework which will include consideration of shared servicing and alliancing.

#### **Fit for the Future Assessment**

Four years of discussion with the State Government has resulted in the local government reform process. This encapsulated a number of different undertakings including a series of reviews and, in particular, the Fit for the Future program in which Bellingen Council was assessed against the Fit for the Future ratios.

These ratios are underpinned by modelling which incorporates the generation of additional income above the rate peg. This was factored into the 2017/18 LTFP as well as the revised IP&R documents that were placed on public exhibition during December 2017 and January 2018. The proposed SV is based on commitments within the IP&R documents and Council's Fit for the Future reassessment.

#### **Council's Future Sustainability**

TCorp's financial assessment and the Fit for the Future analysis articulates Council's challenges in terms of having the required level of revenue to meet expenditure requirements into the future.

In order to be financially sustainable for the long term, Council continues to endeavour to balance its need to maximise its revenue with the principles of fairness and equity as outlined in the Community Strategic Plan, also known as the Community Vision. Refer to Section 3.3 Financial Indicators and Section 7 Productivity and Cost Containment.

Council's LTFP had forecast an operating deficit of \$2.072M for 2016/17. Due to the early payment by the Government of the 2017/18 Financial Assistance Grant in 2016/17, Council's financial statements reported an operating surplus of \$277,000, resulting in Council meeting the operating performance ratio. If the early Financial Assistance Grant was not received, the reported operating result would have been a deficit position of \$1,449,000. Whilst the actual result would have reported a deficit this is still a significant improvement on the forecast result of \$2.072M included in Council's LTFP.

The long term objective in terms of financial sustainability is for operating revenue to cover operating expenditure, including the cost of maintenance and renewal of its assets. This is the underlying premise of the Fit for the Future modelling as reflected in Council's LTFP.

### Financial – Current State

Council has seen a steady improvement in the operating result over the past few years due to a number of initiatives that it has undertaken including in more recent years those commitments in its Fit for the Future (FFF) submissions. Council's overall operating result has improved from a deficit of \$9M in 2014 to a surplus of \$0.28M in 2017, a net improvement of \$9.2M.

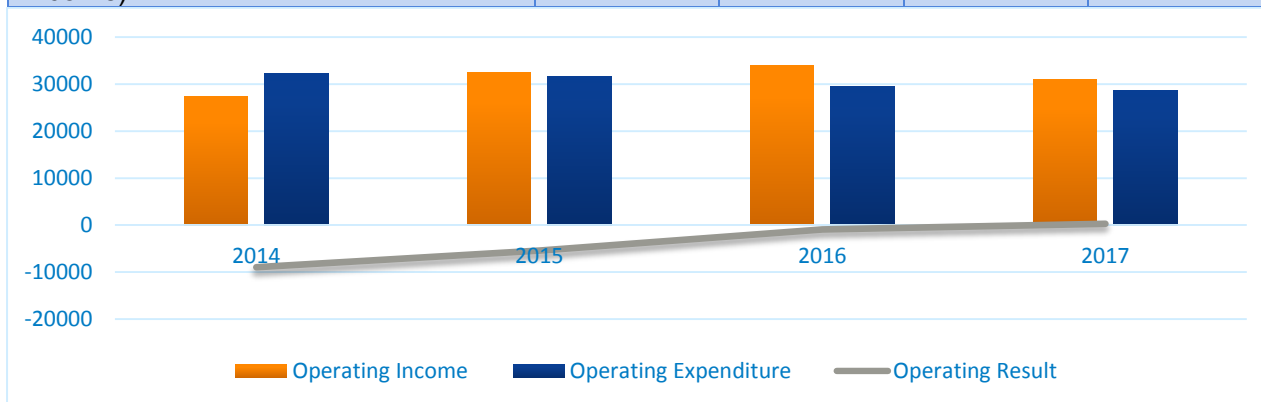
The current financial position of BSC is represented in the table below:

*Table 3.1 Financial summary as at 30 June 2017 (Source: BSC Financial Statements 16/17)*

<b>INCOME STATEMENT</b>	<b>\$'000</b>
<b>Total Income from Continuing Operations (including capital)</b>	30,951
<b>Total Expenditure from Continuing Operations</b>	28,699
Net Operating Result for the year (including capital)	<b>2,252</b>
Net Operating Result Excluding Capital Revenue	<b>277</b>
<b>BALANCE SHEET</b>	<b>\$'000</b>
<b>Total Current Assets</b>	39,796
<b>Total Non-Current Assets</b>	426,306
<b>Total Current Liabilities</b>	6,372
<b>Total Non-Current Liabilities</b>	8,498
<b>Total Equity</b>	<b>451,232</b>
<b>CASH FLOW STATEMENT</b>	<b>\$'000</b>
<b>Net Cash Provided - Operating Activities</b>	9,905
<b>Net Cash Used - Investing Activities</b>	-15,688
<b>Net Cash Provided - Financing Activities</b>	-628
Net Decrease in Cash	<b>-6,411</b>
<b>Cash - Beginning of Year</b>	8,158
<b>Cash End of Year</b>	<b>1,747</b>
<b>Investments on Hand - End of Year</b>	33,300
<b>Total Cash, Cash Equivalents &amp; Investments</b>	<b>35,047</b>

Income/Expense Summary	2014	2015	2016	2017
------------------------	------	------	------	------

Total Income (Incl. Capital)	27,276	32,486	33,966	30,951
Total Expenditure	32,152	31,604	29,571	28,699
Operating Result (Excl. Capital Income)	-8,963	-5,438	-919	277



Significant achievements impacting the improvement in results have included:

- Special Rate Variation 2015
- Revaluation of roads, bridges, footpaths and drainage
- De-recognition of Rural Fire Service assets
- Review of fees and charges
- Achievement of Fit for the Future expenditure reduction commitments
- Staffing initiatives including monitoring staff overtime and leave liabilities
- Increase in Roads and Maritime Services State road works
- Shift in operational works to capital works
- Energy efficiency initiatives

The following pie graph shows the breakup of Council's Income and Expenditure sources for the 2016/17 year:

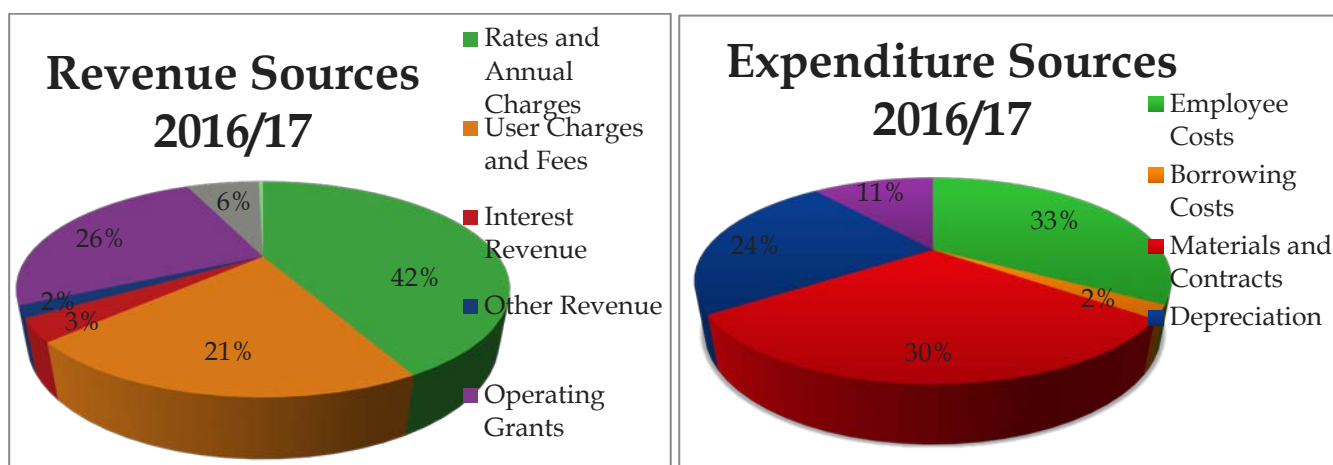


Figure four: Graph of Income and Expenditure as at 30 June 2017 (Source: BSC Financial Statements 16/17)

### Financial Modelling

As part of the planning process, Council modelled two different scenarios in the LTFFP. The scenarios tested as part of the modelling process are:

- 
- Model 1 – Service Levels Maintained
  - Model 2 – Service Levels Reduced

### **Model 1 – Service Levels Maintained**

'Model 1' is the base model used throughout this document and assumes a permanent 6% per year special rate variation across all categories in years 2017/18 – 2020/21. The scenario also models a \$300K operational cost reductions/savings, commencing with \$150K saving in 2017/18 and \$150K in 2018/19, continued throughout the LTFP in order to improve Council's infrastructure.

### **Model 2 – Service Levels Reduced**

The purpose of 'Model 2' is to model the impact on Council's financial position if Council was not to include any new special variation over the life of LTFP, i.e. increase rates by the annual rate peg limit only. This model incorporates a permanent special variation that commenced in the 2014/15 financial year to fund road improvements and maintenance, as well as infrastructure programs. This model incorporates a reduction in infrastructure renewal expenditure, which in turn results in a reduction in service levels.

Model 1 is the preferred model adopted by Council in response to the Fit for the Future (FFF) program.

The roll-on effect of the SV, along with other financial sustainability strategies, will contribute to Council returning to an operating surplus with additional revenue able to be apportioned to the renewal of vital community infrastructure, in particular, the extensive sealed road network.

The current LTFP was prepared with the following objectives in mind:

- Maintaining a fair and equitable rating, fees and charges structure;
- Creating pricing structures that effectively address the economic cost of providing the service whilst not precluding community members access to essential services because of individual economic circumstances
- Allocating resources that achieves maximum result in meeting Community Vision goals and objectives;
- Achieving a strong asset management position;
- Long term financial sustainability;
- Moving towards achieving a minimum break even operating result in the 'general fund' by 2023

### **Impact of SV on financial sustainability**

Council continues to address its infrastructure priorities and applying for a 3 year 6% SV (19.1% cumulative including the rate peg) for commencement in 2018/19 is one step within Council's overall financial strategy. The securing of a SV will enable investment in transport infrastructure resulting in reduced whole of life costs by facilitating intervention in the asset lifecycle when necessary. This will have the effect over the medium to long term of moving expenditure from reactive maintenance to proactive preventative maintenance activities.

The consequences of not proceeding with the SV would have a detrimental effect to our community. The necessary load limiting of bridges across the shire places a level of service reduction onto those residents, businesses and industry which rely on these timber bridges to access their place of residence or business. In addition, it poses risk to the community as access for emergency and essential services, such as energy authorities and even the Council, is restricted potentially limiting routine service delivery. Further to this, reducing our investment in transport infrastructure will result in increased whole of life costs by failing to intervene at the appropriate points in the asset lifecycle. This will have the effect over the medium to long term of continuing a cycle of reactive infrastructure maintenance and renewal.



Council continues to make progress in improving its asset management processes and financial modelling, through the IP&R framework, to better understand future financial and infrastructure needs. Council will continue to engage with the community on service levels and acceptable infrastructure conditions.

Council's LTFP is provided in Attachment E.

### 3.3 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).

#### **Financial Indicators**

Council understands that if it is to achieve its 'Fit for the Future' commitments it must arrest the decline in the Shire's \$0.5 billion worth of assets and improve its financial capacity to fund infrastructure asset renewal and maintenance. Further to this, Council realises that, at a fundamental level, improving its financial sustainability into the future means ensuring its operating revenues cover operating expenditure over the long term.

A number of key indicators have been used to monitor performance against the LTFP to assess Council's infrastructure management effectiveness and long term sustainability. As reported in the 2017/18 – 2026/27 LTFP, below are some of the key Fit for the Future ratios along with other key industry benchmarks.

#### **FFF Sustainability Measures**

Sustainability means that councils will generate sufficient funds over the long term to provide the agreed level and scope of services and infrastructure for communities as identified through the Integrated Planning and Reporting process. It is paramount that Council have a solid long term financial plan that effectively addresses the following long term financial sustainability ratios.

#### **Operating Performance Ratio**

The Operating Performance Ratio is an important criterion in measuring Council's core performance. The issue for Council is whether the operating results can be maintained and, in particular, if those operating results can sustain the current level of services into the future.

Council's LTFP shows a significant decrease in deficits primarily due to forecast rate increases and operational savings. It is expected with the forecast trends that this ratio will be achieved in 2023 (General Fund).

