



Independent Pricing and Regulatory Tribunal

Special Variation Application Form – Part B

For applications for 2014/15

Issued October 2013

Insert Name of Council

Date Submitted to IPART:

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The Tribunal members for this special variation assessment are:

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1 Introduction

Each council must complete this application form (Part B) in order to apply for a special variation to general income. The same Part B form is to be used for applications made either under section 508A or under section 508(2) of the *Local Government Act 1993*.

IPART assesses each application against the criteria set out in the Division of Local Government (DLG) *Guidelines for the preparation of an application for a special variation to general income for 2014/2015* (the Guidelines). Councils should refer to these guidelines before completing this application form. They are available at www.dlg.nsw.gov.au.

We also publish Fact Sheets on our role in local government rate setting and special variations and on the nature of community engagement for special variation applications. The latest Fact Sheets on these topics are dated September 2013. They are available on our website at www.ipart.nsw.gov.au.

Councils must complete this Part B form with a relevant Part A form, also posted on our website. The relevant Part A form is either:

- ▼ Section 508(2) Special Variation Application Form 2014/15 – Part A for a single percentage variation under section 508(2) or
- ▼ Section 508A Special Variation Application Form 2014/15 – Part A for more than one percentage variation under section 508A.

The amount of information to be provided is a matter for judgement, but it should be sufficient for us to make an evidence-based assessment of the council's application against each criterion. This form includes some questions that the application should address, and guidance on the information that we require. As a general rule, the higher the cumulative percentage increase requested, and the greater its complexity, the more detailed and extensive will be the information required.

1.1 Completing the application form

To complete this Part B form, insert the council's response in the boxes and the area which is highlighted, following each section or sub-section.

Councils may submit additional supporting documents as attachments to the application. The attachments should be clearly identified in Part B and cross-referenced. We prefer to receive relevant extracts rather than complete publications, unless the complete publication is relevant to the criteria. Please provide details of how we can access the complete publication should this be necessary.

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 - Focus on Integrated Planning and Reporting
- ▼ 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 - Other information
- ▼ Section 9 – Checklist of contents
- ▼ Section 10 – Certification.

1.2 Submitting the application

IPART asks that all councils intending to apply for a special variation use the Council Portal on our website to register as an applicant council and to submit their application.

The Portal is at http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt. A [User Guide](#) for the Portal will assist you with the registration and online submission process.

Councils intending to submit an application should notify us of their intention to apply by **cob Friday 13 December 2013**.

Councils should also submit their applications, both Part A and Part B and supporting documents, via the Portal. File size limits apply to each part of the application. For Part B the limit is 10MB. The limit for the supporting documents is 120MB in total, or 70MB for public documents and 50MB for confidential documents. These file limits should be sufficient for your application. Please contact us if they are not.

We also ask that councils also submit their application to us in hard copy (with a table of contents and appropriate cross referencing of attachments). Our address is:

Local Government Team
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

Level 17, 1 Market Street, Sydney NSW 2000.

We must receive your application via the Council Portal and in hard copy no later than **cob Monday 24 February 2014**.

We will post all applications (excluding confidential documents) on our website. Councils should also post their application on their own website for the community to read.

2.1 Introduction

Council resolved on 20 February 2014 “*That Council make application to the Independent Pricing and Regulatory Tribunal (IPART) for a Section 508A Special Rate Variation for a three year percentage increase of 3.8% in 2014/15, 5.0% in 2015/16 and 5.5% in 2016/17 and that the increase be retained permanently in the council’s general income base.*”

This resolution varies slightly to the decision made by Council in December 2013 to notify IPART of our intent to apply for a two year percentage increase under section 508A NSW Local Government Act 1993, of 5.3% in 2014/15 and 6.0% in 2015/16.

Recent modelling of rate outcomes has indicated that the new land valuations will have a material impact on the affordability of the proposed increases. This alternate proposal therefore is aimed at spreading the extra 6.0% rate increase over three years.

This decision demonstrates the good intent of Council and recognises the sensitive impact on ratepayers.

The Special Rate Variation Application is specifically aimed at addressing the infrastructure backlog and council’s decision was underpinned by the Integrated Planning & Reporting process, which included appropriate community consultation.

Council is responsible for the maintenance and renewal of 666kms of roads, 31 concrete and 146 timber bridges. We have the greatest number of timber bridges of any Council on the Mid North Coast.

Independent reviews of the council’s financial sustainability also demonstrate the need for further investment in local roads and bridges.

2.2 Focus on Integrated Planning and Reporting

How a council considers and consults and engages on a special variation as part of its Integrated Planning and Reporting (IP&R) processes is fundamental to our assessment of the application for a special rate variation. Such a focus is clear from DLG’s September 2013 *Guidelines*.

The key relevant IP&R documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and, where applicable, Asset Management Plan.

A council’s suite of IP&R documents may also include supplementary and/or background publications used within its IP&R processes. As appropriate, you should refer to these documents to support your application for a special variation.

Briefly outline how the council has incorporated the special variation into its IP&R processes. Include details of and dates for community consultation, key document revisions, exhibition period(s) and the date(s) that the council adopted the relevant IP&R documents.

Council embarked on a systematic review of its Integrated Planning & Reporting Framework in December 2012, following the council elections in September 2012. Council also identified the need to develop a project plan for the making of a Special Rate Variation in 2014/15 to fund road and bridge improvements.

A number of Community Engagement Programs were also undertaken in order to seek input from our community in regard to the Council's strategic direction, satisfaction with the current levels of service, customer service and the proposed special rate variation application.

The NSW Government's Local Government Infrastructure Audit Report (June 2013) confirmed that there is a large local government infrastructure backlog in NSW and that council faces a real and significant challenge in terms of maintaining and renewing the infrastructure that is critical to our community.

The Audit Report assessed Council's infrastructure management as MODERATE. For comparative purposes 50% of the Mid North Coast Group of Councils (8 councils) were rated as Moderate with the remaining 50% being rated as Weak or Very Weak.

In response to the Integrated Planning and Reporting Framework, council has asset management planning in place but recognises that there is still a lot of work to do in respect to our management processes and practices.

Initiatives implemented up to September 2013 included:

- Developed a Strategy
- Developed a master Asset Management Plan
- Commenced work on detailed Asset Management Plans
- Developed a 10 Year Works Program
- Accelerated Urban Street Resurfacing Program
- Implemented more targeted rehabilitation of urban/rural roads
- Introduced GPS based technology
- Reviewed asset management processes
- Contracted specialist providers
- Applications for funding of roads and bridges renewal approved under the Local Infrastructure Renewal Scheme Rounds One and Two, totalling \$2.651 million

In October 2013, in response to the Audit Report, council has reviewed the Bridge Asset Management Plan, completed a gap analysis for each of the asset classes with a view to developing an action plan to address the deficiencies. An internal Asset Management Working Group has also been established and a number of project teams are focused on the capability assessment of our corporate systems, refining the meta data to be used for the collection of bridge asset information and developing levels of service for council buildings. A new Asset Manager has also been appointed and is due to commence in March.

It is also acknowledged that council still needs to determine levels of service in consultation with our community for all asset classes. The Community Satisfaction Survey, conducted in 2013, has provided information and insight for setting priorities, reviewing levels of service and preparing future budgets based on the feedback from residents.

The Table below outlines the IP&R Framework review process undertaken by Council over the past 15 months.

Date	Framework	Comment
January 2013	Community Consultation – Community Strategic Plan	Submissions were sought from a range of government and non-government service providers and further community input was sought in April/May. Five submissions were received.
February 2013	Application for Special Rate Variation	Council noted the draft community engagement program and project timetable for the preparation of a Section 508A Special Rate Variation commencing in the 2014/15 budget year
May/June 2013	Community Satisfaction Survey	Council commissioned Jetty Research, an independent research firm, to assess the level of satisfaction among our residents on the Council's managed facilities and services, frontline customer service (call and contact), a possible special rates variation specifically to fund road/bridge infrastructure and attitudes towards 4WD vehicle access on beaches in the Shire.
May 2013	Community Consultation	Suite of IP&R documents were publically exhibited for comment from 17 May 2013 to 14 June 2013
June 2013	Nambucca Shire Community Strategic Plan 2023	Revised Plan adopted after consideration of 3 submissions
June 2013	Delivery Program 2013-2017	Plan adopted
June 2013	Long Term Financial Plan 2013-2023	Revised Plans for General, Water and Sewer functions adopted
June 2013	Workforce Management Plan 2013-2017	Revised Plan adopted
July 2013	Community Satisfaction Survey 2013	<p>The survey results of the survey provided information and insight to councillors and management for setting priorities, reviewing levels of service and preparing budgets based on the feedback from residents.</p> <p>The findings from the community survey were shared with councillors and staff by way of presentations and our community by posting the survey results on the Council's website, following Councils consideration of this report.</p> <p>The community satisfaction survey has been</p>

		conducted on a 3 year cycle commencing in 2007, with the data to be used to measure community satisfaction.
September 2013	Long Term Financial Plan 2014-2024	Plan revised to satisfy TCorp's financial assessment of the Council's LIRS Round 2 application, including the segregation of the Water and Sewer Functions. The Plan now also incorporates a comprehensive overview of Councils financial position and the planning assumptions on which the plan is based
September 2013	Application for Special Rate Variation 2014/15	Council resolved to undertake a two phase community awareness and engagement program. The Project Plan developed in February 2013 was also revised.
October 2013	Asset Management Planning	Council embarked on a review of its planning practices and procedures in response to the Local Government Infrastructure Audit
October/December 2013	Community Awareness and Engagement Program	SRV Phase One Program undertaken
January/February 2014	Community Awareness and Engagement Program	SRV Phase Two Program undertaken
January/February 2014	Community Consultation	IP&R Delivery Program and LTFP were publically exhibited for comment from 17 January – 14 February 2014
February 2014	Delivery Program 2013-2017	Revised Plan adopted
February 2014	Long Term Financial Plan 2014-2024	Revised Plan adopted

The IP&R Framework allows council to draw our various plans together. The Table below shows how the Delivery Program Objectives of Citizen Engagement, Financial Sustainability and Delivery of Services are aligned with the Community Strategic Plan - Strategic Direction: Leadership and Administration

Delivery Program (DP)	Four Year Delivery Objective	Operational Plan (OP) Actions
<p>Objective 1.1 Citizen Engagement</p> <p>The Council and the community support open government where public participation is encouraged in policy development and major decisions, as well as in Council's daily operations</p>	<p>Using a variety of tools, engage with the community in ways that are accessible and transparent, and use information from the community in decision making</p>	<p>Use public relations, printed materials, Council's website and personal communications to inform stakeholders and community</p> <p>Encourage involvement by a variety of community stakeholders in the activities of Council</p> <p>Plan to undertake Community Satisfaction Survey in 2013</p>
<p>Objective 1.2 Financial Sustainability</p> <p>The Council is able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community</p>	<p>To make council more effective and financially sustainable in the long term</p>	<p>Identify and implement Initiatives to improve financial sustainability</p> <p>Monitor and report on Councils performance</p>
<p>Objective 1.3 Delivery of Services</p> <p>Delivery of services to the Community is consistent with their requirements and Council's core values</p>	<p>Ensure the sustainable delivery of infrastructure and services</p> <p>Establish community needs through consultation and involve community in review and future development of Community Strategic Plan (CSP), Delivery Program (DP) and Operational Plans (OP)</p>	<p>Periodic review and ongoing implementation of asset management plans and use in budget and work plan development</p> <p>Implement organisation structure and staffing review outcomes</p> <p>Conduct community consultation to Review DP and OP for 2014/15 and promote awareness of CSP</p> <p>Use Community Satisfaction Survey to inform planning processes and help identify infrastructure needs</p>

3 Assessment criterion 1: Need for the variation

In the DLG Guidelines, criterion 1 is:

The need for and purpose of a different revenue path (as requested through the special variation) is clearly articulated and identified through the council's IP&R documents, including its Delivery Program and Long Term Financial Plan. Evidence for this criterion could include evidence of community need/desire for service levels/project and limited council resourcing alternatives and the Council's financial sustainability conducted by the NSW Treasury Corporation. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan applying the following two scenarios:

- *Baseline scenario – revenue and expenditure forecasts which reflects the business as usual model, and exclude the special variation, and*
- *Special variation scenario – the result of approving the special variation in full is shown and reflected in the revenue forecast with the additional expenditure levels intended to be funded by the special variation.*

The response in this section should summarise the council's case for the proposed special variation. It is necessary to show how the council has identified and considered its community's needs, alternative funding options and the state of its financial sustainability.

