|  |
| --- |
| Special Variation Application Form – Part BFor applications for 2014/15Issued October 2013 |
| Gilgandra Shire CouncilDate Submitted to IPART: 21 February 2014Council Contact Person: Neil AlchinCouncil Contact Phone: 0268178818Council Contact Email: nalchin@gilgandra.nsw.gov.au |

© Independent Pricing and Regulatory Tribunal of New South Wales 2013

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

The Tribunal members for this special variation assessment are:

Dr Peter J Boxall AO, Chairman

Mr Simon Draper, Part Time Member

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

Tony Camenzuli (02) 9113 7706

Heather Dear (02) 9290 8481

Independent Pricing and Regulatory Tribunal of New South Wales

PO Box Q290, QVB Post Office NSW 1230

Level 8, 1 Market Street, Sydney NSW 2000

T (02) 9290 8400 F (02) 9290 2061

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

Contents

1 Introduction 2

1.1 Submitting your application 3

2 Focus on Integrated Planning and Reporting 4

3 Assessment criterion 1: Need for the variation 5

3.1 Community needs 9

3.2 Alternative funding options 12

3.3 State of financial sustainability 13

3.4 Capital expenditure review 16

4 Assessment criterion 2: Community awareness and engagement 16

4.1 The consultation strategy 18

4.2 Alternatives to the special variation 18

4.3 Feedback from the community consultations 19

4.4 Considering the impact on ratepayers 21

4.5 Considering the community’s capacity and willingness to pay 22

5 Assessment criterion 3: Impact on ratepayers 23

5.1 Impact on rates 24

5.2 Affordability and community capacity to pay 25

5.3 Other factors in considering reasonable impact 25

6 Assessment criterion 4: Assumptions in Delivery Program and LTFP 26

7 Assessment criterion 5: Productivity improvements and cost containment strategies 27

8 Other information 28

8.1 Previous Instruments of Approval 28

8.2 Reporting to your community 29

8.3 Council resolution to apply to IPART 30

9 Checklist of contents 31

10 Certification 32

# 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](http://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](http://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.

## 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.

## 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](http://www.ipart.nsw.gov.au/files/948b8fb1-2e6e-4647-b9d3-a10000a2552a/Local_Government_-_Council_Portal_User_Guide_-_November_2012.pdf) for the Portal will assist you with the registration and online submission process.

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.

# 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.

The following summary outlines the significant IP&R processes undertaken by this Council in its current term. This summary includes the steps involved in reaching the decision to apply for a special variation while ensuring the local community has been kept informed throughout the process.

* Current Council elected September 2012
* Community Strategic Plan (CSP) 2013/14 – 2022/23 reviewed and placed on public exhibition from 21 May to 18 June 2013 **(attachment A)**
* Delivery Program (DP) 2013/14 – 2016/17 developed and placed on public exhibition from 21 May to 18 June 2013
* Operational Plan (OP) 2013/14 developed and placed on public exhibition from 21 May to 18 June 2013
* Community consultation sessions on above plans held at various locations throughout Shire from 27 May to 6 June 2013
* Submissions considered and CSP DP and OP formally adopted by Council 26 June 2013
* Long Term Financial Plan (LTFP) 2013/14 – 2022/23 reviewed and formally adopted by Council 17 July 2013 (Including 4 financial modelling scenarios)
* Adoption of Local Road Hierarchy Plan (LRHP) 17 July 2013 **(attachment E)**
* Council formal resolution to apply for a special variation at its meeting of 18 September 13
* LRHP fact sheet distributed to local community September 2013 **(attachment F)**
* Special rate variation ratepayer Information package distributed 14

November 2013 **(attachment G)**

* Reviewed DP 2013/14 – 2016/17 to align with reviewed LTFP

modelling scenarios and Council’s decision to apply to IPART for a special variation placed on public exhibition from 26 November 2013 to 6 January 2014

* Community consultation sessions on decision to apply for special

variation held at various locations throughout the Shire from 2 December 2013 to 11 December 2013