### Calculation

- Total continuing operating revenue (exc. capital grants and contributions) less operating expenses ÷ total continuing operating revenue (exc. capital grants and contributions)

### Sustainable Performance Target

- >= break even over 3 years

**Table 6.1: Operating Performance Ratio Forecast**

	2016/17 Actuals	2017/18	2018/19	2019/20	2020/21	2021/22
General Fund	-1.21%	-9.09%	-5.35%	-0.28%	0.56%	-1.09%
Water Fund	12.72%	2.82%	4.48%	2.65%	1.17%	3.60%
Sewer Fund	3.25%	4.04%	3.00%	0.22%	2.96%	5.04%
Consolidated	0.68%	-6.19%	-3.30%	0.07%	0.93%	0.20%

**Table 6.1.1: Operating Performance Ratio Forecast**



### Own Source Operating Revenue Ratio

This ratio assesses Council's ability to generate its own revenue, measuring BSC's dependence on grant revenue. The benchmark of 60% or greater by 2020 set by the OLG has been achieved. This is being driven by an increase in rating revenue and other fees and charges. The graph below includes the IPART approved special variations for 2014/15 of 9.5% plus rate peg.

### Calculation

- Total continuing operating revenue less all grants and contributions ÷ total continuing operating revenue inclusive of capital grants and contributions

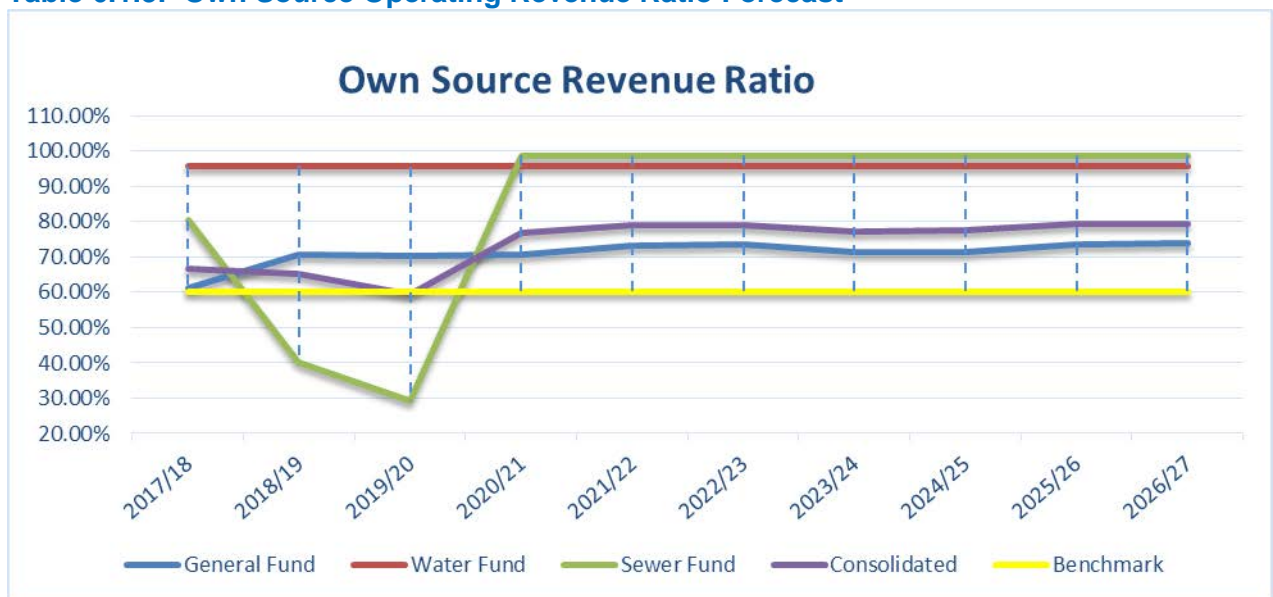
### Sustainable Performance Target

- > 60% over 3 years

**Table 6.1.2: Own Source Operating Revenue Ratio Forecast**

	2016/17 Actuals	2017/18	2018/19	2019/20	2020/21	2021/22
General Fund	60.91%	63.19%	70.65%	70.35%	70.85%	73.34%
Water Fund	95.11%	95.38%	95.39%	95.32%	95.31%	95.35%
Sewer Fund	96.30%	80.88%	39.61%	29.00%	98.79%	98.80%
Consolidated	68.10%	68.43%	64.84%	59.08%	76.76%	78.86%

**Table 6.1.3: Own Source Operating Revenue Ratio Forecast**



### Building and Infrastructure Asset Renewal Ratio

This ratio assesses Council's ability to sufficiently renew its existing infrastructure. The ratio measures total expenditure on asset renewals when compared to annual depreciation. It is important to note that the need for renewal expenditure is directly linked to where a particular asset is in its lifecycle. For example, a newly constructed bridge may go 20-30 years before needing significant renewal expenditure. In this example, the ratio would show a result well below the benchmark when in fact there is simply a timing difference in the renewal expenditure.

With the above in mind, the benchmark of 100% is met throughout LTFP, however, the spike in years 2017/18 is primarily as a result of the flood works being undertaken during the 2017/18

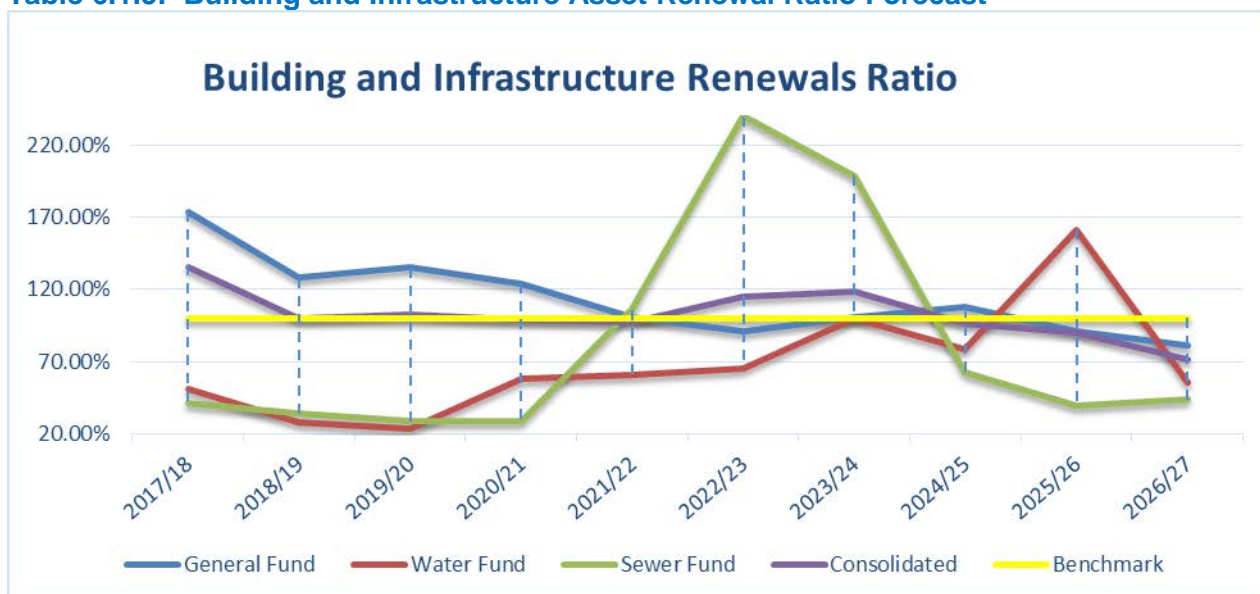
financial year. The below results are deemed sufficient based on renewal forecasts taking into account expected spikes in renewal funding and determined levels of service.

Calculation
<ul style="list-style-type: none"> <li>Building and Infrastructure Asset Renewals ÷ depreciation, Amortisation &amp; Impairment</li> </ul>
Sustainable Performance Target
<ul style="list-style-type: none"> <li>&gt; 100% over 3 years</li> </ul>

**Table 6.1.4: Building and Infrastructure Asset Renewal Ratio**

	2016/17 Actuals	2017/18	2018/19	2019/20	2020/21	2021/22
General Fund	101.11%	173.75%	128.24%	135.13%	124.18%	101.04%
Water Fund	18.68%	51.19%	28.19%	23.95%	57.89%	60.93%
Sewer Fund	82.63%	40.90%	34.49%	28.74%	29.26%	106.03%
Consolidated	87.95%	135.55%	99.66%	102.98%	99.43%	97.13%

**Table 6.1.5: Building and Infrastructure Asset Renewal Ratio Forecast**



### Unrestricted Current Ratio

Cash and cash management is vital for the short and long term survival of any business. The ability to convert an asset to cash quickly to meet current obligations/liabilities is an important part of managing Council's day to day business needs. It is estimated that this benchmark will be achieved throughout the LTFP.

## Calculation

- $\text{Unrestricted current assets} \div \text{unrestricted current liabilities}$

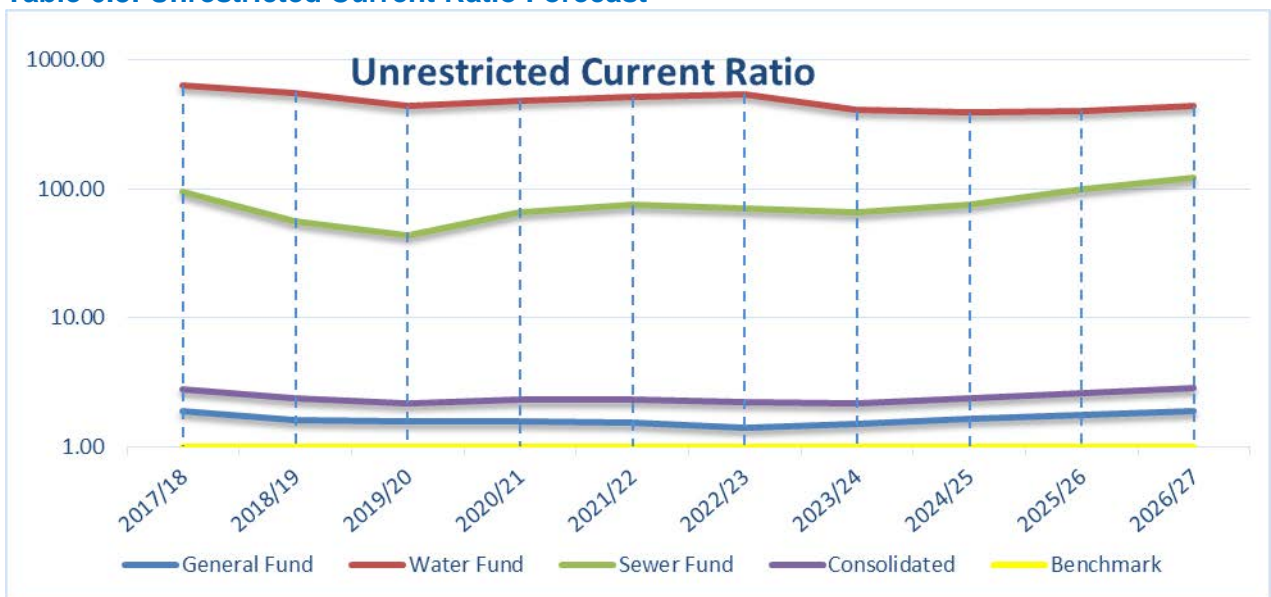
## Sustainable Performance Target

- Maintain a ratio above 1.5 at all times

**Table 6.7: Unrestricted Current Ratio Forecast**

	2016/17 Actuals	2017/18	2018/19	2019/20	2020/21	2021/22
General Fund	2.47	1.88	1.62	1.56	1.57	1.54
Water Fund	112.53	629.76	556.13	436.05	485.25	512.31
Sewer Fund	18.21	95.45	56.52	43.82	66.23	76.15
Consolidated	2.47	2.80	2.39	2.15	2.29	2.32

**Table 6.8: Unrestricted Current Ratio Forecast**



## Debt Service Ratio

The Debt Service Ratio is used to show the percentage of annual revenue necessary to service annual debt obligations e.g. loan repayments. It also shows the commitment of future revenue necessary to fund long term obligations. Council's LTFP averages 3.97% over the 10 years, well below the maximum benchmark percentage of 20% set by the OLG. The graph below includes current borrowing repayments and proposed future borrowings repayments for loans totalling \$4.5 million, for the purpose of addressing the infrastructure renewal requirements.