The criterion states that all these aspects must be identified and articulated in the council's IP&R documents.

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

Maintain existing services	<input checked="" type="checkbox"/>
Enhance financial sustainability	<input checked="" type="checkbox"/>
Environmental 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"/>

Summarise below the council's need for the special variation. Comment on how the need is captured in the IP&R documents, especially the Long Term Financial Plan (LTFP) and the Delivery Program, and, where appropriate, the Asset Management Plan (AMP). Note that the LTFP is to include both a 'baseline scenario' and an 'SV scenario' as defined in the *Guidelines*.

TCorp's report into the Financial Sustainability of the NSW Local Government Sector (April 2013) assessed Nambucca Shire Council as having a WEAK Financial Sustainability Rating (FSR) and assigned a NEGATIVE outlook

For Councils assigned 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 under an SRV, to improve financial flexibility and to assist in reducing the Infrastructure Backlog
- For Councils with the borrowing capacity, consider using debt funding to reduce the Infrastructure Backlog and improve intergenerational equity
- Devising programs and strategies to contain rising costs and improve efficiencies
- Further improvement required in AMPs and integration into the Long Term Financial Plan (LTFP)
- Increasing spending on maintenance and infrastructure renewal, balancing this with the need for capital expenditure on new assets

The NSW Government Local Government Infrastructure Audit report (June 2013) confirmed that there is a large local government infrastructure backlog in NSW and some councils face real and significant challenges in terms of maintaining and renewing the infrastructure that is critical to their communities and the NSW economy.

The total infrastructure backlog for all NSW councils was estimated to be \$7.4 billion at 30 June 2012, of which \$4.5 billion relates to roads and related assets and \$1 billion relates to buildings. The Mid North Coast region had the second largest total reported backlog at \$738.2 million and the combined backlog in the northern rivers and mid north coast area of NSW equates to 29% of the State total.

The infrastructure backlog is over \$1,000 per head of the NSW population with the mid north coast region per capita rates just below \$3,000.

The report stated that there are a number of funding and financing strategies that may help councils to reduce their backlog and/or prevent the backlog increasing such as:

- Borrowings – where there is capacity
- Local Infrastructure Renewal Scheme (LIRS) – subsidised interest rates
- Special rate variations
- Grants from other levels of government

The report stated that a key option for councils to help address their infrastructure backlog is through a special rate variation, however it is unrealistic to believe that many councils will ever be able to address their backlog problem solely through additional rate increases.

To put this in perspective, in 2011/12 total rating income for all NSW councils was \$6.784 billion, while the reported backlog was \$7.359 billion. Therefore if councils sought to fund the current backlog over a 10 year period, it would require an average annual cumulative special rate variation increase of approximately 7%.

More alarmingly is that on a mid-north coast regional basis, the annual rate increase required each year over 10 years would be 15.5%. For Nambucca this would generate additional annual ordinary rate income of \$1.35 million compared to the additional rate income of \$222,525 permissible under the 2014/15 rate pegging limit of 2.3%.

If the special variation seeks funding for contributions plan costs above the development contributions cap, refer to Box 3.1.¹

Box 3.1 Special variations for development contributions plan costs above the devel

For costs above the cap in contributions plans, a council must provide:

- ▼ a copy of the council's section 94 contributions plan
- ▼ a copy of the Minister for Planning and Infrastructure'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 seek to use
- ▼ any reference to the proposed contributions (which were previously to be funded by developers) in the council's planning documents (eg, LTFP and Asset Management Plans (AMP))
- ▼ any necessary revisions to financial projections contained in the LTFP and AMP to reflect the spec variation.

If the special variation seeks funding for contributions plan costs above the development contributions cap, set out below:

- ▼ details explaining how the council has established the need for a special variation to meet the shortfall in development contributions, and
- ▼ how this is reflected in the council's IP&R documents.

NOT APPLICABLE

3.1 Community needs

Indicate how the council has identified and considered the community's needs and desires in relation to matters such as levels of service delivery and asset maintenance and provision in deciding to apply for a special variation. The application should include extracts from, or references to, the IP&R document(s) that demonstrate how the council meets this criterion.

The result of the 2013 Community Satisfaction Survey has shown that improving road infrastructure is still the highest priority of our residents.

Of the 27 council services and facilities measured, 11 services (41%) had a mean score of below "Par". These included sealed and unsealed roads and bridges.

When asked how they would like to see a hypothetical \$5 million general use grant spent, the largest proportion of respondents (57%) chose road improvements.

¹ See Planning Circular 10-025 dated 24 November 2010 at 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.

There was also evidence of a significant shift away from “lowest rates” and towards “best roads” which suggests that ratepayers are increasingly prepared to support a special rate variation specifically targeted towards improving road and bridge infrastructure.

The NSW Government Local Government Infrastructure Audit report also confirmed that there is a large infrastructure backlog in NSW and councils face a real and significant challenge in terms of maintaining and renewing the infrastructure that is critical to our communities.

3.2 Alternative funding options

Explain how the decision to seek higher revenues was made after other options such as changing expenditure priorities or using alternative modes of service delivery were examined. Also explain the range of alternative revenue/financing options you considered and why the special variation is the most appropriate option. For example, typically these options would include introducing new or higher user charges and increase council borrowing, but may include private public partnerships or joint ventures.

Provide extracts from, or references to, the IP&R document(s) which show how the council considered the alternatives.

Council has been proactive in implementing a number of funding and financing strategies to help reduce the infrastructure backlog and improve our financial position.

These include loan borrowings (debt), Local Infrastructure Renewal Scheme funding, special rate variations, grants from other levels of government and devising programs and strategies to contain rising costs and improve efficiencies.

More specific detail on the strategies is contained in the Long Term Financial Plan, pages 8 – 11.

The strategy in this instance is to apply for a special rate variation in conjunction with an application for Local Infrastructure Renewal Scheme funding for the renewal of local bridges.

3.3 State of financial sustainability

The special variation may be intended to improve the council’s underlying financial position, or to fund specific projects or programs of expenditure, or a combination of the two. We will consider evidence about the council’s current and future financial sustainability.

The application should set out the council’s understanding of its current state of financial sustainability, as well as long-term projections based on alternative scenarios and assumptions about revenue and expenditure. Such evidence can be drawn from the LTFP and from any external assessment, eg by auditors or TCorp.

Explain the council’s view of its financial sustainability as it relates to the application for a special variation.

Nambucca Shire Council's financial sustainability was rated as weak by NSW Treasury Corporation (TCorp) in 2013. The assessment was generally in line with that of surrounding Council's and certainly not unexpected given the challenges faced by local governments in NSW. As with many smaller Shires underlying structural factors such as demographics and geography make financial sustainability challenging to achieve; Challenging as it may be Nambucca Shire is firmly of the belief that financial sustainability is possible and is working towards this end.

TCorp made a series of recommendations, many of which Council had already been working on. Implementing these recommendations is the basis of Nambucca Shire plan to achieve financial sustainability.

TCorp's Recommendations:

Address Operating Deficits

Council made a series of applications for Special Rate Variations to increase own sourced revenue, at the same time operating costs have been reduced in real terms. Staff numbers have fallen, Council has transferred the control and operation of some public assets to community groups and numerous operational savings have been achieved through ongoing process of continuous improvement. It should be noted that the transfer of community assets to community groups at no cost has in the past increased reported operating deficits; it is argued that these transaction should be excluded from trend analysis on the basis that they do not form part of an underlying deficit.

Reconsider Large Capital Expenditure Projects

Infrastructure projects to cater for population growth remain in the forecasts. The expected growth has not happened and the timing of these large investments is to be reviewed and possibly deferred beyond the 10 year planning horizon. A critical review of other infrastructure projects will be undertaken this budget cycle to ensure that only projects necessary to maintain agreed service levels proceed and there is no unbudgeted unplanned upwards creep in service levels.

Address Council's Infrastructure Backlog

Intrinsic to this is developing Council's asset management systems to ensure infrastructure is appropriate, that the service it is providing is accurately accessed and resources are directed to give best value for the community. There is a working group drawn from across Council who are continually developing the maturity of the asset management systems. The elected Council has already taken some difficult decision in regard to reducing some historic service standards and the organisation as a whole is committed to working together to achieve effective, affordable and robust systems that ensures the delivery of the service our community requires from Council owned infrastructure.

Nambucca Shires topography necessitates control of an extensive network of road bridges. These bridges have been identified as the class of asset in need of the most urgent attention. The income from the proposed rate variation is to be applied to funding a borrowing program that will renew the highest priority bridges. It is hoped that a pending LIRS application will lever further value from the additional income with the subsidised interest rate increasing the value of the borrowing able to be serviced by the revenue stream.

Explain how TCorp's recent Report on the council's financial sustainability is relevant in supporting the decision to apply for a special variation.

TCorp's report into the Financial Sustainability of the NSW Local Government Sector (April 2013) assessed Nambucca Shire Council as having a WEAK Financial Sustainability Rating (FSR) and assigned a NEGATIVE outlook.