* Reviewed LTFP to reflect two scenarios ( base line and special

variation) adopted by Council 18 December 2013 **(attachment C)**

* Reviewed Asset Management Plan for transport assets adopted at

Councils meeting of 18 December 2013 **(attachment D)**

* Reviewed DP 2013/14 - 2016/17 adopted by Council at its meeting of

22 January 2014 **(attachment B)**

# 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 [ ]

Enhance financial sustainability [x]

Environmental works [ ]

Infrastructure maintenance / renewal [x]

Reduce infrastructure backlogs [ ]

New infrastructure investment [ ]

Other (specify) [ ]

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*.

The following extract from the Special Rate Variation Ratepayer Information Package distributed in November 2013 summarises the need for this special variation

**A Message from Your Councillors**

At its September meeting, Gilgandra Shire Council resolved to begin the consultation process with our community to enable it to apply to the Independent Pricing and Regulatory Tribunal (IPART) for a special variation to general rate income of 7% above the anticipated rate pegging level of 3% each year for the next three years, commencing in July 2014. Your current Council is conscious of making a decision that it can see through to implementation and therefore this application aligns with the remaining three years of this Council’s term of office.

Since our election in 2012, the current Council has been considering Council’s long term financial sustainability and its ability to continue to deliver the services expected of it by our ratepayers. As part of the work Council has completed to date, it has established that in our major area of expenditure, being rural roads, we have a current shortfall in maintenance expenditure of $600,000 each year. This was highlighted in community consultations held in May 2013 regarding the setting of Council’s Strategic Plans and associated budgets.

In addition to this Gilgandra Shire Council, like the majority of Councils in NSW, is challenged in having the capital to ensure that its ageing infrastructure is replaced when required. With transport infrastructure assets valued at in excess of $340 million, there is a need to ensure money is put aside each year to renew or replace these assets.

The proposed rate increase of 7% above rate pegging each year for three years will, on current figures, raise some additional $246k in year one, $518k in year two and $816k in year three. This money will be used to progressively meet the current $600k shortfall in rural road maintenance and start to increase funding of Council’s transport asset renewal program, particularly rural road bitumen resealing and gravel resheeting works.

The financial model adopted by Council which includes the Special Rate Variation also includes an ongoing commitment by Council to reduce current expenditure by 3% over the next three years. This commitment is consistent with savings that Council has achieved over the last 12 months by the ongoing systematic review of its service delivery and joint projects/tendering within the OROC group of Councils.

As your elected representatives, we look forward to engaging with you on this Special Rate Variation application and its importance to the future financial sustainability of our Shire.

Councils current Delivery Program and Long Term Financial Plan include two financial modelling scenario’s

* Baseline scenario – revenue and expenditure forecasts which reflect 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. This scenario also reflects a commitment to operational/service level savings from the current Council.

Council’s consideration of the need for this special variation is detailed as

follows:

* A community survey conducted 2011 informed Council of community support for retention of existing services and renewal of asset infrastructure particularly road transport assets. **(attachment I)**
* Councils initial LTFP for the period 2011/12 – 2021/22 included financial modelling aimed at
* Retaining service levels
* Renewing infrastructure
* Improving unsealed rural roads
* Improving annual operating results
* A special variation application was lodged by Council in 2012 for increases

of 3.2% above rate pegging for a seven year period to achieve the increased revenue required to assist in addressing the above priorities. (This application was approved for an increase of 3.2% above rate Pegging for one year - 2012/13 only)

* Council elected September 2012 (six new councillors) has over the period

October 2012 to May 2013 reviewed and updated its

* CSP
* DP
* LTFP
* Transport Asset Management Plan
* In November 2012 Council considered the opportunity to make application

for a single year special variation under transitional arrangements for the 2013/14 rating year.

* In December 2012 Council resolved not to proceed with an application for a

single year special variation due to the review of its IP&R not being finalised at that point in time and the importance of the recently elected Council agreeing on a clear strategic direction and associated financing requirements.