### Calculation

- Cost of debt service (interest expense & principal repayments) ÷ total continuing operating revenue (exc. capital grants and contributions)

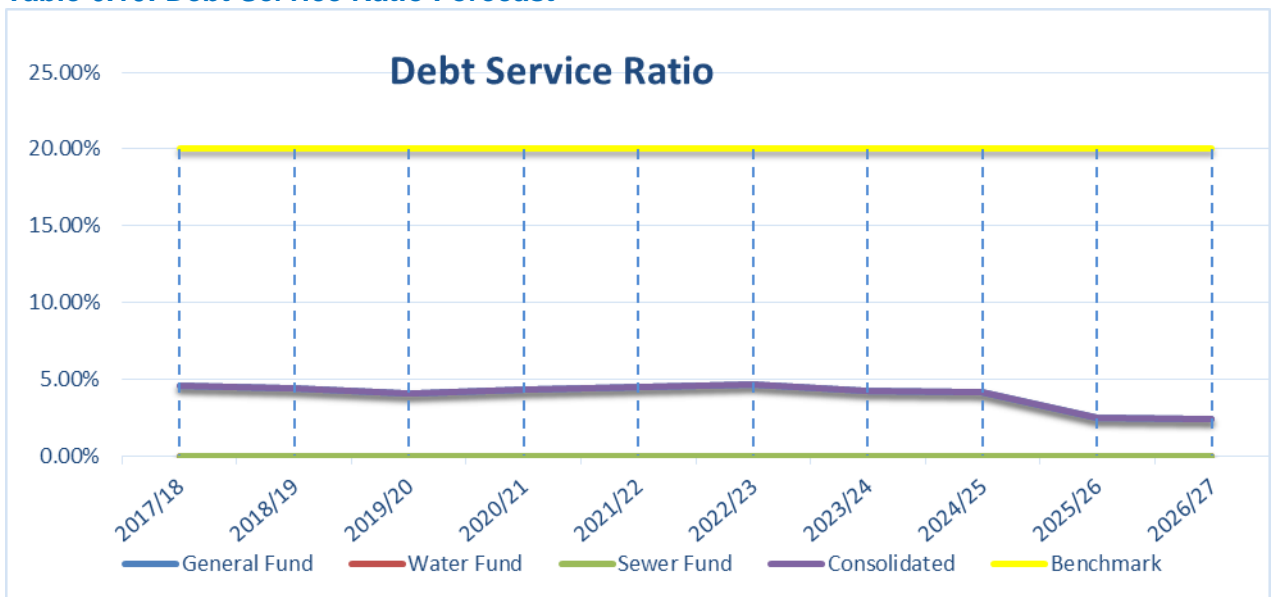
### Sustainable Performance Target

- Maintain a ratio above 0 and below 20% at all times

**Table 6.9: Debt Service Ratio Forecast**

	2017/18	2018/19	2019/20	2020/21	2021/22
General Fund	4.65%	4.51%	4.15%	4.34%	4.57%
Water Fund	0%	0%	0%	0%	0%
Sewer Fund	0%	0%	0%	0%	0%
Consolidated	4.65%	4.51%	4.15%	4.34%	4.57%

**Table 6.10: Debt Service Ratio Forecast**



### 3.4 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:<sup>1</sup>

- ▼ 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).

Not applicable

<sup>1</sup> 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.



## 4 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. The IPART fact sheet includes guidance to councils on the community awareness and engagement criterion for special variations. In particular, councils need to communicate the full cumulative increase of the proposed SV in percentage terms, and the total increase in dollar terms for the average ratepayer, by rating category*

Our fact sheet on the requirements for community awareness and engagement is available on the IPART website.<sup>2</sup>

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.

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<sup>2</sup> <https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/For-Councils/Apply-for-a-special-variation-or-minimum-rate-increase>



#### **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.

### **4.1      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.

#### **Consultation and Engagement Strategy**

The Bellingen Shire Council Community Engagement Strategy, as adopted by Council at its Meeting 22 February 2012, outlines the approach Council takes towards engaging with our community. To address the requirements of Council's Community Engagement Strategy and to meet the IPART assessment criteria, Council has employed an engagement strategy with the purpose of informing and consulting with our community regarding the proposed SV resting on the following objectives:

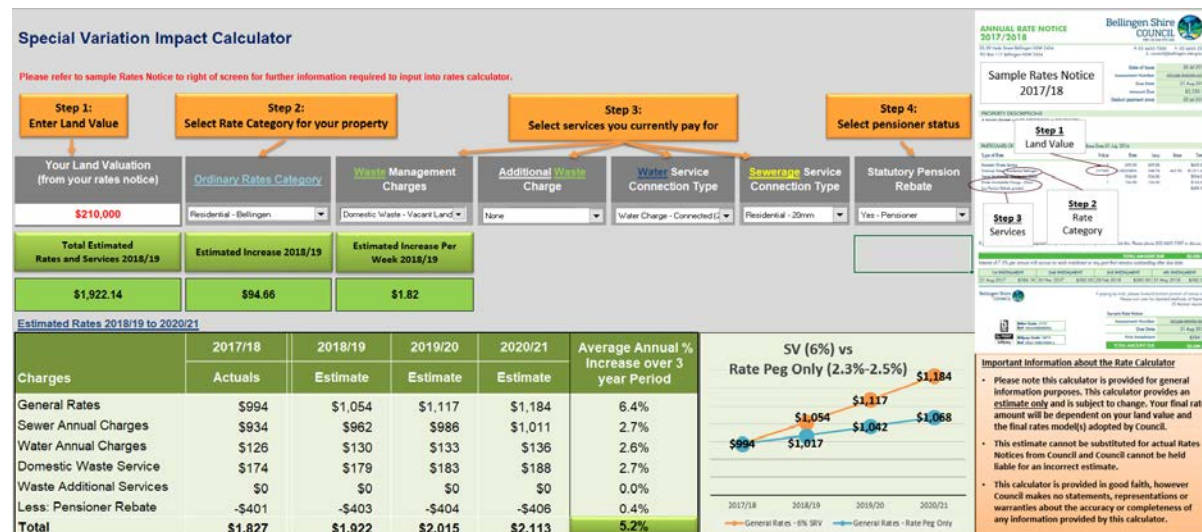
- To inform the community of Council's intention to apply for SV
- To provide information regarding the impact on the community through the different rating categories
- To provide information regarding what the revenue generated by the special rate variation will be used for
- To provide information to the community regarding documentation on public exhibition
- To inform the community on how they can engage with Council during the period of consultation, including making a submission

This has involved Council engaging with our ratepayers/residents through a number of avenues including:

- Community drop in forums in Dorrig, Bellingen and Urunga
- Mail out to all residents
- Newspaper advertisements
- Media releases
- Fact sheets
- Community newsletters
- Council SV Information Centre via 'Create' website
- Documentation on public exhibition
- Rates calculator so residents can understand individual impact
- Digital Kiosk – showing interactive maps and rates calculator as stated above
- Banners depicting the impact to ratepayers, program of works to benefit from the proposed SV, funding allocated to the program of works, recent Council infrastructure improvements

As part of the engagement and provision of information process outlined above, detailed information was provided regarding the proposed program of works and impact on rating categories.

For the drop in sessions, residents were encouraged to bring along their rate notices for staff to demonstrate the rates calculator which shows the estimated impact of the SV on their rates and annual charges. This was demonstrated using Council's digital kiosk. The use of the kiosk was well received by the community. A copy of the calculator was also available on the 'Create' website and is attached to this application (screen shot provided below).



The engagement process specifically invited community feedback and submissions through the various channels including:

- Public exhibition
- Create website – opportunity to provide feedback online
- Formal submissions via email, hardcopy and Council's website 'Have your say' link
- Direct contact with Council through the face to face
- Phone calls
- Drop in session in Dorrig, Urunga and Bellingen

Engagement was undertaken in three phases. Phases one and two included engagement with the community through the various mediums as outlined above. Phase three consisted of internal and some external engagement predominantly about receiving and assessing the information and feedback from phases one and two.

The community engagement schedule was as follows:

Engagement Activity	Phase 1 - Dec 2017	Phase 2 – January 2018	Phase - 3 February 2018
<b>Inform</b>			
<b>Create Belling page</b>	X	X	X
<b>Community drop in sessions x 3</b>	X	X	
<b>Mail out to all residents</b>		X	
<b>Notice/newspaper advertisement</b>	X	X	X
<b>Media Release/s</b>	X	X	X
<b>Website SV information page</b>	X	X	X
<b>Community newsletters</b>		X	
<b>Consult</b>			
<b>Create Belling page</b>	X	X	
<b>Community drop in sessions x 3</b>		X	
<b>Invite submissions</b>	X	X	
<b>Public exhibition</b>	X	X	

Council's IP&R documentation outlines its engagement strategy and SV options and was a key part of Council's overall engagement strategy as follows:

#### **IP&R Documentation** **LTFP extract (pages 17-18) as follows:**

##### **Special Rate Variation**

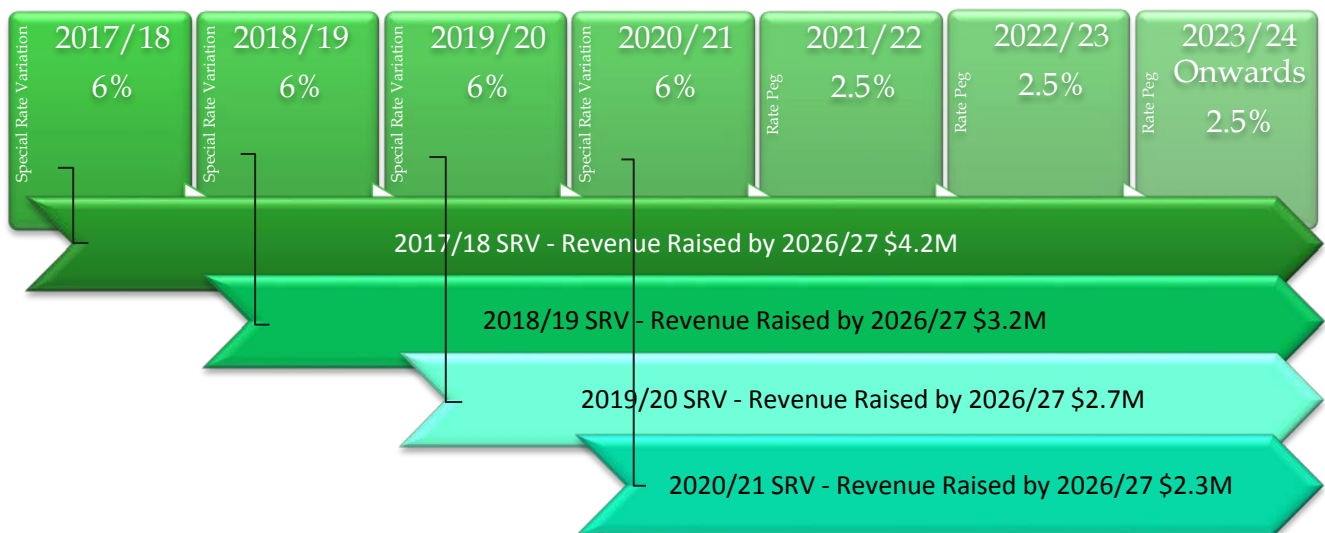
*In 2014, Council successfully applied for a Special Rate Variation (SRV) of 9.5% in addition to the rate pegging limit of 2.3%. The SRV was implemented to address the priority works in Council's infrastructure i.e. major renewal works of Council's road and bridge infrastructure. The SRV was accompanied by a successful application for a Local Infrastructure Renewal Scheme (LIRS) grant which provides a 3% loan interest rate subsidy from the Office of Local Government. Accordingly, a bank loan for \$4.85 million was taken out in May 2015 at a rate of 3.75%, the repayments for which are funded by the SRV and LIRS subsidy. These funds are now being utilised for a major upgrade of road infrastructure in the Belling Shire.*

*Council continues to address its infrastructure priorities by successfully applying for a 6% SRV in 2017/18, and applying for 3 consecutive 6% rate rises in years 2018/19 – 2020/21 (19.1% cumulative increase). The additional income generated as part of the special rate variation will target our priority roads in need of urgent resealing repairs along with those bridges currently under load limits and further identified as needing rehabilitation or replacement.*

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The following summary outlines the additional revenue generated from the proposed SRV's. The table identifiers are as those stated in the LTFP.

**Table 4.1: Forecast Rate Increases 2017/18 to 2020/21**



\*The above income is based on revenue generated above the rate peg of 1.5% for 2017-18, 2.3% for 2018/19 and 2.5% for 2019/20-2020/21.