For Councils assigned 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 under an SRV, to improve financial flexibility and to assist in reducing the Infrastructure Backlog
- For Councils with the borrowing capacity, consider using debt funding to reduce the Infrastructure Backlog and improve intergenerational equity
- Devising programs and strategies to contain rising costs and improve efficiencies
- Further improvement required in AMPs and integration into the Long Term Financial Plan (LTFP)
- Increasing spending on maintenance and infrastructure renewal, balancing this with the need for capital expenditure on new assets

[Refer ATTACHMENT 5.1 TCorp Report]

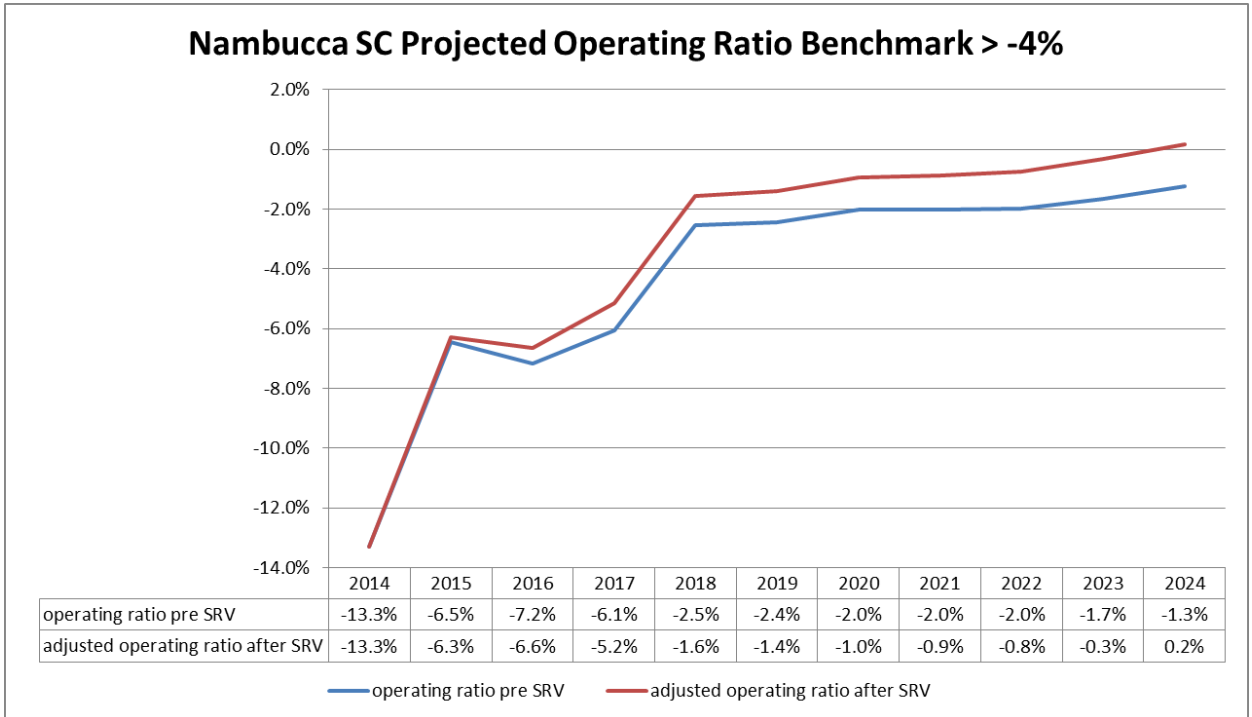
How will the special variation affect the council's key financial indicators over the 10-year planning period? Key indicators may include:

- ▼ Operating balance ratio excluding capital items (ie, net operating result before capital 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 (net debt service cost divided by revenue from continuing operations)
- ▼ Broad liabilities ratio (total debt plus cost to clear infrastructure backlogs (Special Schedule 7) divided by operating revenue)
- ▼ Asset renewal ratio (asset renewals expenditure divided by depreciation, amortisation and impairment expenses).

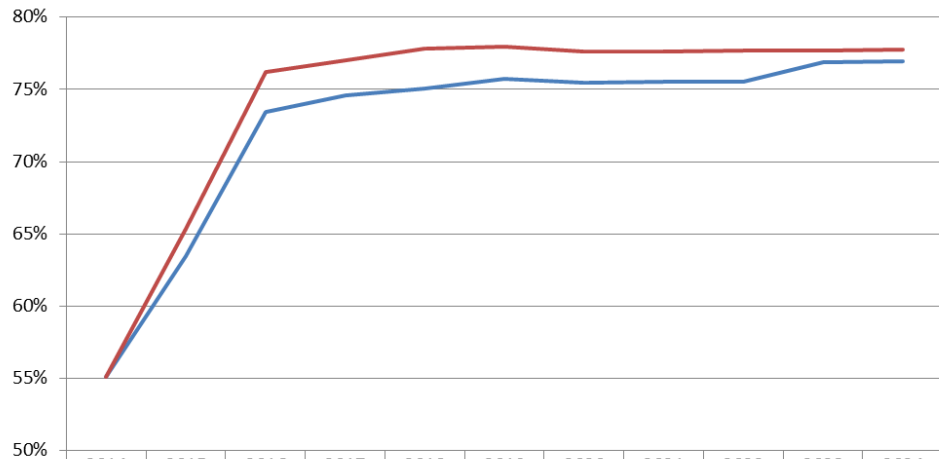
Projections for a range of key financial indicators are presented below. The impact of the proposed special variation is projected as positive across all the projected indicators.

The additional revenue benefits Council's operating position which is projected to improve to break even over the 10 year period. The marginal increase in own source revenue improves Council's

resilience to external shocks. It also improves Council's ability to service debt and therefore capacity to borrow for infrastructure renewal. The projected unrestricted current ratio demonstrates an improvement in Council's ability to meet its financial obligations as and when they fall due. The asset renewal ratio does remain predominately below bench mark but does shows a significant improvement in years of the proposed special rate varitaion. This reflects the strategy of using the additional income to service loans that fund infrastructure renewal.



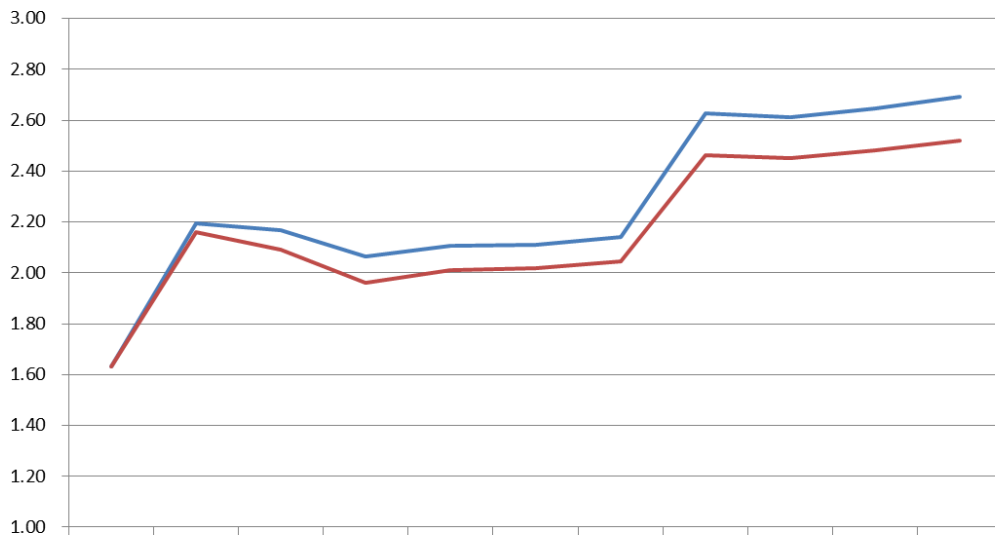
Nambucca SC Projected Own Source Income Ratio Benchmark > 60%



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
own income ratio pre SRV	55%	63%	73%	75%	75%	76%	75%	75%	76%	77%	77%
adjusted own income ratio after SRV	55%	65%	76%	77%	78%	78%	78%	78%	78%	78%	78%

— own income ratio pre SRV — adjusted own income ratio after SRV

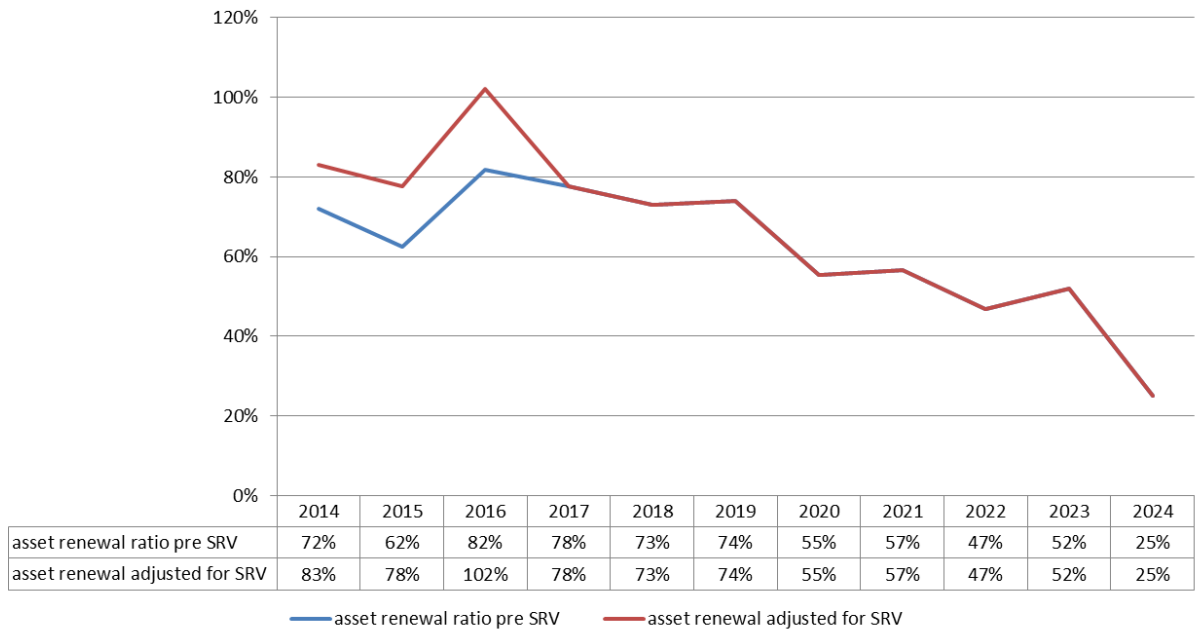
Nambucca SC Projected Debt Service Coverage Ratio Benchmark > 2X