* In April 2013 the NSW Treasury Corporation assessed Councils

Financial Sustainability Rating as “Weak” and the outlook as “Neutral”

* In May 2013 Council considered a draft LRHP developed to assist in

the application of appropriate standards, maintenance and renewal of roads within Gilgandra Shire

* A report from Councils Director of Works and Technical Services to

Councils budget meeting of 7 May 2013 highlighted the requirement for an annual budget of $2.1m for rural roads maintenance to achieve the condition ratings detailed in the draft LRHP. Subsequent resolution to allocate $1.5m to rural road maintenance for 2013/14 in line with previous years due to budget constraints **(attachment H)**

* In June 2013 after significant community consultation on the CSP &

DP held in May / June 2013 Council considered submissions received and formally adopted these plans and confirmed a commitment to

- Reviewing service levels

- Renewing infrastructure, particularly transport assets

- Improving rural roads

- Improving operating results / achieving long term financial

 sustainability

* In July 2013 Council adopted a LRHP which further emphasised its

commitment to addressing the need to improve rural roads.

* In July 2013 Council formally adopted a reviewed LTFP for the period

2013/14 – 2022/23 in line with the CSP and DP that included the modelling of four general rating scenario’s

- Rate peg increases only

- Increase of 4.9% above rate pegging for a six year period from

 2014/15

- Increase of 7% above rate pegging for a six year period from 2014/15

- Increase of 7% above rate pegging for a three year period from

 2014/15

* In September 2013 Council resolved in line with its LTFP modelling

scenario four, to apply to IPART for a special multi-year variation of general rate income (section 508A) of 7% per annum above rate pegging for 3 years from 2014/15 to 2016/17. This decision being based on the need to

- Renew infrastructure, particularly transport assets

- Increase maintenance of rural roads

- Achieve long term financial sustainability

* In October 2013 Council determined a community consultation process

to discuss in detail its decision to apply to IPART for a special variation

* In November 2013 Council placed on public exhibition an amended DP

that reflected Councils decision to apply to IPART for a special variation **(attachment B)**

* In December 2013 Council adopted a reviewed Transport Asset

Management Plan that reinforces the short fall in available funding for transport asset renewals **(attachment D)**

If the special variation seeks funding for contributions plan costs above the development contributions cap, refer to Box 3.1.[[1]](#footnote-1)

|  |
| --- |
| Box 3.1 Special variations for development contributions plan costs above the developer cap |
| For costs above the cap in contributions plans, a council mustprovide: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 plandetails of any other funding sources that the council is proposing to seek to useany 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 special 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

## 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.

* A community survey conducted in 2011 informed Council of community

support for retention of existing services and increased maintenance and renewal of asset infrastructure particularly rural road transport assets. The community feedback also emphasised the need for Council to review its operations / service delivery to ensure it is being delivered in a cost effective manner. **(attachment I)**

* The 2013/14 – 2022/23 CSP was drafted based on community / councillor input and taken back to the community for further input. This plan is modelled around five key themes
* Inclusive Community
* Growing Economy
* Respected Leadership
* Strengthened Infrastructure
* Thriving Environment

Community outcomes have been identified for each theme along with strategies that Council, partner organisations and the community can undertake to work towards achieving these outcomes as follows

**3. Respected Leadership**

 3.1 A Council that provides quality leadership governance and management to its community.

 3.2 A Council that focuses on strategic planning and financial sustainability

3.3 A Council that delivers good customer service to its community

 3.4 A transparent Council that keeps its community informed and encourages and facilitates community input into its decision making processes

**4. Strengthened Infrastructure**

 4.1 A community with well constructed, maintained and managed public infrastructure including water and sewer infrastructure, public buildings and facilities, plant and equipment.