The proposed SV to address our community's transport infrastructure, e.g., our roads and bridges is estimated to have the following impact on the rating categories:

Annual Rate Increase (%)	2018/19	2019/20	2020/21	Cumulative
Rate Peg (Estimate)	2.3%	2.5%	2.5%	
Special Rate Variation	3.7%	3.5%	3.5%	
Total Annual Increase	6.0%	6.0%	6.0%	19.1%

The following summary outlines the additional revenue generated in 2018/19 to 2020/21 from the proposed SV's:

Special Rate Variation	Estimated Revenue Generated
2018/19 – 6% (Rate Peg 2.3% + SRV 3.7%)	\$271,059
2019/20 – 6% (Rate Peg 2.5% + SRV 3.5%)	\$271,792
2020/21 – 6% (Rate Peg 2.5% + SRV 3.5%)	\$288,100

#### For Residential Ratepayers

Average Rate (Incl. Rate Peg)	Current	2018/19	2019/20	2020/21	Av. Increase
Annual Rate	\$1,078.59	\$1,143.30	\$1,211.90	\$1,284.62	-
Annual Increase		\$64.72	\$68.60	\$72.71	\$68.68
Weekly Increase		\$1.24	\$1.32	\$1.40	\$1.32

#### For Business Ratepayers

Average Rate (Incl. Rate Peg)	Current	2018/19	2019/20	2020/21	Av. Increase
Annual Rate	\$1,341.20	\$1,421.67	\$1,506.97	\$1,597.39	-

<b>Annual Increase</b>	\$80.47	\$85.30	\$90.42	<b>\$85.40</b>
<b>Weekly Increase</b>	\$1.55	\$1.64	\$1.74	<b>\$1.64</b>

#### **For Farmland Ratepayers**

<b>Average Rate (Incl. Peg)</b>	<b>Rate</b>	<b>Current</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Av. Increase</b>
<b>Annual Rate</b>		\$2,520.26	\$2,671.48	\$2,831.76	\$3,001.67	-
<b>Annual Increase</b>			\$151.22	\$160.29	\$169.91	<b>\$160.47</b>
<b>Weekly Increase</b>			\$2.91	\$3.08	\$3.27	<b>\$3.09</b>

*\*The above rates are estimates only based on rate category averages. Your final rate amount will be dependent on your land value and the final rates model adopted by Council in June 2018.*

In consideration of the application for a SV, Council has considered the community's capacity to pay based on the SEIFA Index of Advantage and Disadvantage, level of proposed increase and other cost indices.

Council's DP also outlines its engagement strategy and SV options (pages 7-8).

### **FUTURE REVENUE BASE**

#### **Long Term Financial Plan**

*Bellingen Shire has a rich and diverse community with a focus on quality of lifestyle. To ensure that our community's ideals and values of a healthy, safe and sustainable Shire continue into the future, Bellingen Shire Council (BSC) developed its Bellingen Community Vision. To support the Community Vision, Council has developed a Long Term Financial Plan (LTFP) that enables the vision to be translated into reality.*

*With an annual operating budget of over \$32M for 2017/18, Bellingen Shire Council delivers a wide range of services to a population of approximately 13,000 residents and to thousands of visitors coming to experience Bellingen's unique natural environment. Like many councils, Bellingen has faced many challenges over recent years, both from within the Shire and from the wider environment.*

*Rate peg increases set by the NSW Government have often fallen short of inflation over the years, meaning that costs are increasing at a higher rate than revenues. This has meant that councils across the State have been significantly disadvantaged by rate pegging with the effect that councils have, for an extended period, spent less than is required on asset maintenance and renewals.*

*Many services that were handled by the State or Commonwealth Government have been moved to Local Government without an appropriate funding adjustment, a process known as 'cost shifting'. Increased government reporting requirements, such as asset reporting, have also impacted on costs. From within the Shire, the demand for improved service levels and new services has also increased costs. All of these impacts have left councils with fewer funds to invest in essential services such as infrastructure maintenance and renewal.*

#### **Infrastructure Requirements**

*The Delivery Program places an emphasis on addressing the backlog in relation to transport (road and bridge) infrastructure. The backlog for roads and bridges stood at \$25.09M as at 30 June 2017. In addition, Council is currently revising its Asset Management Plans for roads and bridges to better reflect the current conditions of our transport infrastructure. Bellingen Shire Council is not alone in this situation as councils across NSW face infrastructure renewal*



challenges. A Local Government Infrastructure Audit undertaken by the Division of Local Government estimated the size of the NSW backlog to be \$7.4b in 2012.

Bellingen Shire manages over \$0.5 billion in assets of which its transport infrastructure forms a significant component.

Council has embarked on the implementation of advanced asset management practices including a risk based maintenance management system and full technical analysis of its timber bridges and road pavements. These systems will drive modern best value for money decision making processes. This information has been used to develop the current LTFP.

The condition assessment of the sealed road network has been completed. One of the most significant findings from these assessments is that the condition of the rural sealed road network is well below satisfactory. It has identified that \$6.07M is required to be spent over the next 10 years to renew the rural roads sealed pavement surface and that an additional \$1.96M is required for the same period for urban streets. This represents a total sealed pavement resurfacing renewal investment of \$8.03M.

In addition to the sealed road network, a number of other road improvement projects have been identified through assessment or via community feedback. These include road seal extension projects, drainage improvements, urban road improvement, and retaining wall replacements.

Bellingen Shire hosts 85 timber bridges. Of these 85 bridges, 22 are either load limited or closed due to their deteriorated condition. The load limiting of these bridges places a level of service reduction onto those residents, businesses and industry which rely on these timber bridges to access their place of residence or business. In addition, it places significant risk onto the community as access for emergency and essential services such as energy authorities, and even the Council, is restricted limiting routine service delivery.

These 85 timber bridges are being prioritised in order of importance considering a range of factors and a \$20M investment has been established in the LTFP over the next 10 years to either rehabilitate or renew these essential infrastructure assets.

As a consequence of the foregoing, a community engagement process will commence in December 2017 in relation to the imperative for increased capital expenditure, specifically for investment in transport (road and bridge) infrastructure works, Council's current financial position, and options for funding works through a special variation.

Engagement activities will continue until the end of January 2018 and include community forums in each town, a web-based Special Variation One Stop Shop, fact sheets, responses to community questions and submissions via fact sheets and FAQ's, media releases and a resident mail-out.

Samples of Council's consultation materials are included in Attachment G.

### **Community Surveys**

The community's needs and desires in relation to service delivery and asset maintenance and provision relevant to the SV application are identified in the 2016 Customer Survey and Council's recently completed condition assessments of the sealed road and bridge network, as outlined in section 5 of this report. Further commentary in terms of the Customer Survey and asset management is provided in sections 7 and 5 of this report respectively.

These drivers provided the basis for recommendations to Council in December 2016 including further engagement with the community on the need to invest in transport infrastructure, specifically the sealed road network.

The community survey was a random and representative telephone survey of 400 local residents to measure resident satisfaction with Council service levels. It was completed in late 2016. Residents were asked to contribute to a series of questions including:

- Satisfaction with and importance of key services and facilities
- Overall satisfaction with Council
- Contact with Council
- Council website
- Perception of safety
- Overnight visitors

The report highlighted the following:

- The highest mentioned priority for future Council resourcing was sealed roads at 41%
- Sealed roads was also highlighted as the greatest shortfall i.e. least satisfied
- In terms of their overall satisfaction with Council's performance, 26% of respondents declared themselves satisfied against 36% dissatisfied and the balance neutral
- Among the eight facilities and services scoring less than or equal to the neutral ranking both unsealed and sealed roads as well as weed control scored poorly and a fraction higher than development applications and business development/new investment
- Bridges scored highly at 19% in terms of priorities for future Council resourcing

Table 1 below, extracted from the survey results, highlights the position of sealed roads as high importance but low satisfaction.

Higher Importance, Lower Satisfaction	Higher Importance, Higher Satisfaction
Sealed roads Econ development/new investment Stormwater drainage Footpaths and cycleways Weed control	Water supply Cleanliness of streets Waste and recycling Parks, reserves and playgrounds River water quality Bridges Coastal and beach management Libraries Services for the elderly Sewage collection and treatment Public toilets Environmental monitoring and protection
Lower Importance, Lower Satisfaction	Lower Importance, Higher Satisfaction
Unsealed roads Development applications ( DA's)	Tourism marketing Youth facilities and activities Online services Dog control Council pool Sporting facilities Community Halls

*Table 1 – provision of services by importance and satisfaction.*



Table 2, extracted from the survey results, indicates that 'everything is considered important' based on the mean importance score of 2.83 (out of a possible 5).

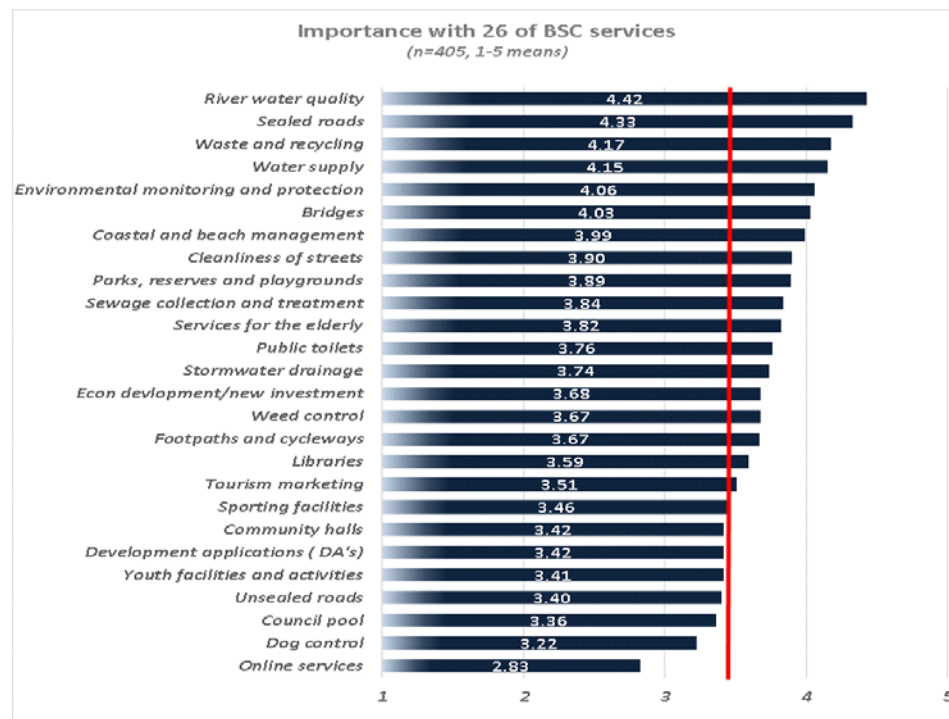


Table 2 - Importance of services

This demonstrates a community expectation that Council will continue to deliver a broad range of services to the community. This raises challenges around service delivery and the potential opportunity cost of the delivery of those services.

Table 3, extracted from the survey results, outlines satisfaction in terms of service provision.

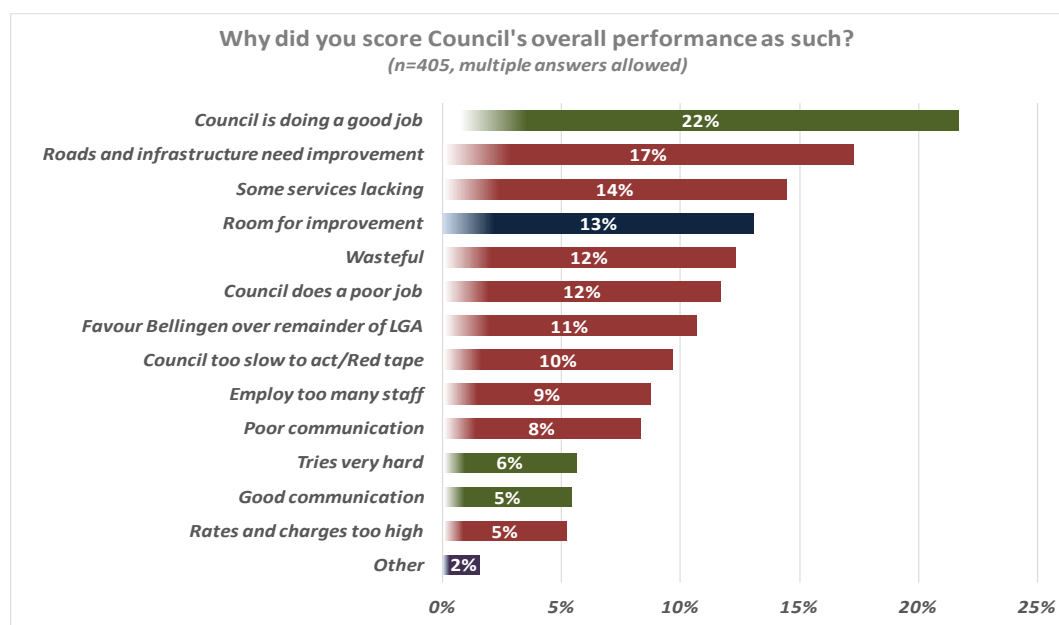


Table 3 – overall performance

Table 4, extracted from the survey results, outlines which three services are believed to be the most important in terms of allocating Council resources.