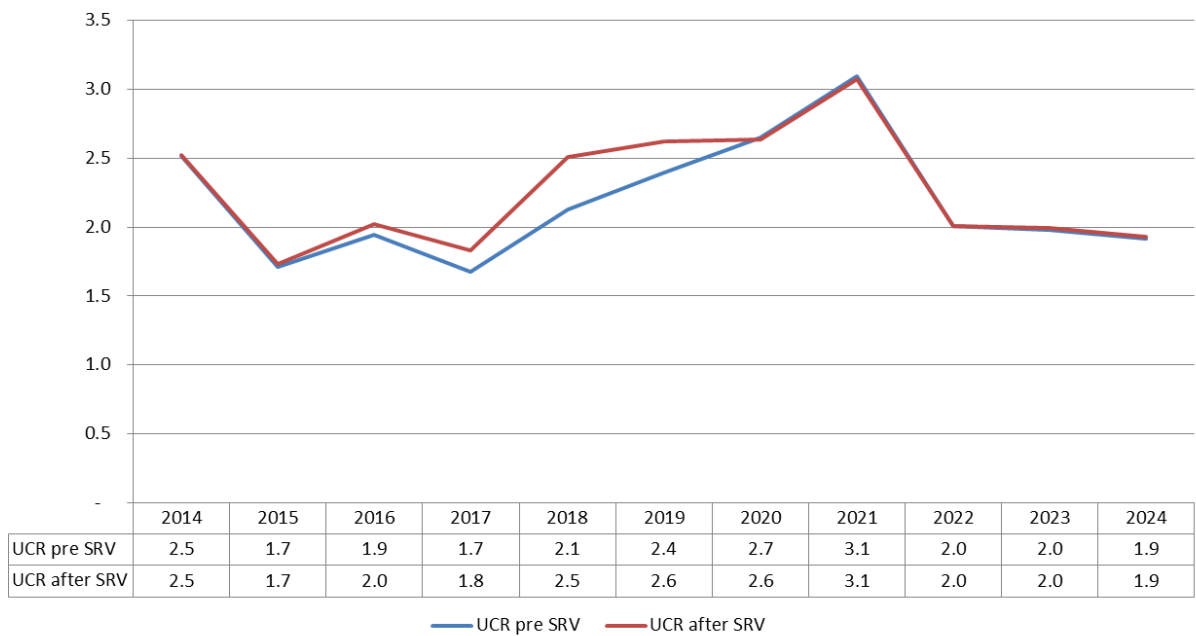
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
DSCR ratio pre SRV	1.63	2.19	2.17	2.06	2.11	2.11	2.14	2.63	2.61	2.65	2.69
adjusted DSCR ratio after SRV	1.63	2.16	2.09	1.96	2.01	2.02	2.04	2.46	2.45	2.48	2.52

— DSCR ratio pre SRV — adjusted DSCR ratio after SRV

Nambucca SC Projected Asset Renewal Ratio Benchmark > 1.0X



Nambucca SC Projected Unrestricted Current Ratio Benchmark = 1.5



3.4 Capital expenditure review

Councils undertaking major capital projects are required to comply with the DLG's Capital Expenditure Guidelines, as outlined in DLG 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 as such 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 you to do a capital expenditure review in accordance with DLG Circular to Councils, Circular No 10-34 dated 20 December 2010?

Yes No

If Yes, has a review been done and submitted to DLG?

Yes No

4 Assessment criterion 2: Community awareness and engagement

In the DLG Guidelines, criterion 2 is:

Evidence that the community is aware of the need for and extent of a rate rise. This must be clearly spelt out in IP&R documentation and the council must demonstrate an appropriate variety of engagement methods to ensure opportunity for community awareness/input. The IP&R documentation should canvas alternatives to a rate rise, the impact of any rises upon the community and the council's consideration of the community's capacity and willingness to pay rates. The relevant IP&R documents must be approved and adopted by the council before the council seeks IPART's approval for a special variation to its general revenue.

To meet this criterion, councils must provide evidence from the IP&R documents² that the council has:

- ▼ Consulted and engaged the community about the special variation using a variety of engagement methods and that the community is aware of the need for, and extent of, the requested rate increases
- ▼ considered and canvassed alternatives to the special variation
- ▼ provided opportunities for input and gathered input/feedback from the community about the proposal
- ▼ considered the impact of rate rises on the community
- ▼ considered the community's capacity and willingness to pay.

In assessing the evidence, we will consider how transparent the engagement with the community has been, especially in relation to explaining:

² The relevant documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and, where applicable, Asset Management Plan

- ▼ the proposed cumulative rate increases including the rate peg (including in both percentage and dollar terms)
- ▼ the annual increase in rates that will result if the special variation is approved in full (and not just the increase in daily or weekly terms)
- ▼ the size of any expiring special variation (see Box 4.1 below)
- ▼ alternative rate levels that would apply without the special variation
- ▼ proposed increases in any other council charges (eg, waste management, water and sewer), especially if these are likely to exceed the increase in the CPI.

4.1 Where a council is renewing or replacing an expiring special variation

The council should have explained to its community:

- ▼ that there is a special variation due to expire at the end of this financial year or during the period covered by the proposed special variation
- ▼ that, if the special variation were not approved so that only the rate peg applied, the year-on-year change in rates would be lower, or that rates may fall
- ▼ if applicable, that the expiring special variation is being continued (in full or in part), in the sense that it is being replaced with another that may be either temporary or permanent, or that the value is included in the percentage increase being requested in the following year.

More information about how community engagement might best be approached may be found in the DLG *Guidelines*, the IP&R manual, and our Fact Sheet *Community Awareness and Engagement*, September 2013.

4.1 The consultation strategy

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

Please provide relevant extracts of the IP&R documents that explain the council's engagement strategy and attach relevant samples of the council's consultation material.

Community Engagement and Awareness Program

In September 2013 Council resolved to undertake a community awareness and engagement program, on plans to submit a special rate variation for 2014/15, to raise additional funds to renew our infrastructure.

Phase One of the process focused on informing our community of council's current financial position, the initiatives undertaken so far to improve the position, the challenges faced in terms of

maintaining and renewing infrastructure and the three (3) rate funding scenarios identified to specifically target the road and bridge infrastructure backlog.

The community engagement activities resulted in:

- 400 householders polled in an independent Community Satisfaction Survey
- 3 media releases
- 6 newspaper stories
- 2 newspaper public notices
- Email to council staff
- Email to Tourist Association (1), Libraries (2) and Chambers of Commerce (3)
- 139 page views on the Special Rate Variation section on Council's website (1 October – 31 December)
- A letter box drop of Community Flyer to 980 residences in the Valla/Valla Beach areas
- Community email distributed to 40 addresses
- 5 public forums held
- 31 residents attended public forums
- PowerPoint presentation developed for community forums and website
- Several radio interviews conducted by Mayor and General Manager
- 5 submissions received (4 objections and 1 in support)

[Refer ATTACHMENT 7.1 Community Engagement Program Phase One]

In December 2013 Council resolved to consult further with our community on the special variation to increase rates by 5.3% in 2014/15 and 6.0% in 2015/16, which if approved by IPART, would enable council to invest an additional \$580,000 annually to improve the condition of assets.

A 'do nothing' (baseline) scenario and leave the 2014/15 rate increase to the 2.3% rate pegging amount is also an option, however this does not address council's long term financial sustainability.

The community engagement activities resulted in:

- Mail out of Factsheet to 7,734 ratepayers
- 1 media release
- 3 newspaper stories
- 2 radio stories
- 2 newspaper public notices
- Email to Chambers of Commerce (3)
- 173 page views on the Special Rate Variation section on Council's website (January and February)
- Several radio interviews conducted by Mayor and General Manager
- 116 written submissions received [68 objections, 28 in support, 4 in partial support and 16 not indicating a definitive position]
- 26 telephone contacts with General Manager [17 objections, 7 in support and 2 not indicating a definitive position]

[Refer ATTACHMENT 7.2 Community Engagement Program Phase Two]

4.2 Alternatives to the special variation

Indicate the range of alternatives to the requested special variation that the council considered and how you engaged your community about the various options.

Council has been proactive in implementing a number of funding and financing strategies to help reduce the infrastructure backlog and improve our financial position.

These include loan borrowings (debt), Local Infrastructure Renewal Scheme funding, special rate variations, grants from other levels of government and devising programs and strategies to contain rising costs and improve efficiencies.

More specific detail on the strategies is contained in the Long Term Financial Plan, pages 8 – 11.

The strategy in this instance is to apply for a special rate variation in conjunction with an application for Local Infrastructure Renewal Scheme funding for the renewal of local bridges.

[Refer ATTACHMENT 3.1 Long Term Financial Plan]

4.3 Feedback from the community consultations

Summarise the outcomes of, and feedback from, your community engagement activities. Such 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 intentions. Where applicable, provide evidence of responses to surveys, particularly the level of support for specific programs or projects, levels and types of services, investment in assets, as well as the options proposed for funding them by rate increases.

Where the council has received submissions from the community relevant to the special variation during the engagement process, the application should set out the views expressed in those submissions. It should also identify and document any action the council has taken, or will take, to address issues of common concern.

Community Satisfaction Survey (June 2013)

Council commissioned Jetty Research, an independent research firm, to assess the level of satisfaction among our residents on the Council's managed facilities and services, frontline customer service (call and contact), a possible special rates variation specifically to fund road/bridge infrastructure and attitudes towards 4WD vehicle access on beaches in the Shire.

The survey results of the community satisfaction survey provided information and insight for setting priorities, reviewing levels of service and preparing budgets based on the feedback from residents.

The findings from the community survey were shared with our community through a press release and by posting the survey results on the Council's website.

The community satisfaction survey has been conducted on a 3 year cycle commencing in 2007, with the data used to measure community satisfaction.

Survey Findings

1. Of 27 council services and facilities measured, 16 (59%) had a mean satisfaction score of three or above (using a 1-5 satisfaction scale). Top-ranked services included water supply and sewage collection and treatment (each with a satisfaction rating of 4.27 out of a possible 5), libraries (4.22), the Council pool at Macksville (4.16) and garbage/recyclables (4.07).

2. Conversely 11 services (41%) had a mean score of below “par”. These included sealed and unsealed roads (which each had a satisfaction rating of 2.41), climate change planning (2.42), economic development (2.49) and youth activities and services (2.52).

3. In terms of importance, water supply had the highest mean rating at 4.79 (again using a 1-5 scale). This was followed by sewage collection/treatment (4.69), sealed roads (4.68), beaches (4.60) and garbage/recyclables (4.59).

4. When placed into a matrix of importance vs. satisfaction, the following picture emerged:

Higher Importance, lower satisfaction	Higher importance, higher satisfaction
Sealed roads	Water supply
Bridges	Sewage
Estuary management	Garbage/recycling
Stormwater drains	Libraries
Public Toilets	Elderly services
Youth activities	Cleanliness of streets
Tourism and tourism promotion	Parks, reserves and playgrounds
Economic development and investment attraction	Street lighting
Development applications	Footpaths/cycleways
	Dog Control
	Environmental monitoring and protection
	Beaches
Lower importance, lower satisfaction	Lower importance, higher satisfaction
Unsealed roads	Public halls
Climate control planning	Pool complex at Macksville
	Sporting facilities
	Weed control

5. Looking at the gap between importance (or expectation) and satisfaction, the greatest shortfalls came in sealed roads, bridges, and economic development and investment.

6. When asked how they would like to see a hypothetical \$5 million general use grant spent, the largest proportion of respondents (57%) chose road improvements. Second was building or maintenance of local bridges (26%).

7. Nine in ten respondents felt Council should be spending more on road and bridge maintenance. 77% of residents were willing to accept a rate variation of between \$1 and \$4 per week to make this happen (with \$2 per week the most common figure nominated).

[Refer ATTACHMENT 8.1 – extracts from the Survey]

Community Engagement Program

Council's community awareness and engagement program was conducted over two phases. The first phase of consultation was held in October to December 2013 and focused on informing our community of the financial sustainability of the local government sector in NSW, Council's current financial position, the initiatives that council had already taken to improve our financial sustainability, the significant infrastructure backlog in NSW and special rate variation scenarios identified to fund the renewal of local roads and bridges.

The engagement methods included media releases, public notices, five community public forums, a featured section on Council's website, radio interviews conducted by the Mayor and General Manager and a public exhibition period inviting the community to have their say.

Thirty one (31) residents attended the public forums and 5 formal submissions were received with 4 objecting to the proposal and 1 in support.

[Refer ATTACHMENT 7.1 – Community Engagement Program Summary – Phase One]

The second phase of consultation was held in January to February 2014 and focused on seeking feedback from our community on the revised Delivery Program and Long Term Financial Plan and on the specific proposal to increase rates over the next two years to fund the renewal of roads and bridges.

The engagement methods included media releases, public notices, a featured section on Council's website, radio interviews conducted by the Mayor and General Manager and a public exhibition period inviting the community to have their say. A Factsheet was also mailed out to 7,734 ratepayers.

This broader community engagement generated a greater response with 116 written submissions being received and 26 telephone contacts directly with the General Manager.

The responses from the 142 verbal and written submissions indicated that 60% (85) objected to the proposed rate increase, 28% (39) were in full or partial support and 12% (18) did not state a definitive position.

[Refer ATTACHMENT 7.2 – Community Engagement Program Summary – Phase Two]

As indicated in the submissions the community's capacity to pay was the most significant issue. Many of the submissions also raised the issue of the current costs of living and the costs associated with either operating a business or running a farm.

4.4 Considering the impact on ratepayers

Indicate how the council assessed the impact of the special variation on ratepayers, and where this was addressed within the community awareness and engagement processes. Where the impact will vary across different categories and/or sub-categories of ratepayers, the council should consider the circumstances of the various different groups.

The application is for a special variation of 3.8% in 2014/15 (including the 2.3% rate peg), 5.0% in 2015/16 (assuming a rate peg of 3.0%) and 5.5% in 2016/17 (assuming a rate peg of 3.0%) and for the special variation to be retained permanently retained in the council's general income base.

By the third year (1 July 2016)

- The average Residential Town ratepayer will pay \$95.15 per year or \$1.83 per week more.
- The average Residential Village/Estate ratepayer will pay \$207.74 per year or \$4.00 per week more.
- The average Residential Non Urban ratepayer will pay \$215.88 per year or \$4.15 per week more.
- The average Farmland ratepayer will pay \$ 276.13 per year or \$5.31 per week more.
- The average Business CBD ratepayer will pay \$315.85 per year or \$6.07 per week more.
- The average Business Industrial Estate ratepayer will pay \$160.83 per year or \$3.09 per week more.
- The average Business Caravan Park ratepayer will pay \$826.83 less per year or \$15.90 per week less.
- The average Business Ordinary ratepayer will pay \$186.80 per year or \$3.59 per week more.
- A ratepayer on the minimum Residential rate will pay \$ 62.00 per year or \$1.19 a week more.
- A ratepayer on the minimum Farmland rate will pay \$ 41.00 per year or \$ 0.79 a week more.
- A ratepayer on the minimum Business rate will pay \$ 62.00 per year or \$1.19 a week more.

Refer to the Table in Section 5.1 for more information on the impact on ratepayers.

The 2013 revaluation results in a total rateable land value decrease of 94,194,255 or 6.50%. The net change in each of the rate categories is minimal with the exception of Residential Town (decrease of 11.16%) and Business Ordinary (decrease of 6.03%). There is however some significant increases and decreases in land valuations across a number of the rate categories.

The decrease of \$81,652,651 in land valuations in the Residential Town category results in 73.39% of assessments in that category being levied at the minimum rate. This leaves 26.61% of assessments in that category to contribute 49.61% of the income.

The number of assessments in the Town Residential category that will experience increases over \$200 totals 29. The Table below provides details of the estimated increases for each assessment.

Comparison of 2014-15 levees for Residential Town Assessments with increases of over \$200 per year												
Comparing				2.3% rate peg + 1.5% SRV			3.0% rate peg + 2.0% SRV			3.0% rate peg + 2.5% SRV		
Assessment Number	Base Date	Base Date	2013-14 Levee	SRV	\$ change	%	SRV	\$ change	%	SRV	Addition \$	%
	1/07/2010 Valuation	1/07/2013 Valuation		2.3% +1.5% 2014-15	increase	Change	3% +2% 2015-16	increase	Change	3% +2.5% 2016-17	increase SRV 3.0%	Change
11217437	150,000	500,000	724	2,660	1,936	267%	2,850	191	7%	3,070	220	8%
11269468	375,000	540,000	1,729	2,872	1,143	66%	3,078	206	7%	3,316	238	8%
11197166	218,000	330,000	1,005	1,755	750	75%	1,881	126	7%	2,026	145	8%
11197174	213,000	320,000	982	1,702	720	73%	1,824	122	7%	1,965	141	8%
11197158	350,000	420,000	1,614	2,234	620	38%	2,394	160	7%	2,579	185	8%
11166686	300,000	360,000	1,383	1,915	532	38%	2,052	137	7%	2,210	158	8%
11213093	744,000	731,000	3,431	3,888	458	13%	4,167	279	7%	4,488	322	8%
11163337	225,000	277,000	1,037	1,473	436	42%	1,579	106	7%	1,701	122	8%
11180559	231,000	275,000	1,065	1,463	398	37%	1,568	105	7%	1,689	121	8%
11199875	517,000	519,000	2,384	2,761	377	16%	2,958	198	7%	3,187	228	8%
11131209	181,000	225,000	835	1,197	362	43%	1,283	86	7%	1,382	99	8%
11269280	221,500	260,000	1,021	1,383	362	35%	1,482	99	7%	1,596	114	8%
11199841	492,000	490,000	2,269	2,606	338	15%	2,793	187	7%	3,009	216	8%
11199859	492,000	490,000	2,269	2,606	338	15%	2,793	187	7%	3,009	216	8%
11151720	442,000	440,000	2,038	2,340	302	15%	2,508	168	7%	2,702	194	8%
11134948	165,000	197,000	761	1,048	287	38%	1,123	75	7%	1,210	87	8%
11165729	282,000	298,000	1,300	1,585	285	22%	1,699	114	7%	1,830	131	8%
11199833	392,000	390,000	1,808	2,074	267	15%	2,223	149	7%	2,395	172	8%
11173099	336,000	334,000	1,549	1,777	227	15%	1,904	127	7%	2,051	147	8%
11118544	318,000	318,000	1,466	1,691	225	15%	1,813	121	7%	1,953	140	8%
11133984	315,000	315,000	1,452	1,675	223	15%	1,796	120	7%	1,934	139	8%
11130732	309,000	309,000	1,425	1,644	219	15%	1,761	118	7%	1,897	136	8%
11180703	305,000	305,000	1,406	1,622	216	15%	1,739	116	7%	1,873	134	8%
11117027	303,000	303,000	1,397	1,612	215	15%	1,727	115	7%	1,860	133	8%
11145452	315,000	313,000	1,452	1,665	212	15%	1,784	119	7%	1,922	138	8%
11192904	208,000	220,000	959	1,170	211	22%	1,254	84	7%	1,351	97	8%
11202327	339,000	333,000	1,563	1,771	208	13%	1,898	127	7%	2,045	147	8%
11164812	288,000	288,000	1,328	1,532	204	15%	1,642	110	7%	1,768	127	8%

[Refer SECTION 508A – Part A]

4.5 Considering the community's capacity and willingness to pay

Indicate how the council has assessed the community's capacity to pay for the rate increases being proposed, and also assessed its willingness to pay.

Evidence on 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 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.

Refer to Section 4.2 for evidence of the community's capacity to pay.

5 Assessment criterion 3: Impact on ratepayers

In the DLG Guidelines, criterion 3 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. Council's IP&R process should also establish that the proposed rate increases are affordable having regard to the local community's capacity to pay.

We are required to assess whether the impact on ratepayers of the council's proposed special variation is reasonable. To do this, we are required to take into account current rate levels, the existing ratepayer base and the purpose of the special variation. We must also assess whether the council's IP&R process established that the community could afford the proposed rate rises.

5.1 Impact on rates

Much of the quantitative information we need on the impact of the special variation on rate levels will already be contained in Worksheet 5 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 differs from the current rating structure, 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. However, you should explain the rationale for applying the increase differentially among different categories and/or subcategories of ratepayers, particularly in light of the purpose of the special variation. This will be relevant to our assessment of the reasonableness of the impact on ratepayers.

Council's rating structure contains a mix of business, farmland and residential categories and sub categories in accordance with the NSW Local Government Act.

Council uses minimum rates and the size of the minimum amount for the Farmland category is in accordance with the relevant permissible limits provided for in the Act. Special Ministerial approval for a higher amount has been granted for the Business and Residential categories.

Comparison 2 and 3 Year Special Rate Variations

2013-14	2 YR 2014-15 Rate Peg 2.3% + 3.0% SRV						3yr 2014-15 Rate peg 2.3% + 1.5% SRV												
	Yield %	Average	Median	% Min	Min Rate	Yield	Average	Median	% Min	Min Rate	Yield	% Incr	Average	Median	% Min	Min Rate	Yield	% Incr	
Farmland	9.2	1,683	1,497	3	474	807,962	1,817	1,632	3	485	872,383	8%	1,754	1,575	3	485	841,938	4%	
Residential Town	51.7	836	724	72	724	4,523,400	854	741	71	741	4,618,264	2%	846	741	73	741	4,573,893	1%	
Residential Village / Estate	21.2	878	747	46	724	1,855,962	972	862	35	741	2,055,505	11%	954	840	38	741	2,017,673	9%	
Residential Non-Urban	6.5	897	724	58	724	566,064	1,000	770	46	741	630,922	11%	983	750	49	741	620,530	10%	
Business Ordinary	2.6	1,293	727	50	724	230,873	1,350	784	49	741	241,099	4%	1,344	780	50	741	239,965	4%	
Business CBD	5.6	1,928	1,044	40	724	487,736	2,021	1,092	38	741	511,396	5%	2,006	1,082	38	741	507,600	4%	
Business Caravan Park	1.4	13,282	14,096	0	724	119,539	13,282	14,147	0	741	119,536	0%	13,014	13,863	0	741	117,130	-2%	
Business Industrial Estates	1.7	1,013	734	50	724	151,896	1,062	809	44	741	159,269	5%	1,053	800	44	741	158,025	4%	
						8,743,430					9,208,375						9,076,753		
							2 yr 15-16 Rate Peg 3.0% + 3% SRV						3 yr 15-16 Rate Peg 3.0% + 2.0% SRV						
							Average	Median	% Min	Min Rate	Yield	% Incr	Average	Median	% Min	Min Rate	Yield	% Incr	
Farmland							1,817	1,632	3	500	946,122	8%	1,754	1,575	3	500	885,088	5%	
Residential Town							854	741	67	763	4,844,893	5%	846	741	70	763	4,781,568	5%	
Residential Village / Estate							972	862	33	763	2,190,740	7%	954	840	34	763	2,138,613	6%	
Residential Non-Urban							1,000	770	39	763	670,544	6%	983	750	44	763	655,772	6%	
Business Ordinary							1,350	784	48	763	256,202	6%	1,344	780	49	763	252,397	5%	
Business CBD							2,021	1,092	37	763	547,643	7%	2,006	1,082	38	763	534,071	5%	
Business Caravan Park							13,282	14,147	0	763	119,536	0%	13,014	13,863	0	763	114,725	-2%	
Business Industrial Estates							1,062	809	43	763	169,887	7%	1,053	800	44	763	165,749	5%	
											9,745,566						9,527,982		
													3 Yrs 16-17 Rate Peg 3.0% + 2.5 SRV%						
							Average	Median	% Min	Min Rate	Yield	% Incr	Average	Median	% Min	Min Rate	Yield	% Incr	
Farmland							1,754	1,575	3	515	935,393	6%							
Residential Town							846	741	70	786	5,018,080	5%							
Residential Village / Estate							954	840	34	786	2,278,398	7%							
Residential Non-Urban							983	750	44	786	697,038	6%							
Business Ordinary							1,344	780	49	786	266,792	6%							
Business CBD							2,006	1,082	38	786	564,563	6%							
Business Caravan Park							13,014	13,863	0	786	112,381	-2%							
Business Industrial Estates							1,053	800	44	786	175,089	6%							
																		10,047,734	

5.1.1 Minimum Rates

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

Does the council have minimum rates? Yes No

If Yes, 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 categories that will occur as a result.