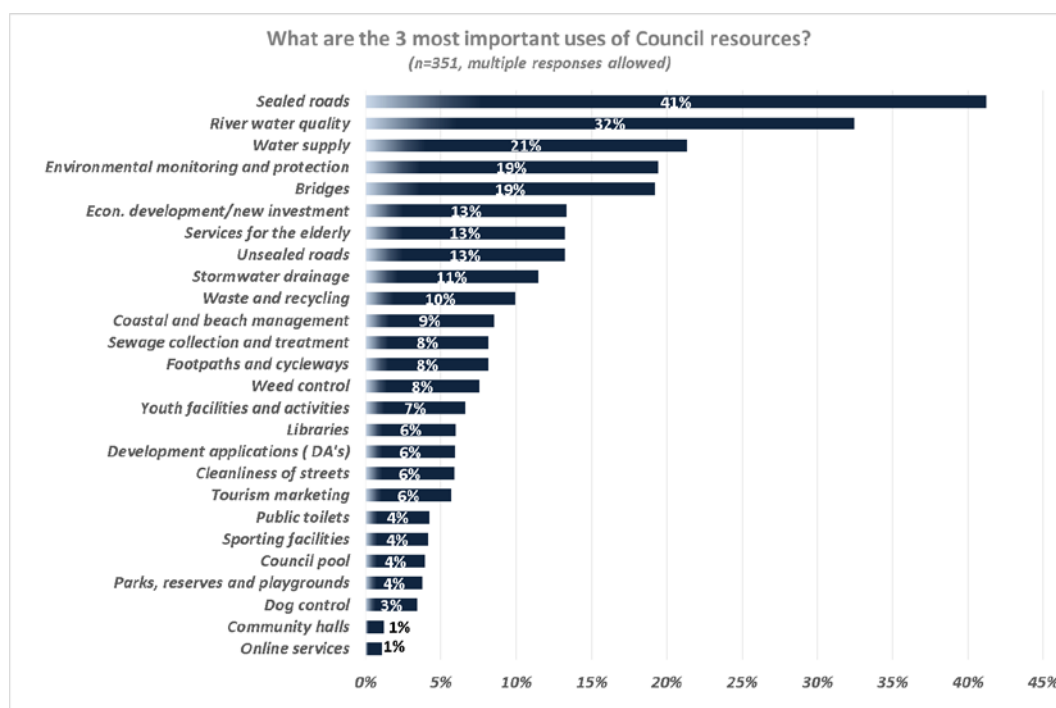


Table 4 – importance in terms of allocation of resources

It is considered that the foregoing demonstrates the need for Council to continue to progress its plan to invest in local infrastructure and specifically in its road resurfacing and bridges renewal programs of work that a SV will assist in realising. It also supports the need for Council and the community to consider a SV as well as ongoing engagement around service provision priorities in the context of service cost and overall willingness to pay for such services.

## 4.2 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.

## Community Engagement and Awareness

Council has actively engaged with its residents in discussions about the proposed increase above the rate peg, which has been set at 2.3%, based on the IPART guidelines. Council has done this by using a variety of community engagement tools. Council has taken this approach and made extensive endeavour to ensure its community engagement strategy has been effective.

The following information outlines the program of engagement activities undertaken including:

- Community drop in forums in Dorrigo, Bellingen and Urunga
- Mail out to all residents
- Newspaper advertisements
- Media releases
- Fact sheets
- Community newsletters
- Council SV Information Centre via 'Create'
- Documentation on public exhibition
- Rates calculator so residents can understand individual impact
- Kiosk – showing interactive maps and rates calculator as stated above

As part of the engagement and provision of information process as outlined above, detailed information was provided around the proposed program of works and impact on rating categories.

Council has an adopted Community Engagement Strategy and Framework that formed the basis of the development of a specific community engagement plan for the SV. The SV engagement plan identified specific community engagement as well as other communication activities for additional key stakeholders.

Engagement was undertaken in three phases. Phases one and two include engagement with the community through the various mediums as outlined above. Phase three will consist of internal and some external engagement and be predominantly about receiving and assessing the information and feedback from phases one and two.

The community engagement schedule is provided hereunder:

Engagement Activity	Phase 1 - Dec 2017	Phase 2 – January 2018	Phase - 3 February 2018
Inform			
Create Bellingen page including survey	x	x	
Community drop in sessions x 3		x	
Mail out to all residents		x	
Notice/newspaper advertisement	x	x	x
Media Release/s	x	x	x
Website SRV information page	x	x	x
Community newsletters	x	x	
Consult			

Engagement Activity	Phase 1 - Dec 2017	Phase 2 – January 2018	Phase - 3 February 2018
Create Bellingin page including survey	x	x	
Community drop in sessions x 3		x	
Invite submissions	x	x	
Public exhibition	x	x	

As a component of IPART's assessment, Council sought to demonstrate:

- Community awareness of their plans
- The need for higher increases to charges
- A reasonable impact on ratepayers
- A sustainable financing strategy
- A history of well-documented council productivity improvements

### Feedback to Documents on Exhibition

Council invited submissions to the IP&R documents on exhibition during December 2017 and January 2018 and proactively sought to engage with the community during the engagement process.

The process was broadly promoted and involved:

- Community drop in forums in Dorriggo, Bellingin and Urunga
- Letterbox drops to all Shire residents
- Newspaper advertisements
- Media releases
- Fact sheets
- Council SV Information centre 'Create'
- Stakeholder forums
- Documentation on public exhibition
- Banners depicting the impact to ratepayers, program of works to benefit from the proposed SV, funding allocated to the program of works, recent Council infrastructure improvements
- Media interviews

The fact sheets and brochure are provided in Attachment G.

The community drop in sessions played an integral role in the engagement approach and saw approximately 70 people attend. Council was active in engaging with the community at the drop in sessions and was proactive in making sure as many community views, needs and expectations were recorded with feedback forms provided to those not able to access the 'Create' website. Both Councillors and senior staff were present.

Council used a number of reference tools to ensure the community was properly informed and provided with detailed information including:

- The proposed SV
- How the revenue generated would be invested
- The cost relative to rating categories
- The program of work that would be undertaken including specific roads and bridges
- How the SV would benefit the broader community
- The impact on individual ratepayers.

The reference tools used included:

- Large banners
- Maps showing the road resurfacing program down to individual roads and priorities
- Community brochure
- Fact sheets
- Financial statements
- Feedback forms
- Kiosk that provided access to the rates calculator and interactive maps

Council also prepared key messages regarding comparisons with other and neighbouring councils that assisted in responding to questions raised at these sessions. These were also provided as additional FAQs on Council's 'Create' website.

A register of submissions was developed and included feedback from all avenues of consultation including online, written, community drop in forums and Council's email address.

In summary, 101 submissions were received across all mediums and are broken down as follows:

- 74 – Formal (Email, Hard Copy, Bellingen Shire Council website 'have your say')
- 25 – 'Create' portal feedback comments (3 additional comments were received after the exhibition closing date)
- 2 - Drop in sessions submissions

A copy of the feedback received is provided in Attachment H.

Unrelated concerns and issues raised were also recorded by Council's Customer and Business Support staff at the drop-in sessions and will be addressed and responded to in accordance with Council's Customer Service Management Policy and procedures. These issues included:

- The Town Beautification Project
- Same sex marriage plebiscite/rainbow flags
- Issues relating to Crown Lands reserves
- Cost of engaging with the community around the SV

Feedback from all submissions provided a number of views with respect to the proposed SV.

Of the submissions received opposing the SV, many reflected factors outside of Council's control, including:

- The need to rate State Forests
- The NSW Government should support the costs associated with the provision of local roads and bridges
- Land values set by the Valuer General
- Historical issues from previous councils
- Financial Assistance Grants need to be increased
- Rate pegging
- Cost of living

Comments were received regarding Council internal costs and administration and claimed that:

- There are too many staff compared to other councils
- Staff are paid too much
- Cutting Council jobs would free up more funds to go towards fixing roads and bridges

- Mismanagement of funds

Other general comments/feedback:

- The impact on pensioners as a result of the increase
- Too much money taken up in administration
- Other neighbouring council comparisons
- Claims of Council inefficiency
- Long term maintenance a priority for our roads
- Council's roads and bridges need work
- Ensuring extra money going to roads and not on administration

In response to the issues outlined above, and in the interests of transparency, Council provided the following information in the report in the matter to the February 2018 Council meeting and will continue to address issues of community feedback on a regular basis as is the current practice:

*Council remuneration arrangements are in accordance with the provisions of the Local Government State Award 2017, contractual provisions and industry benchmarks. In 2015/16, Council staff costs equate to 34.48% of operating expenses. This is below the Group 11 council average of 35.44% and State average of 37.79%.*

*Council restructured its operations in 2012 with an establishment number of 142. Since that time, Council has resumed the operations of its waste facilities and now employs those staff directly (as opposed to under contract) which has resulted in an increase of 6 staff to 148. Council employed one additional officer in 2014/15 in Land Use Services as a consequence of a major review in the context of legislative requirements. Council's operational staff comprises 53% of its staff complement.*

*Council receives approximately \$850K per year for the roads component of the Federal Financial Assistance Grant (FAG) and every dollar is spent on transport infrastructure. In 2016/17, Council spent well over \$5M renewing and maintaining road and bridge infrastructure. Council also spent more than \$3.3M in 2015/16. On average, the FAGs road component makes up 31% of the annual road and bridge maintenance budget.*

*With regards to issues raised around cost of living, there are broader taxation and revenue raising issues that need to be considered and by other levels of government. In addition Council also incurs many 'cost of living' price increases impacting on the delivery of services to the community. As previously mentioned in this report, the rate peg increase does not cover the increase in these costs borne by councils.*

*Council has made numerous submissions and representations to State and Federal Governments regarding the financial arrangements for local government and provision of assistance grants, cost shifting, rating of State Forests and other issues impacting on Council's financial position. Council will continue to advocate for change on behalf of the community.*

*Council publishes its financial information in accordance with legislative guidelines. Council's financial statements are audited annually and the audit report is also published.*

It is considered that the submissions and feedback received whilst addressing issues affiliated with the proposed SV did not warrant amendments to the IPR documents on exhibition. Further, it is also considered that the various issues raised have been addressed in the extensive documentation that has been produced and publicly available including previous reports to Council, SV fact sheets, letterbox drops, newspaper ads, media releases, Council

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SV Information Centre on 'Create', detailed information provided at the drop in sessions, and Council's annual statements.

Further to the above, other engagement outcomes, in summary, include:

- 101 responses were received from the exhibition and engagement process
- 9 phone calls to Council's Business and Customer Service Team were taken in relation to the SV
- 5 media articles were published
- 4 advertisements were placed in local papers
- 70 people attended the community drop in sessions
  - 16 in Dorrig
  - 22 in Urunga
  - 32 in Bellingen
- Of the 70 in attendance, 2 indicated they were a resident but not a ratepayer and 1 was neither a ratepayer nor resident

A summary of the engagement activities on the 'Create' Bellingen website includes:

- Total unique visits – 318
- Documents downloaded – 83
- Visits to key dates page – 24
- Registered users that contributed to the feedback forum – 26
- Registered users that viewed photos - 3

A detailed report of the community engagement outcomes is provided in Attachment P.



## 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.

### 4.3 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 has considered two options in terms of rating for 2018/19 – 2020/21.

These options include:

- The 2.3% State Government determined rate peg increase
- A 6% SV increase (rate peg + 3.7%)

This report proposes that Council apply for a permanent increase under the provisions of Section 508(A) of the NSW Local Government Act.



Option number	Percentage increase	Revenue Generated 2018/19	Revenue Generated 2019/20	Revenue Generated 2020/21
One	Rate peg 2018/19 – 2.3% 2019/20 – 2.5% 2020/21 – 2.5%	\$168,484	\$194,137	\$205,785
Two	6% Special Variation (Inclusive of rate peg)	R/Peg - \$168,484 SV - \$271,039 Total - \$439,522	R/Peg - \$194,137 SV - \$271,792 Total - \$465,930	R/Peg - \$205,785 SV - \$288,100 Total - \$493,885

The two possible increases in rate revenue have been apportioned to the different Council rate categories in the table below. This shows the average annual dollar increase in rates for each of our rating categories.

#### Rating Categories – Average Annual Dollar Increase

The proposed SV to address our community's transport infrastructure, e.g., our roads and bridges is estimated to have the following impact on the rating categories:

Annual Rate Increase (%)	2018/19	2019/20	2020/21	Cumulative
<b>Rate Peg (Estimate)</b>	2.3%	2.5%	2.5%	
<b>Special Variation</b>	3.7%	3.5%	3.5%	
<b>Total Annual Increase</b>	6.0%	6.0%	6.0%	19.1%

#### For Residential Ratepayers

Average Rate (Incl. Rate Peg)	Current	2018/19	2019/20	2020/21	Av. Increase
<b>Annual Rate</b>	\$1,078.59	\$1,143.30	\$1,211.90	\$1,284.62	-
<b>Annual Increase</b>		\$64.72	\$68.60	\$72.71	<b>\$68.68</b>
<b>Weekly Increase</b>		\$1.24	\$1.32	\$1.40	<b>\$1.32</b>

#### For Business Ratepayers

Average Rate (Incl. Rate Peg)	Current	2018/19	2019/20	2020/21	Av. Increase
<b>Annual Rate</b>	\$1,341.20	\$1,421.67	\$1,506.97	\$1,597.39	-
<b>Annual Increase</b>		\$80.47	\$85.30	\$90.42	<b>\$85.40</b>
<b>Weekly Increase</b>		\$1.55	\$1.64	\$1.74	<b>\$1.64</b>

#### For Farmland Ratepayers

Average Rate (Incl. Rate Peg)	Current	2018/19	2019/20	2020/21	Av. Increase
<b>Annual Rate</b>	\$2,520.26	\$2,671.48	\$2,831.76	\$3,001.67	-
<b>Annual Increase</b>		\$151.22	\$160.29	\$169.91	<b>\$160.47</b>
<b>Weekly Increase</b>		\$2.91	\$3.08	\$3.27	<b>\$3.09</b>

*\*The above rates are estimates only based on rate category averages. The final rate amount will be dependent on your land value and the final rates model adopted by Council in June 2018.*

In addition to the general rate, Council also applies water, sewer and domestic waste charges to properties that access those services. The table below provides an example of the projected pricing for 2018/19 – 2020/21 for residential properties based on the net average increase for a typical residential rate.

	2018/19	2019/20	2020/21
<b>Water / Sewer</b>			
Average Sewer / Water Charges	\$ 1,085.00	\$ 1,112.00	\$ 1,140.00
Percentage Increase	3.00%	2.50%	2.50%
<b>\$ Increase per year</b>	<b>\$ 26.00</b>	<b>\$ 27.00</b>	<b>\$ 28.00</b>
<b>\$ Increase per week</b>	<b>\$ 0.50</b>	<b>\$ 0.52</b>	<b>\$ 0.54</b>
<b>Waste Services</b>			
Average Waste Charges	\$ 674.00	\$ 691.00	\$ 708.00
Percentage Increase	3.00%	2.50%	2.50%
<b>\$ Increase per year</b>	<b>\$ 16.00</b>	<b>\$ 17.00</b>	<b>\$ 17.00</b>
<b>\$ Increase per week</b>	<b>\$ 0.31</b>	<b>\$ 0.33</b>	<b>\$ 0.33</b>
<b>Total</b>	<b>\$ 3,046.26</b>	<b>\$ 3,167.50</b>	<b>\$ 3,294.37</b>

*Note: Water pricing comprises an availability charge and a user charge.*

## IMPACT ON THE RATING STRUCTURE

The proposed SV is to be applied equally to all categories of the ordinary rate. Council considers that, as the variation is intended to be utilised for transport infrastructure across the whole Local Government Area and will benefit all road users, the cost should be distributed proportionately to all ratepayers.

Council will model a number of scenarios for consideration along with a formal public exhibition period prior to the adoption of the Operational Plan and Revenue Policy for 2018/19.

Council's current rate structure comprises an ad valorem amount together with base amount in order to achieve an equitable distribution of rates and minimise excessive fluctuations.

### 4.3.1 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 ☒

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.

Not applicable

#### **4.4 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.

##### **Community's Capacity to Pay**

In consideration of making an application for a SV, Council has considered the community's capacity to pay based on the 2011 SEIFA Index of Advantage and Disadvantage, level of proposed increase and other cost indices. Given that many comparisons were made with neighbouring councils by respondents to the engagement process, the following information is provided.

Bellingen Shire's SEIFA index, in comparison with some neighbouring councils, states Bellingen (950.1) has a higher capacity to pay compared to other like councils, e.g. Nambucca (900.0) that ranked higher in terms of their level of disadvantage. Kempsey also ranks higher with an Index of 879.7.

A comparison of rates across the State in 2015/2016 shows Bellingen Shire Council has one of the lowest rates in NSW. Out of the 151 councils, Bellingen ranked 118th in the State when looking at the average rate (total ordinary rates divided by the number of assessments in each shire). A ranking of 1 refers to the highest rates. This means the Bellingen Shire is in the lowest 25% for rates.

When comparing rates across neighbouring councils, Bellingen Shire ratepayers pay less on average with the exception of Nambucca Shire where the residential rates are \$56 a year less on average. While each council uses different multiple rate categories, the following information outlines comparative rate averages across Bellingen, Nambucca, Coffs Harbour and Port Macquarie local government areas:

	BELLINGEN	NAMBUCCA	COFFS HARBOUR	PORT MACQUARIE	NSW AVERAGE
<b>Average Ordinary Rate 2015/16</b>	\$1,078	\$1,022	\$1,280	\$1,263	\$1,325

Further comparisons between the four councils indicate that farmland and sewer rates are higher but water is lower. However, Council's combined water and sewer typical residential bills are lower than the State and National averages.

The following rating information for Coffs Harbour is also provided by way of comparison. This indicates that even with the three year SV, the average general rate applied by Bellingen Shire Council would be lower than the current Coffs Harbour City Council projections.

### Model 1: Current Services Maintained

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
<b>Rates</b>										
<b>Bellingen</b>										
Average Rates	\$ 1,214.40	\$ 1,287.26	\$ 1,364.50	\$ 1,446.37	\$ 1,482.53	\$ 1,519.59	\$ 1,557.58	\$ 1,596.52	\$ 1,636.43	\$ 1,677.35
Percentage Increase	6.00%	6.00%	6.00%	6.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
\$ Increase per year		\$ 72.86	\$ 77.24	\$ 81.87	\$ 36.16	\$ 37.06	\$ 37.99	\$ 38.94	\$ 39.91	\$ 40.91
\$ Increase per week		\$ 1.40	\$ 1.49	\$ 1.57	\$ 0.70	\$ 0.71	\$ 0.73	\$ 0.75	\$ 0.77	\$ 0.79
<b>Coffs Harbour</b>										
Average Rates	\$ 1,424.77	\$ 1,460.39	\$ 1,496.90	\$ 1,534.32	\$ 1,572.68	\$ 1,612.00	\$ 1,652.30	\$ 1,693.60	\$ 1,735.94	\$ 1,779.34
Percentage Increase	7.75%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
\$ Increase per year		\$ 35.62	\$ 36.51	\$ 37.42	\$ 38.36	\$ 39.32	\$ 40.30	\$ 41.31	\$ 42.34	\$ 43.40
\$ Increase per week		\$ 0.68	\$ 0.70	\$ 0.72	\$ 0.74	\$ 0.76	\$ 0.77	\$ 0.79	\$ 0.81	\$ 0.83

Council also considered the Bellingen Shire average weekly household income. The 2016 ABS Census Data states that 29.8% of Shire residents earn between \$650 - \$1,249 a week compared to the NSW Regional average of 25.5% and the Mid North Coast average of 29.6%.

### Outstanding Rates and Annual Charges Ratio

Council's outstanding rates and annual charges ratio for 2015/16 general fund sat at 2.45%. This is well below the rural council benchmark of 10% and significantly lower than the Group 11 average. This might suggest the community is experiencing less difficulty paying rates compared to other councils.

## 4.5 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 <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If Yes, is an interest charge applied to late rate payments?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Does the council propose to introduce any measures to reduce the impact of the proposed special variation on specific groups in the community?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

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).

Bellingen Council recognises that ratepayers may at times experience difficulty in paying rates and charges. Council has a Hardship Policy in place to provide assistance to ratepayers who are experiencing genuine difficulties with the payment of their rates and charges. The Hardship Policy (see Attachment I) was most recently adopted on 25 September 2013 and is reflected in Council's IP&R Revenue Policy.

The NSW Local Government Act 1993 (LGA) gives Council the authority necessary to provide assistance to those ratepayers under the following sections of the LGA:

- A. Section 564 of the LGA provides Council with the option to accept payment of rates and charges due and payable in accordance with an agreement made with BELLINGEN SHIRE COUNCIL – MINUTES – ORDINARY MEETING OF COUNCIL 25 SEPTEMBER, 2013 Page 14 of 75 the ratepayer and to write off or reduce interest accrued on rates and charges if the ratepayer complies with the agreement.
- B. Section 567 of the LGA provides for Council to write off accrued interest on rates and charges payable by a ratepayer if, in Council's opinion the reasons that the ratepayer was unable to pay the rates and charges when they became payable were beyond the ratepayer's control, or that the ratepayer is unable to pay the accrued interest for reasons beyond that ratepayer's control, or that the payment of the accrued interest would cause the ratepayer hardship.
- C. Section 575 of the LGA provides for the granting of concession on rates and charges for eligible pensioners.
- D. Section 601 of the LGA provides for ratepayers who incur a rate increase as a result of a revaluation of land to apply to Council for financial relief if the increase in the amount of rates payable will cause them substantial financial hardship.

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The Hardship Policy requires ratepayers to be means tested and make an application for a formal payment arrangement. Once the payment arrangement has been finalised, Council may also remove any interest accrued should this contribute to any additional hardship. As stated above, Council also provides concession on rates and charges for eligible pensioners. Bellingen Council has 24% of ratepayers that receive a pensioner concession on their rates. The following is an extract from Council's Revenue Policy (page 5) that outlines the level of concession available to pensioners.

*Pensioner Rebates (Sec 575 NSW Local Government Act 1993)*

*Rebates are available to eligible pensioners who are solely or jointly liable for the payment of rates and charges. The pensioner must occupy the dwelling as their sole or principal place of living. The rebates are as follows:*

- *50% of the combined ordinary rates and domestic waste management charge up to a maximum rebate of \$250.00.*
- *50% of water charges up to a maximum rebate of \$87.50.*
- *50% of sewerage charges up to a maximum rebate of \$87.50.*

*The pensioner rebate must be applied against the rate assessment or water billing account in the name of the ratepayer and not a Body Corporate or a Company, except where it is allowed by special agreement. The special agreement would cover circumstances such as where an applicant is the sole shareholder of the company that owns the property and the property is used as the applicants' principal place of residence. The application must be approved by the General Manager.*

## 5 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.<sup>3</sup>

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.<sup>4</sup> However, it would be expected that the Long Term Financial Plan would be posted, in a prominent location, on the council's website.

### Public Exhibition – IP&R Documents

In consideration of making an application to IPART for a SV to its general revenue, amendments were made to key IP&R documents. The following extracts outline these amendments reflective of the proposed SV.

Specifically, the Delivery Program provides background on the community's needs on pages 6-8 as follows:

### **FUTURE REVENUE BASE**

#### **Long Term Financial Plan**

*Bellingen Shire has a rich and diverse community with a focus on quality of lifestyle. To ensure that our community's ideals and values of a healthy, safe and sustainable Shire continue into the future, Bellingen Shire Council (BSC) developed its Bellingen Community Vision. To support the Community Vision, Council has developed a Long Term Financial Plan (LTFP) that enables the vision to be translated into reality.*

*With an annual operating budget of over \$32M for 2017/18, Bellingen Shire Council delivers a wide range of services to a population of approximately 13,000 residents and to thousands of visitors coming to experience Bellingen's unique natural environment. Like many councils,*

<sup>3</sup> The relevant IP&R documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and where applicable, the Asset Management Plan.

<sup>4</sup> Office of Local Government (then Division of Local Government), *Integrated Planning and Reporting Manual for local government in NSW*, March 2013, pp 5-6.



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*Bellingen has faced many challenges over recent years, both from within the Shire and from the wider environment.*

*Rate peg increases set by the NSW Government have often fallen short of inflation over the years, meaning that costs are increasing at a higher rate than revenues. This has meant that councils across the State have been significantly disadvantaged by rate pegging with the effect that councils have, for an extended period, spent less than is required on asset maintenance and renewals.*

*Many services that were handled by the State or Commonwealth Government have been moved to Local Government without an appropriate funding adjustment, a process known as 'cost shifting'. Increased government reporting requirements, such as asset reporting, have also impacted on costs. From within the Shire, the demand for improved service levels and new services has also increased costs. All of these impacts have left councils with fewer funds to invest in essential services such as infrastructure maintenance and renewal.*

### **Infrastructure Requirements**

*The Delivery Program places an emphasis on addressing the backlog in relation to transport (road and bridge) infrastructure. The backlog for roads and bridges stood at \$25.09M as at 30 June 2017. In addition, Council is currently revising its Asset Management Plans for roads and bridges to better reflect the current conditions of our transport infrastructure. Bellingen Shire Council is not alone in this situation as councils across NSW face infrastructure renewal challenges. A Local Government Infrastructure Audit undertaken by the Division of Local Government estimated the size of the NSW backlog to be \$7.4b in 2012.*

*Bellingen Shire manages over \$0.5 billion in assets of which its transport infrastructure forms a significant component.*

*Council has embarked on the implementation of advanced asset management practices including a risk based maintenance management system and full technical analysis of its timber bridges and road pavements. These systems will drive modern best value for money decision making processes. This information has been used to develop the current LTFP.*

*The condition assessment of the sealed road network has been completed. One of the most significant findings from these assessments is that the condition of the rural sealed road network is well below satisfactory. It has identified that \$6.07M is required to be spent over the next 10 years to renew the rural roads sealed pavement surface and that an additional \$1.96M is required for the same period for urban streets. This represents a total sealed pavement resurfacing renewal investment of \$8.03M.*

*In addition to the sealed road network, a number of other road improvement projects have been identified through assessment or via community feedback. These include road seal extension projects, drainage improvements, urban road improvement, and retaining wall replacements.*

*Bellingen Shire hosts 85 timber bridges. Of these 85 bridges, 22 are either load limited or closed due to their deteriorated condition. The load limiting of these bridges places a level of service reduction onto those residents, businesses and industry which rely on these timber bridges to access their place of residence or business. In addition, it places significant risk onto the community as access for emergency and essential services such as energy authorities, and even the Council, is restricted limiting routine service delivery.*



These 85 timber bridges are being prioritised in order of importance considering a range of factors and a \$20M investment has been established in the LTFFP over the next 10 years to either rehabilitate or renew these essential infrastructure assets.