So that we can assess the reasonableness of the impact on minimum ratepayers, briefly explain the types of ratepayers that are on minimum rates, and the rationale for the proposed impact of the special variation on minimum rate levels.

Council's rating structure contains a mix of business, farmland and residential categories and sub categories and Council uses minimum rates.

The minimum rate for the Farmland category is in accordance with the relevant permissible limits provided for in the Act. Special Ministerial approval for a higher minimum rate has been granted for the Business and Residential categories.

The impact on minimum rates, with the proposed special variation, is detailed in the following table:

Category	Sub Category	2013/14 \$	No Assess	2014/15 \$	2015/16 \$	2016/17 \$
Business	CBD	724.00	96	741.00	763.00	786.00
Business	Industrial Estate	724.00	66	741.00	763.00	786.00
Business	Caravan Park	724.00	0	741.00	763.00	786.00
Business	Ordinary	724.00	89	741.00	763.00	786.00
Farmland		474.00	15	485.00	500.00	515.00
Residential	Town	724.00	3,969	741.00	763.00	786.00
Residential	Village/Estate	724.00	797	741.00	763.00	786.00
Residential	Non-Urban	724.00	307	741.00	763.00	786.00

In 2014/15, the number of assessments on the minimum amount will be 5,339 or 57.74% of the total number of assessments of 9,246.

The notional income derived from the minimum amounts will be \$3,952,359 or 41.89% of the total notional general income (inclusive of the Environmental Levy).

The Residential Town category represents the greater number of assessments at 5,408 (or 58.49%). The number on the minimum rate is 3,969 (73.39%) and the number on the minimum rate as a percentage of the total number of assessments on the minimum amount (5,339) is 74.34%.

The notional income derived from the Residential Town category is \$4,573,893 or 48.48% of the total notional general income (inclusive of the Environmental Levy). The notional income derived from the minimum amounts, for this category, will be \$2,941,029 or 64.30%.

In 2013/14 there are 1,514 (63%) pensioners subject to the Minimum Rate. A break down per rate categories is as follows:

- Farmland - 2
- Residential Town - 1,152
- Residential Non Urban - 287
- Residential Village - 70
- Business Ordinary - 2
- Business CBD - 1

5.2 Affordability and community capacity to pay

Show how your IP&R processes have established that the proposed rate rises are affordable for your community, and that affected ratepayers have the capacity to pay the higher rate levels. (Indicators considered in this context may be similar to those cited under criterion 2.)

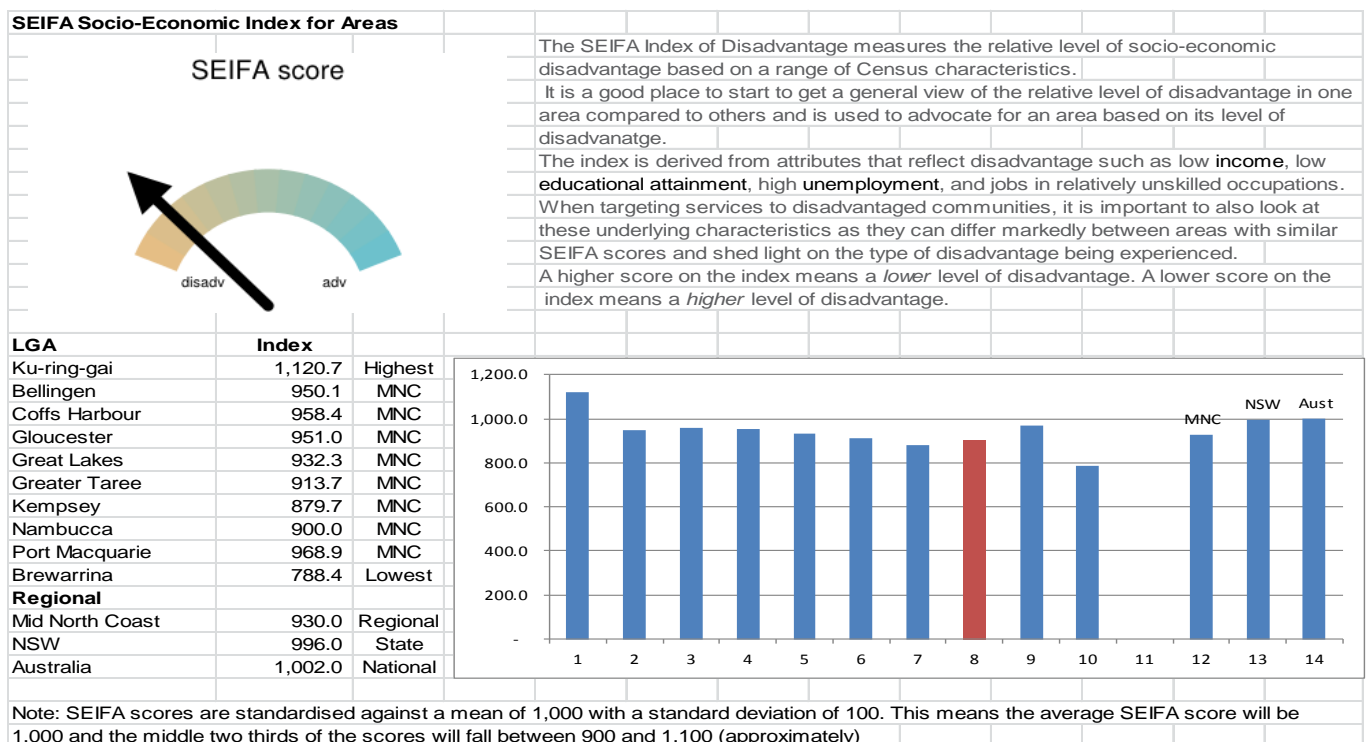
The rating scenario is deemed to be reasonable and within the community’s capacity to pay. Section 5.3 considers a number of indicators which support this view.

5.3 Other factors in considering reasonable impact

In assessing whether the overall impact of the rate increases is reasonable we may use some of the same indicators that you cite in section 5.2 above. In general, we will consider indicators such as the local government area’s SEIFA index rankings, average income, and current rate levels as they relate to those in comparable councils. We may also consider how the council’s hardship policy might reduce the impact on ratepayers.

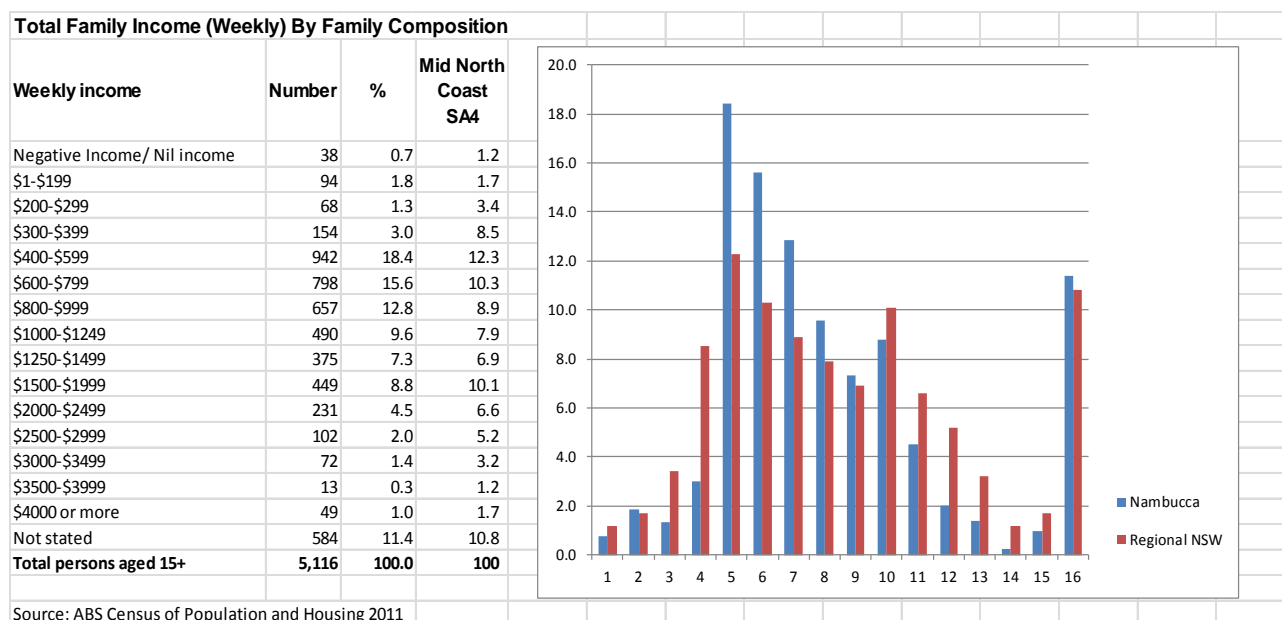
Socio-Economic Index for Areas

The SEIFA Index of Nambucca Shire indicates a relative good capacity to pay in comparison to other councils in the Mid North Coast Regional Organisation of Councils (MIDROC).



Weekly Household Income

An analysis of household income levels in Nambucca Shire (ABS 2011), compared to the Mid North Coast region, shows that there are a smaller proportion of income households earning above \$1,500 per week and a lower proportion of income households earning less than \$399 per week.



Comparison of Rates and Charges – Division of Local Government Comparative Information on NSW Local Government 2011/12 - Group 11 Councils

A comparison of the average rates and charges of councils in the Group 11 category highlights the following:

- Residential Rate is higher by 16% (\$736 compared to \$633)
- Business Rate is lower by 14% (\$1,489 compared to \$1,728)
- Farmland Rate is lower by 34% (\$1,566 compared to \$2,370)
- Water and Sewerage Bill is lower by 23% (\$800 compared to \$1,038)
- Domestic Waste Charge is higher by 46% (\$360 compared to \$246)

It is relevant to note that Bellingen, Coffs Harbour and Nambucca councils are members of the regional Coffs Coast Waste Services (CCWS) partnership for the collection of household waste on the Coffs Coast. The Domestic Waste Charge for Bellingen (\$347), Coffs Harbour (\$374) and Nambucca (\$360) are relatively similar.

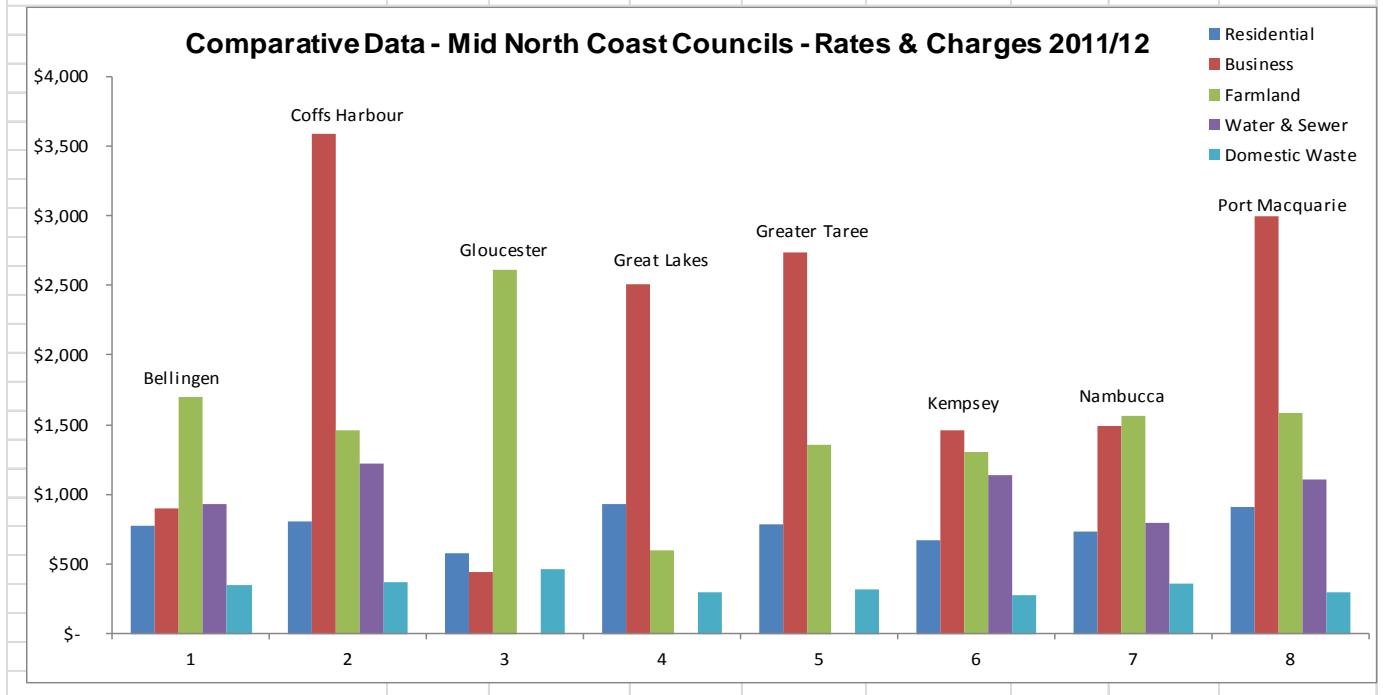
Comparison of Rates and Charges - MIDROC

A comparison of the average rates and charges of councils in the Mid North Coast Regional Organisation of Councils (MIDROC) shows that council's average ordinary rate categories are generally in the middle of the range.

- Residential Rate is the third lowest
- Business Rate is the fourth lowest
- Farmland Rate is the fourth highest

- Water and Sewerage Bill is the lowest
- Domestic Waste Charge is the third highest

	Bellingen	Coffs Harbour	Gloucester	Great Lakes	Greater Taree	Kempsey	Nambucca	Port Macquarie
Rates & Charges (2011/12)								
Residential Rate (average)	\$ 779	\$ 804	\$ 581	\$ 934	\$ 788	\$ 668	\$ 736	\$ 907
Business Rate (average)	\$ 900	\$ 3,590	\$ 445	\$ 2,510	\$ 2,740	\$ 1,464	\$ 1,489	\$ 3,000
Farmland Rate (average)	\$ 1,694	\$ 1,463	\$ 2,615	\$ 594	\$ 1,355	\$ 1,308	\$ 1,566	\$ 1,583
Water & Sewer Bill (average)	\$ 931	\$ 1,219	N/A	N/A	N/A	\$ 1,137	\$ 800	\$ 1,108
Domestic Waste Charge (average)	\$ 347	\$ 374	\$ 464	\$ 301	\$ 313	\$ 272	\$ 360	\$ 302



Source: Comparative Information on NSW Local Government 2011/2012

5.3.1 Addressing hardship

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

Does the council have a Hardship Policy? Yes No

If Yes, is it identified in the council's IP&R documents? Yes No

Please attach a copy of the Policy and explain who the potential beneficiaries are and how they are addressed.

Does the council propose to introduce any measures to limit the impact of the proposed special variation on various groups? Yes No

Provide details of the measures to be adopted, or alternatively, explain why no measures are proposed.

Council Rates Hardship Policy

Council's rates hardship policy outlines how council may help resident ratepayers who experience genuine financial difficulties to pay their rates and charges (financial hardship).

The main objective of the hardship policy is to provide for the welfare of the resident ratepayer and resident dependents and for the protection of their place of residency.

The rates hardship policy provides for the following range of assistance options:

1. Assistance by periodical payment arrangements (Section 564)
2. Assistance by writing off accrued interest and costs (Section 567)
3. Assistance due to general revaluation of the Local Government Area (Section 601)

Commercially used properties (business and farmland) are excluded from the policy, with the exception of the assistance provided by periodical payment arrangements, which is available to all residential, business and farmland ratepayers.

In relation to assistance provided under Section 601, the eligibility criteria also includes threshold levels at what level a rate increase as a result of changes in land valuation is considered.

[Refer ATTACHMENT 9.1 – Rates Hardship Policy]

6 Assessment criterion 4: Assumptions in Delivery Program and LTFP

The DLG Guidelines state this criterion as follows:

The proposed Delivery Program and Long Term Financial Plan must show evidence of realistic assumptions.

Summarise below the key assumptions adopted by the council and indicate where they are set out in your Delivery Plan and LTFP. We will need to assess whether the assumptions are realistic. For your information, we will consider such matters as:

- ▼ the proposed scope and level of service delivery given the council's financial outlook and the community's priorities
- ▼ estimates of specific program or project costs
- ▼ projections of the various revenue and cost components.

To also assist us, identify any in-house feasibility work, industry benchmarks or independent reviews that have been used to develop assumptions in the Delivery Program and LTFP if these are not stated in those documents.

Planning assumptions underpinning the Long Term Financial Plan

Population

Over the period 2012 to 2026, the population of the Shire will increase by approximately 1,124 (5.80%). However those persons aged 65 and over will increase by 45.45% from 4,728 to 6,877.

Whilst the small population growth projections do not present significant risks to council's financial sustainability, the ageing population will increase the demand for aged care related services and facilities and an ageing workforce will have implications and risks for the organisation.

Inflationary Trends

The financial projections contained in the plan are expressed at their current value, this assists in developing work programs where scheduled capital works can be modelled across years and scenarios considered at comparable values when making investment decisions.

Working papers are also developed using future values to predict cash flows and financial indicators. These working papers do not form part of the published LTFP. When developing working papers that require future values, a rate of inflation has been estimated at 2.4%.

Costs for the 2014/15 year have been indexed from the prior year at the Reserve Bank of Australia's (RBA) forecast (August 2013) for 2014 to 2015 of 2-3%. These costs will be reviewed during the development of the 2014/15 operational plan.

Service Delivery

It is assumed that the community will continue to receive the level of service currently provided by Council for the 2013/14 year, noting that Council has not yet determined the levels of service in consultation with the community.

Future increases in all rates and annual charges for council services will need to be based on the underlying cost of delivering these services and the annual movement in the cost of these services.

Ordinary Rates

IPART announced in December 2013 that increases in local council general income will be capped at 2.30% in 2014/15, which is slightly below inflation.

Beyond 2013/14 TCorp has assessed a general benchmark for rates and charges to increase by mid-range LGCI annual increases of 3.0%.

Pensioner Concessions

Council provides the mandatory rebate for eligible pensioners. The rebate scheme costs approximately \$389,000 pa based on the 2013/14 subsidy application.

No voluntary pensioner concessions are granted.

Environmental Levy

This Special Rate is calculated at 4.00% of Ordinary Rates. The income yield for 2013/14 is \$349,129.

Water Availability Charge

The Water Supply Business is self-funded and annual charges are calculated on a cost recovery basis. The water pricing structure is assumed to remain on a charge basis of consumption 75% and access charge 25% for the duration of the LTFP. This is in line with the NSW Office of Water Best Practice Management for Water Supply and Sewerage Guidelines.

The Access Charges were increased by 9% and the Usage Charge was increased by 14.22% for 2013/14.

The 2012/13 Financial Statements reported that Council was eligible for the payment of a maximum dividend from surplus of \$199,470. However the Plan makes no assumption that the business will pay the General Fund a dividend in future years.

Sewer Availability Charge

The Sewer Fund business unit is self-funded and annual charges are calculated on a cost recovery basis. This is in line with the Best Practice Management for Water Supply and Sewerage Guidelines.

Sewerage Access Charges for residential properties connected to the sewerage network increased by 31.25% from \$448 to \$588 in 2013/14.

The 2012/13 Financial Statements reported that Council was eligible for the payment of a dividend from surplus however there was no surplus for the year. The Plan makes no assumption that the business will pay the General Fund a dividend in future years.

Domestic Waste Management Charges

The NSW Local Government Act requires councils to levy an annual charge for providing domestic waste management services on all parcels of rateable land for which the service is available, whether or not it is actually used. It is considered that all property owners should contribute to the current and future provisions of waste services.

The Waste Fund business unit is self-funded and annual charges are calculated on a cost recovery basis. All costs associated with the administration, collection, recycling, disposal, treatment and community education are entitled to be recouped from residential ratepayers.

Costs also include Council's contribution towards the upgrade of the Biomass facility over the next nine years.

In 2013/14 charges for residential and non-residential properties increased by \$18 or 3.72% from \$484 to \$502. The vacant land availability and tip provision charge increased by \$5 or 3.82% from \$131 to \$136.

User Charges and Fees

Increases in user charges and fees are forecasted to increase by CPI. It is expected that there will be no alteration to the current pricing structures.

Statutory fees are fixed by regulation, legislation or a State/Federal Authority. As such, Council has no influence on how the fee amount is determined nor do such fees tend to increase by CPI or reflect their true cost of providing the service.