As a consequence of the foregoing, a community engagement process will commence in December 2017 in relation to the imperative for increased capital expenditure, specifically for investment in transport (road and bridge) infrastructure works, Council's current financial position, and options for funding works through a special variation.

**Engagement** activities will continue until the end of January 2018 and include community forums in each town, a web-based Special Variation One Stop Shop, fact sheets, responses to community questions and submissions via fact sheets and FAQ's, media releases and a resident mail-out.

Two funding options for addressing the transport infrastructure renewal program will be canvassed during the community engagement program:

1. The State Government determined rate peg increase
2. A 6% special variation (SV) increase, inclusive of the rate peg, for years 2018/19 to 2020/21. This equates to a total cumulative increase of 19.1% for the 3 years.

The program of engagement with our residents includes:

- Community drop in forums in Dorrigo, Bellingen and Urunga
- Mail out to all residents
- Newspaper ads
- Media releases
- Fact sheets
- Community newsletters
- Council SV One Stop Shop through its 'Create' website
- Documentation on public exhibition
- 'Have your Say'

Council has an adopted Community Engagement Strategy and Framework that forms the basis of the development of a specific community engagement plan for the SV. In consideration of the application for a SV, Council has considered the community's capacity to pay based on the SEIFA Index of Advantage and Disadvantage, level of proposed increase and other cost indices.

A community satisfaction survey was undertaken in September 2016, the results of which have been subject to briefings to Council. A series of focus groups was also undertaken which saw local asset infrastructure discussed as a focal point and in particular:

- The condition of local roads
- The perceived lack of a well-publicised, long term infrastructure repair plan
- Themes of discontent regarding the state of local roads
- A perception of reactivity rather than proactivity around asset management
- Many participants felt that improved roads and bridges were a huge priority

Council will continue to engage with its community until the end of January 2018.

**Long Term Financial Plan (extracts pages 17, 24 – 25)**

Council continues to address its infrastructure priorities by successfully applying for a 6% SRV in 2017/18, and applying for 3 consecutive 6% rate rises in years 2018/19 – 2020/21 (19.1%

cumulative increase). The additional income generated as part of the special rate variation will target our priority roads in need of urgent resealing repairs along with those bridges currently under load limits and further identified as needing rehabilitation or replacement.

### **Asset Management**

Infrastructure (assets) expenditure will progressively be mapped against maintenance and renewal programs recommended by respective asset management plans. In accordance with Council's asset management review, asset maintenance has been increased by CPI with a strong focus on asset renewals as opposed to the construction of new assets.

Subject to successful special rate variations and subsequent loan borrowings, assets should be maintained and renewed in accordance with the respective asset management plans and agreed condition intervention levels.

The 10 Year Asset Management Capital Works Program focuses on the renewal of Council's infrastructure and effective management of Council's plant and vehicles. The capital works listing in the annexures are based on a consolidated position (as per Attachment 19).

Council is currently integrating the full 10 year capital program into Council's relevant Asset Management Plans.

Council, in consideration of support for a 3 year 6% SV (19.1% cumulative including rate peg) in December 2017, considered the following:

- The need and purpose of a SV in relation to the infrastructure works required to be undertaken and current financial forecasts
- Community feedback and sentiment
- The community's capacity to pay
- The impact on affected ratepayers
- The proposed Delivery Program and Long Term Financial Plan
- Productivity improvements
- Cost containment strategies

Council, at its Ordinary December 2017 Meeting, resolved to place on public exhibition amended IP&R documents reflecting the proposed SV including the LTFP and Delivery Plan. These documents were placed on exhibition for 44 days (more than 6 weeks). The exhibition period commenced on 14 December 2017 and closed on 26 January 2018.

Council's resolution of 13 December 2017 Meeting is as follows:

#### **MOVED (Cr Klipin/Cr Harrison)**

That Council place the updated documents on public exhibition for the period 14 December 2017 to 26 January 2018.

**For:** Cr King, Cr Klipin, Cr Harrison, Cr Fenton and Cr Wright-Turner.

**Against:** Cr Carter and Cr Jenkins.

Council considered feedback received from the community from formal and informal submissions, community drop in sessions and other forms of engagement when deciding on whether to adopt a SV for the 18/19 financial year (refer to section 4 of the application).



In a report to the Extraordinary Meeting of Council on 8 February 2017, Council resolved to:

**ITEM: 11.1**

**SUBJECT: SPECIAL VARIATION - APPLICATION TO IPART**

**MOVED (Cr King/Cr Klipin)**

That Council:

1. Acknowledge the feedback received from the community during the community engagement and public exhibition process and provide this to the NSW Independent Regulatory and Pricing Tribunal (IPART) as part of the Special Variation application by Bellingen Shire Council for the years 2018/19-2020/21
2. Adopt the updated Long Term Financial Plan attached to this report that includes the permanent, three year Special Variation of 6% inclusive of the rate peg (19.1% cumulative) for years 2018/19 – 2020/21
3. Adopt the updated Delivery Program attached to this report that includes the permanent, three year Special Variation of 6% inclusive of the rate peg (19.1% cumulative) for years 2018/19 – 2020/21
4. Make application to the NSW Independent Regulatory and Pricing Tribunal (IPART) for a permanent, three year Special Variation of 6% inclusive of the rate peg (19.1% cumulative) under Section 508(A) of the NSW Local Government Act 1993, commencing in the 2018/19 financial year for the specific purpose of implementing and partly funding the Sealed Road Resurfacing and Bridge Renewal Programs, based on the contents of this report.

**Meeting adjourned 9:06am**

**Meeting reconvened 9:20am**

**For: Cr King, Cr Klipin, Cr Harrison and Cr Fenton.**

**Against: Cr Carter and Cr Jenkins.**

## 6 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.

### **PRODUCTIVITY IMPROVEMENTS AND COST CONTAINMENT STRATEGIES**

Council has worked extensively over the past few years to deliver a significant improvement in its operating result. This was reported to Council in conjunction with its 2016/17 Annual Report. The 2016/17 Financial Statement summary is provided at Attachment O. The result is due to a focus over the past five years on organisational reform, asset management and financial sustainability as well as Council's Fit for the Future initiatives.

Council has seen a steady improvement in the operating result over the past few years due to a number of initiatives that it has undertaken including in more recent years those commitments in its Fit for the Future (FFF) submissions. Council's overall operating result has improved from a deficit of \$9M in 2014 to a surplus of \$0.28M in 2017, a net improvement of \$9.2M.

### **Organisational Review(s)**

In accordance with the provisions of the *NSW Local Government Act 1993*, Council must review their structure every 4 years and within 1 year of an election. Council undertook an extensive review of its structure in 2012 and reaffirmed its structure in 2017 in accordance with legislative provision. Council's approach is to review its provision of works and services on an ongoing basis and work continues in this regard with a current focus on service reviews across a range of activities to accommodate initiatives currently underway around financial sustainability, productivity and efficiency, shared servicing alliancing, etc.

## **Governance Framework**

Community and Councillor engagement, with regard to the 2014 Special Variation, resulted in the development of a works enablement plan and a program identifying cost savings. Within the context of an overall governance framework, two programs were created:

- A Transport (Road and Bridge) Infrastructure Sustainability Program to implement the SV rolling works program
- A Financial Sustainability Program to realise benefits from efficiency, productivity, and cost containment initiatives across Council

Both programs adopted a formal program management methodology with key processes for:

- Management Control
- Benefits Management
- Financial Management
- Stakeholder Engagement
- Risk Management
- Organisational Governance
- Resource Management

Council adopted a portfolio management approach to overseeing these and other programs through integration with, and enhancement of, Council's existing Integrated Planning and Reporting Framework.

Moving forward, the 10 year rolling LTFP in the Delivery Program will form the basis for the long term works program. The annual Operational Plan will incorporate detail on the shorter term works program.

The Delivery Program, Operational Plan and Annual Report as well as Council's Audit and Risk Committee have existing reporting periods protocols and mechanisms that will facilitate reporting to Council and community. The Operational Plan for works related to the proposed SV will incorporate expanded data points for key performance indicators, goals (and progress), and milestones to satisfy the commitment to greater transparency and accountability. The Audit Committee will receive reports regarding productivity and efficiency improvements, service reviews and financial sustainability initiatives.

## **Significant Financial Sustainability and Cost Containment Strategies include:**

### **Bellingh Emissions Reduction Program (BERP)**

A recent investigation of the feasibility of installing Solar Photovoltaic (PV) systems on Council's largest electricity consuming facilities has been undertaken as part of the Bellingh Emissions Reduction Program (BERP).

A total of 14 sites were assessed. Completing all installations would result in a total net cash benefit during the minimum 25 year effective operating period of \$2,568,190. It is expected that installations will perform well beyond this period. The average annual net financial benefit over this time period is expected to be \$102,640.

The financial savings, together with the savings already implemented, are anticipated to realise savings of around \$200,000 per year, in addition to the environmental sustainability outcomes.

Of the 14 sites assessed, the two largest Council sites have seen solar panels installed including the Raleigh Depot and main Council administration building. A program of work will

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see the additional 12 sites installed over the next 12 to 18 months. This will realise additional savings after the payback periods.

### **Identification of Additional Income Streams**

Council currently manages approximately 800 fees and charges. Each year, Council undertakes a thorough review of its fees and charges using best value principles of value for money, a consideration for community expectations and values, and a balance between affordability and accessibility of services. As part of the process, Council:

- Provided ongoing training for managers and responsible officers to ensure effective pricing
- Benchmarked fees and charges with other councils and service providers
- Updated Information packs for its Section 355 Committees
- Purchased industry specific fees and charges management software

Council continues to review its fees and charges with particular emphasis on understanding the real costs of providing the various services in particular, those within its control (i.e. those outside of the statutory fees and charges). An example of this was shown when Council introduced a range of new fees for town planning/building regulation which has seen an increase in income of over \$100,000 since 2014/15. This equates to a 34% increase over that two year period.

### **Land and property review**

An activity from the Fit for the Future Action Plan was to undertake a review of Council's operational land to identify opportunities to divest its assets for the purpose of reinvesting into assets that are essential for Council's operations. This review was undertaken to explore assets that present an opportunity to generate income by:

- Selling the land
- Identifying potential future use/s and/or development
- Implementing works to achieve potential future use/s and/or development
- Develop an integrated strategy to enable the future use/s and/or development of each property to be delivered

As a result of the review, a number of properties were identified for potential sale generating an income of approximately \$500,000 that could be reinvested into assets essential for Council's operations and fund further investigations into additional opportunities. In addition council has conducted a major review of provision of amenities on the basis of benchmarking data. The implementation of the recommendations to this report is anticipated to streamline operations, rationalise provision and reduce costs.

### **Private Works**

Council currently undertakes private works as a commercial interest. Income generated as a result of private works assists Council's overall financial performance. Private works undertaken by Council includes:

- Resident requests
- Road Maintenance Council Contract

Since 2014/15 Council has seen a steady increase in income generated from its private works activities resulting in an increase of 76% and over \$114,000.

### **Asset Management**

Council has significantly progressed the process of updating its core asset management plans. The next generation of asset management planning is currently being finalised and will involve the full incorporation, analysis and modelling of the recently collected road and bridge



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condition data. This will better inform Council's future infrastructure renewal programs and improve the maturity of the LTFP through any revised asset renewal profiles. This information will also prove invaluable for future grant applications. The updated plan is due to be finalised by the end of February and will be provided to IPART at that time, if required.

### **Service Reviews**

Council has, and will continue, to undertake reviews relative to service provision. This has already delivered savings across the organisation including ranger services, finance, waste, water and waste water. These are further detailed in Section 3.2 of this application.

### **Shared Service Arrangements**

Council has existing shared service arrangements in place including waste services, libraries and online learning systems. These are further detailed in Section 3.2 of this application.

Bellingen Shire Council recognises the opportunities to increase efficiency and improve financial sustainability through shared services and alliancing and the opportunities that this process presents. Council currently participates in a number of shared services including waste, libraries, provision of ranger services and joint procurement of an Information Technology system with Kempsey Shire council with both councils resolving to appoint a provider in November 2017 the outcome of which is anticipated to realise substantial savings. Council is also a leader in regional projects including HR, WHS, Road and bridge investment etc.

Council has identified a range of initiatives that are forecast to deliver improved efficiencies and reduced costs. The Mid North Coast Region of Councils (MIDROC) Shared Services KPMG report offers projections and opportunities of up to \$2 million explicit to Bellingen Shire Council that our modelling has not specifically factored in. Notwithstanding that, as savings are realised, they will be operationalised through future long term financial plans.

The Board of the Mid North Coast Region of Councils has resolved to become a Joint Organisation and has prepared a Strategic Plan, which is progressively being adopted by the member councils in conjunction with the consideration of reports regarding Joint Organisations. Next steps in the process involve:

- Determining priority projects
- Developing an implementation plan
- Identification of key success factors including funding and resourcing
- Development and implementation of a stakeholder engagement plan and a communications plan
- Development of an evaluation framework as the basis for agreement and defining success
- Establishment of the entity and governance framework which will include consideration of shared servicing and alliancing.

### **Review of Accounting Practices**

In 2014, Council undertook a major review of its finance section. This review identified a range of initiatives which are progressively being implemented including appointment of a Chief Financial Officer in order that Council could adopt a strategic approach to financial management. As part of the implementation of this approach, Council has implemented a review of its accounting practices including accounting treatments, management of grant funding etc.

This has assisted in Council's Fit for the Future submissions resulting in a 'Fit' outcome and addressing the recommendations from a number of industry reviews (TCorp, IPART, ILGRP).

The improvement in Council's financial results over the past three years is reflective of its strategic approach to financial management.

### **The Mid North Coast Region of Councils (ROC) and Joint Organisations**

At a regional level, MIDROC continues to work across its established sub-groups around key focus areas such as roads and bridges, work health and safety, and information technology. MIDROC has also played a major role in terms of advocacy particularly regarding State Forests, RFS assets, rating, RMS and the Pacific Highway handover. MIDROC have also undertaken to seek funding for major infrastructure works at a regional level such as the timber bridges project. Many of MIDROC's achievements have helped to create the foundations for the transition to a Joint Organisation.

**Joint Organisations** were established in 2017 with objective of councils in the region working together around advocacy and collaboration. More recently, the Mid North Coast Regional Organisation of Councils (MIDROC), currently comprising Bellingen Shire, Clarence Valley, Coffs Harbour City, Kempsey Shire, Nambucca Shire and Port Macquarie Hastings councils, has been working collaboratively with support from the University of Technology, Sydney Centre for Local Government (UTS:CLG) to develop a Strategic Plan in preparation for the further rollout of the JO framework in regional NSW.

In November 2017, the NSW Government passed the NSW Local Government Amendment (Regional Joint Organisations) Bill 2017 which now allows for councils to voluntarily join new JOs to strengthen regional coordination and improve delivery of important infrastructure and services for communities through strategic planning, collaboration and shared leadership and advocacy.

The vision for the JO Mid North Coast Councils (JOMNCC) Strategic Plan is: "To improve the economic, social and environmental wellbeing of communities in the Mid North Coast region." The agreed mission for JOMNCC, reflecting the core and non-core functions of JOs, is "To take the lead to set priorities for the Mid North Coast region and work collaboratively with government and non-government organisations to achieve them." The core and non-core functions of JOs, as identified by the NSW Office of Local Government in 2016, are:

- Strategic planning and priority setting – robust processes for regional outcomes but with the flexibility to respond to changing priorities and the changing needs of member councils
- Intergovernmental collaboration – focus on building good working relationships with our government (department and agency) stakeholders
- Regional leadership and advocacy – a combined purpose and strategic direction for JOMNCC as a whole and a willingness to negotiate for the 'greater good' of the region rather than individual council interests
- Building efficient and effective councils – by examining opportunities for shared services and capacity building across the region.

The Board of the Mid North Coast Region of Councils has resolved to become a Joint Organisation and has prepared a Strategic Plan, which is progressively being adopted by the member councils in conjunction with the consideration of reports regarding Joint Organisations. Next steps in the process involve:

- Determining priority projects
- Developing an implementation plan
- Identification of key success factors including funding and resourcing
- Development and implementation of a stakeholder engagement plan and a communications plan

- Development of an evaluation framework as the basis for agreement and defining success
- Establishment of the entity and governance framework which will include consideration of shared servicing and alliancing.

### **Growth Management Strategies**

Council engaged with property development strategists, LEFTA, regarding future development opportunities in the Shire. The report provides Council with information and recommendations regarding identified future development opportunities. This body of work is informing the development of Council's Growth Management Strategy. This strategy is due to be publicly exhibited in the later part of 2018.

Council's LTFP conservatively forecasts a growth in rateable properties of 30 per year for the next 10 years.

### **Financial Key Performance Indicators**

Council's adopted key financial document, e.g. the LTFP sets the cost containment framework for the prudent management of Council's finances and in particular incorporates the long term funding of Council's Asset Management obligations.

The LTFP and Quarterly Budget Review Statement Guidelines released by the Division of Local Government (DLG) require councils to establish a suite of key performance indicators (KPIs) that monitor their financial performance and also measure their long term financial sustainability.

The LTFP Guidelines specifically state that "the indicators or measures will tie back to Council's financial strategies and provide a framework against which to benchmark Council's performance."

The Guidelines also state "Performance measures need to be simple, measurable and understandable. To be effective, indicators need to:

- Measure those factors which define financial sustainability
- Be relatively few in number
- Be based on information that is readily available and reliable"

These KPIs are focused on Council's short term financial position and include benchmarks which not only measure Council's financial position but also Council's financial performance, asset management performance and long term financial sustainability. KPIs are continually reported in the annual financial statements and provided to the OLG as part of the standard reporting requirements.

Further to this, Council continually benchmarks its performance against other councils to ensure it is operating efficiently and effectively so to continue to move towards greater financial sustainability over the long term.

### **Summary of Achievements**

As a result of the above initiatives, the following reflects some of Council's key improvements/achievements over the last few years:

Item	Saving/Efficiency	Comment
Review of Print Services	\$50,000 annual reduction	Reduction in printing costs due to new contracts, education and awareness initiatives across the organisation.

Workers Compensation Insurance	\$202,000 reduction over past 3 years	Reduction due to a number of educational and awareness initiatives across the organisation to reduce 'lost time injury' and lower insurance premiums. Council has seen a 43% reduction in workers compensation claims since 1st July 2010.
Electricity and Heating Costs	\$255,000 reduction over past 3 years	Reduction due to negotiating new contracts along with a number of energy efficiency initiatives including solar installations, lighting replacements and in-house educational programs. Refer to BERP above.
Leave Liability Reduction	\$309,000 reduction over past 2 years	Leave Liability Reduction initiative resulting in a 10% reduction.
Shared Learning Management System	\$45,000 over 4 years	Joint procurement of a shared learning management system involving 6 councils across the MIDROC group resulted in significant savings.
Recruitment Costs	\$40,000 per year	Implementation of an online careers site to manage Council's recruitment has resulted in significant savings for Council.
Review of banking services	\$21,000 per year	Due to renegotiation of new banking contract, significant savings were realised in banking service fees.
Electronic Communication Channels	\$10,000 + per year	Council implemented electronic rate notifications with the objective of improving productivity and customer service. To date, this has seen a 13% take up rate contributing a reduction in print and paper costs.
Organisational Reviews	\$100,000 + of ongoing savings	A number of organisational reviews undertaken resulting in multiple staffing efficiencies and a reduction in staffing levels (FTE's). Council has engaged UTS to undertake further reviews in the areas of IT services, procurement/stores, HR and operations with the intent to find additional efficiencies.
Other Efficiencies	\$100,000 + of ongoing savings	Multiple other savings achieved by creating a culture of efficiency that actively rewards innovation and savings. Including but not limited to reductions in: <ul style="list-style-type: none"> <li>• training</li> <li>• travel</li> <li>• internal audit</li> <li>• tender evaluation expenses</li> <li>• stores operations savings</li> </ul>

		<ul style="list-style-type: none"> <li>• IT efficiencies</li> <li>• Procurement</li> <li>• PPE controls and other efficiencies</li> <li>• Asset maintenance management</li> </ul>
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#### Estimated Future Savings/Efficiencies:

Item	Forecast Saving/Efficiency	Comment
Electricity and Heating Costs	\$103,000 per year	Further savings forecast due to the installation of additional solar panels to all large sights in 2017/18 – 2018/19.
Service Reviews	Work in progress	<p>This work is ongoing as part of Council's service review strategy. Each review has and/or will provide outcomes that contribute to Council's intention for greater efficiencies and/or savings. Information regarding some recent service reviews is provided as part of this application and a summary is as follows: An overview of the service review program is as follows:</p> <p><u>Completed:</u></p> <ul style="list-style-type: none"> <li>• Organisational structure - Financial Services, Operations, Environmental &amp; Planning, Customer Service</li> <li>• Weed management</li> <li>• Swimming pools</li> <li>• Bridge maintenance and repairs</li> <li>• Roads maintenance</li> <li>• Waste management</li> <li>• Ranger services</li> <li>• Fees and charges</li> <li>• Library scanning (RFID) project</li> <li>• Plant review</li> <li>• Land rationalisation</li> <li>• Public conveniences</li> <li>• Asset maintenance management system (Reflect)</li> <li>• Building rationalisation</li> <li>• Property Review</li> <li>• Water/Sewer review</li> </ul> <p><u>Underway:</u></p> <ul style="list-style-type: none"> <li>• Information Technology</li> <li>• Human Resources</li> <li>• Stores</li> <li>• Procurement</li> <li>• Operations</li> </ul>

Shared Services	Work in progress	<p>Council has participated in shared services with Coffs Harbour and Nambucca Council for over 10 years in relation to the provision of waste services. In addition, Council participates in the Clarence Regional Library Services and has done since 1945. Other local shared services include the provision of ranger, animal control and pound services.</p> <p>KPMG undertook a review of the potential benefits of shared services for the Mid North Coast Region of Councils in 2015. With the pending establishment of the Joint Organisation, it is anticipated that the option of shared services will be explored and considered.</p>
Organisational Reviews	Work in progress	<p>Council undertook a major organisational review in 2012. Council reaffirmed its structure in 2017 in accordance with the requirements of the NSW Local Government Act. Organisational refinements are progressively implemented reflective of service and operational review processes.</p>
Corporate IT Software	Work in progress	<p>Council is in the process of finalisation of contract documentation for the implementation of its new IT system. This will facilitate automation of a range of processes and in turn efficiencies organisation wide. In addition, the roll out will focus on digital transformation.</p>

## 7 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?
<b>Mandatory forms and Attachments</b>	
Part A Section 508A and Section 508(2) Application form (Excel spreadsheet)	<input checked="" type="checkbox"/>
Part B Application form (Word document) – this document	<input checked="" type="checkbox"/>
Relevant extracts from the Community Strategic Plan	<input checked="" type="checkbox"/>
Delivery Program	<input checked="" type="checkbox"/>
Long Term Financial Plan with projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in Excel format	<input checked="" type="checkbox"/>
NSW Treasury Corporation report on financial sustainability	<input checked="" type="checkbox"/>
Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and proposed special variation	<input checked="" type="checkbox"/>
Community feedback (including surveys and results if applicable)	<input checked="" type="checkbox"/>
Hardship Policy	<input checked="" type="checkbox"/>
Resolution to apply for the proposed special variation	<input checked="" type="checkbox"/>
Certification (see Section 9)	<input checked="" type="checkbox"/>
<b>Other Attachments</b>	
Relevant extracts from the Asset Management Plan	<input checked="" type="checkbox"/>
Past Instruments of Approval (if applicable)	<input type="checkbox"/>
Resolution to adopt the revised Community Strategic Plan (if necessary) and/or Delivery Program	<input checked="" type="checkbox"/>
Other (please specify) Refer to the Attachments Summary List provided	<input checked="" type="checkbox"/>



## 8 Certification

### APPLICATION FOR A SPECIAL RATE VARIATION

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

Name of council: Bellingen Shire Council

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

General Manager (name): Liz Jeremy

Signature and Date:

Responsible Accounting Officer (name): Chris Hodge

Signature and Date:

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