Interest and Investments

Investments are made in accordance with the Minister's Investment Order and Council's Investment Policy. The 90 day bank bill interest rate is forecast to be 3.00% over the short term and this rate has been used as the benchmark for the forecast period.

Other Revenues

Council has limited commercial sources of revenue.

Grants – Operating and Capital

Given the uncertain nature of grant funding, the budget has been prepared with the following grant funding sources included (all assumed to continue over the duration of the LTFP). If information is insufficient to assume CPI will apply, grants have remained static in value:

- Roads To Recovery (R2R);
- Roads and Maritime Services (RMS);
- Financial Assistance Grant (FAGs);
- Rural Fire Service – Operating and Capital.

Employee Costs

Employee costs cover wages, all leave types, training, superannuation and associated costs. Wage increases can be in two parts – increases under the NSW Local Government (State) Award 2010 and grade/step progression under Council's Salary Structure.

The budget factors in a 3.25% increase to employee salaries as at 1 July 2013. This increase is as per the NSW Local Government (State) Award 2010.

All associated employee costs have also been increased by 3.25%, with the exception of superannuation and training. The Federal Government Superannuation Guarantee rate will be increased gradually with initial increments of 0.25 percentage points on 1 July 2013 and on 1 July 2014. Further increments of 0.5 percentage points will apply annually up to 2019/20, when the SG rate will be set at 12%.

Borrowings

The total loan principal balance outstanding as at 30 June 2014 will be \$50,026,715 million. This is made up of General Fund \$14,112,108 Water \$24,293,386 and Sewerage \$11,621,221.

In comparison, the total loan principal balance outstanding as at 30 June 2012 was \$27,857,368 million. This was made up of General Fund \$9,463,713 Water \$3,628,079 and Sewerage \$14,765,576.

During this period General Fund new borrowings for roads and bridges infrastructure totalled \$4.39 million, including LIRS of \$2,661,000. New borrowings for the Water Fund totalled \$21 million. This funding was for the \$54 million Bowraville Off River Storage Project which is scheduled for completion in the first half of 2014.

Materials and Contracts

Materials and contracts expenditure has generally been indexed in line with CPI forecasts. Some costs have been based on previous year expense movements whilst others consider Council's operational needs.

Depreciation

Depreciation expense has been projected based on useful life estimates as per Council's Accounting Policies and Plans. Budgeted capital works expenditure has been included in the depreciation calculation.

The LTFP does not take into account the potential impact of future asset revaluations (fair value of assets).

Other Expenses

Generally, other expense budget items are adjusted if they are expected to exceed the CPI forecast.

[Refer ATTACHMENT 3.1 – Long Term Financial Plan 2014-2024, Adopted 20 February 2014]

7 Assessment criterion 5: Productivity improvements and cost containment strategies

The DLG Guidelines state this criterion as follows:

An explanation of 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, provide details of any productivity improvements and cost containment strategies that you have implemented in the last 2 years (or longer) and any plans for productivity improvements and cost containment during the period of the special variation. These plans, capital or recurrent in nature, must be aimed at reducing costs. Please also indicate any initiatives to increase revenue eg, user charges. Identify how and where the proposed initiatives have been factored into the council's resourcing strategy (eg, LTFP and AMP). Where possible, quantify in dollar terms the past and future productivity improvements and savings.

You may also use indicators of efficiency, either over time or in comparison to other relevant councils. We will make similar comparisons using various indicators and the DLG Group data provided to us.

Productivity and efficiency improvements include:

- Transferred ownership of Macksville Showground and Saleyards
- Transferred operation of Macksville Saleyards
- Transferred ownership and management of Community Halls
- The 2012/13 Financial Statements reported a disposal of assets totalling \$6.27 million. This included the Showground (\$3.5M), Preschool and Caravan Park.
- Commissioned an external review of the Organisation Structure. The review resulted in a reduction in the number of Directorates from three (3) to two (2).
- Established a Customer & Business Services Unit to improve the level of customer service. An Implementation Plan has been developed which aims to establish an integrated Customer Service Centre within three years, to manage the majority of customer interactions and transactions through a consolidated call centre (Call), counter services (Contact), the web and business services, subject to funding availability.

The Service Centre consists of a multi-skilled customer service team which provides a "one stop shop" servicing a wide range of inbound customer interactions including telephone, face to face and electronic communications and business services.

A Customer Service Charter has been developed to outline how Council will ensure a consistent approach to customer service and what actions will be undertaken by staff to meet these commitments. The Charter provides staff with information on the standards of customer service they are expected to provide, regardless of where they fit within the organisation. The Charter also details the minimum standards of service our external customers can expect to receive when they interact with Council staff in terms of telephone calls, contact visits and correspondence.

The environment in which Council operates has changed significantly over recent years and will continue to change in line with the Integrated Planning & Reporting Framework (IPR) and Destination 2036 reform agenda for local government and the Council's own organisation structure review.

These reforms and structural changes require Council to examine the services it delivers and reconsider the ways in which they are delivered. A strong influence in this respect is the changing nature of its customers and community who expect a stronger voice in Council decisions; require more information and understanding of the way it operates; and expect and demand higher levels of service.

The establishment of an integrated customer service unit or a "One Stop Shop" represents a significant development in Council operations with implications for staff, processes, planning, and culture.

- Rationalised assets
- Contained operating expenses as evidenced by staffing numbers and per capita expenses.

Council's FTE staff as at June 2013 was 123.77 compared to an FTE of 125.82 as at June 2011.

Operating expenses were \$1,708 per capita compared to the group average of \$2,482 (DLG Comparative Data 2011/12)

The Table below provides comparative data about the local councils across the Mid North Coast (Source – DLG Comparative Information on NSW Local Government 2011-12).

This shows that the operating expenses of \$1,708 per capita were the second lowest of the eight councils in the region.

	Bellingen	Coffs Harbour	Gloucester	Great Lakes	Greater Taree	Kempsey	Nambucca	Port Macquarie
Operations (2011/12)								
Revenue (Per capita)	\$ 2,408	\$ 2,046	\$ 2,807	\$ 1,962	\$ 1,263	\$ 1,878	\$ 1,791	\$ 1,939
Expenses (Per capita)	\$ 2,572	\$ 1,957	\$ 3,021	\$ 1,816	\$ 1,497	\$ 2,454	\$ 1,708	\$ 1,771
Equivalent Full Time (FTE) Staff	142	509	86	284	254	287	118	444

The Community Satisfaction Survey conducted in 2013 indicated to Council that our community was of the view that 21 of the 27 services were of high importance, and that 9 of those 21 services

required greater attention and resources. The scope of service delivery has therefore been retained at current levels.

8 Other information

8.1 Previous Instruments of Approval

If you have a special variation which is due to expire at the end of this financial year or during the period of the proposed special variation, when was it approved and what was its purpose?

Please attach a copy of the Instrument of Approval that has been signed by the Minister or IPART Chairman.

NOT APPLICABLE

8.2 Reporting to your community

The *Guidelines* set out reporting mechanisms that show your accountability to your community. Please tell us how you will go about transparently reporting to the community on the proposed special variation, should it be approved. Also indicate the performance measures you will use to demonstrate how you have used the additional funds (above the rate peg) generated by the special variation.

Quarterly Reporting to Council

Reports will be submitted to Council through the Quarterly Budget Review process.

Quarterly Reporting to Community

Council resolved 11 December 2013 (Minute 17/13) *“That if Council and IPART support a rate increase above rate pegging, Council provide a quarterly report either through a media release or its rates newsletter to confirm to ratepayers that the additional funds are being spent on roads and bridges as indicated in our community consultation.”*

Council reaffirmed its commitment to keep our community informed by resolving on 20 February 2014 *“That not only does the elected Council receive a quarterly report on the expenditure of the additional funds from the rate increase (if approved by IPART), but a brief report be included with each quarterly rates notice to our ratepayers.”*

Annual Reporting

The Annual Report will include an income and expenditure statement and project outcomes in line with the Instrument of Approval.

Performance Measures

An Internally Restricted Reserve Account will be established in Council’s Chart of Accounts to account for the income and expenditure movements. This will also be subject to scrutiny through the internal auditing process.

8.3 Council resolution to apply to IPART

The Guidelines require the council to have resolved to apply for a special variation. Please attach a copy of the council's resolution to make a special variation application. Our assessment of the application cannot commence without it.

Council resolved 11 December 2013 (Minute 17/13) to apply for a Section 508A Special Rate Variation for a two year percentage increase.

The application is for a special variation of 5.3% in 2014/15 (including the 2.3% rate peg) and 6.0% in 2015/16 (assuming a rate peg of 3.0%) and for the special variation to be permanently incorporated into the general income base.

[Refer ATTACHMENT 11.1]

Council resolved 20 February 2014 (Minute 17/14) to apply for a Section 508A Special Rate Variation for a three year percentage increase.

The application is for a special variation of 3.8% in 2014/15 (including the 2.3% rate peg), 5.0% in 2015/16 (assuming a rate peg of 3.0%) and 5.5% in 2016/17 (assuming a rate peg of 3.0%) and for the special variation to be retained permanently retained in the council's general income base.

[Refer ATTACHMENT 11.2]

The rationale to now apply for the special variation over a three year period rather than a two year period is in response to the impact of new land values applicable from 1 July 2014.

The recent general valuation of properties in the Nambucca Shire has resulted in a reduction in residential land values of \$90 million, when compared to 2010 valuations. This decrease will have a material impact on the affordability of the proposed rate increases and therefore the decision was taken to spread the rate increase over three years instead of over two years, as originally proposed.

This decision demonstrates the good intent of Council and recognises the sensitive impact on ratepayers.

9 Checklist of contents

The following is a checklist of the supporting documents to include with your Part B application:

Item	Included?
Relevant extracts from the Community Strategic Plan	<input checked="" type="checkbox"/>
Delivery Program	<input checked="" type="checkbox"/>
Long Term Financial Plan	<input checked="" type="checkbox"/>
Relevant extracts from the Asset Management Plan	<input checked="" type="checkbox"/>
TCorp report on financial sustainability	<input checked="" type="checkbox"/>
Contributions Plan documents (if applicable) NOT APPLICABLE	<input type="checkbox"/>
Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and special variation	<input checked="" type="checkbox"/>
Community feedback (including surveys and results if applicable)	<input checked="" type="checkbox"/>
Hardship Policy	<input checked="" type="checkbox"/>
Past Instruments of Approval (if applicable) NOT APPLICABLE	<input type="checkbox"/>
Resolution to apply for the special variation	<input checked="" type="checkbox"/>
Resolution to adopt the Delivery Program	<input checked="" type="checkbox"/>

10 Certification

APPLICATION FOR A SPECIAL RATE VARIATION

To be completed by General Manager and Responsible Accounting Officer

Name of council: NAMBUCCA SHIRE COUNCIL

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

General Manager (name): MICHAEL COULTER

Signature and Date: 24 FEBRUARY 2014

Responsible Accounting Officer (name): CRAIG DOOLAN

Signature and Date: 24 FEBRUARY 2014

Once completed, please scan the signed certification and attach it to the Part B form before submitting your application online via the Council Portal on our website.