 4.2 A community serviced by a safe, reliable and efficient transport network.

 4.3 A community with quality green spaces that encourage people to be active and involved in their natural surrounds.

**5. Thriving Environment**

 5.1 A community active in the preservation of its cultural, heritage and natural assets

5.2 A community that has minimised the environmental impacts of waste and maximised waste resource recovery rates

 5.3 A community awareness of climate change that strives to reduce its ecological footprint.

**2. Growing Economy**

 2.1 A community with a strong and diverse economic base that supports and improves the lifestyle of its residents.

 2.2 A community with a reputation as a great place to live, stop, stay or just spend time where visitors are welcomed and embraced

 2.3 The business activities of Council are an important sector of the local economy and provide financial returns to the community.

**1. Inclusive Community**

 1.1 An active community with a focus on physical and mental wellbeing.

 1.2 A community that has great pride and instils this pride from a young age.

 1.3 A community with access to quality health, welfare, education, early childhood, sporting, recreational, cultural and technological services and facilities.

 1.4 A community where services are integrated, match out community needs and are sustainable.

 1.5 A community that encourages Aboriginal leadership and pride.

 1.6 A community where volunteerism thrives

 1.7 A safe community with minimal crime and anti social behaviour

* CSP outcomes 4.1 and 4.2 under the theme Strengthened

Infrastructure and 3.2 and 3.4 under the theme Respected Leadership are particularly relevant to community needs associated with this special variation application

* The current Council has given the community an undertaking to review

its existing services across the board to ensure they are being delivered in a cost effective manner.

## 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.

* One of the perceptions of both the community (indicated by survey results) and the recently elected Council is the need to review Council operations / service delivery to ensure it is being delivered in a cost effective manner.Since the elections in September 2012 Council has commenced formal reviews of the following services
* Government Access Centre
* Tourism
* Cultural
* Parks and Gardens
* Sporting Facilities
* Urban Services
* Council has also reviewed the following corporate support functions

- Information Technology

 - Human Resources

* Council is committed to reviewing all areas of its operations over its

four year term and has made a commitment to achieve budget savings of an accumulated 3% of operating expenditure over this period.

* Council reviews its fees and charges on an annual basis with the last

review conducted with the 2013/14 budget deliberations. Council aims to ensure these fees and charges reflect the cost of services delivered where appropriate. Revenue from fees and charges represents 26% of Councils total revenue. Roads and Maritime Services contract works represent 40% of the revenue collected from fees and charges and these works are carried out at an agreed contract rate with limited scope to increase this revenue source. Fees and charges associated with aged care and disability services make up 25% of revenue collected from fees and charges and are established on a user pay basis to ensure there is no contribution from ratepayers required to deliver these services

* Council has adopted a loan repayment policy that includes keeping its

debt service ratio below 5% to ensure it continues to borrow with in its means. Council is mindful of balancing long term financial sustainability against borrowing capacity when making decisions in this area. Council is not averse to borrowing for projects with intergenerational benefits and/or significant returns to the community, however is conservative in its approach. This approach provides flexibility for Council to borrow in unforseen circumstances

* Councils LTFP includes the modelling of increased rating revenue and

a commitment to operational savings as discussed above

## 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.

* Councils LTFP modelling emphasises that Council cannot
* retain existing services
* maintain local roads at an acceptable standard
* renew assets as they fall due
* achieve long term financial sustainability

 without a significant increase in revenue and/or savings in service

 delivery/operations

* Council is committed to working towards
* Addressing its transport infrastructure renewal backlog
* Increasing its ability to renew assets as they fall due for renewal
* Improving its annual operating results

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

* In April 2013 the NSW Treasury Corporation (TCorp) assessed

Councils Financial Sustainability Rating as “Weak” and the outlook as “Neutral”. In its conclusions and recommendations (section 6 of the report) TCorp recommends that the following points be considered:

“- *It is recognised that Council require additional revenue to maintain*

*their existing infrastructure and address their entire works program. The Council were not successful in obtaining a multi-year SRV as they did not satisfactorily meet all the criteria required for a special variation under section 508A, in particular the Implementation of the Integrated Planning and Reporting Framework’ (IPRF). We recommend Council concentrate on completing their IPRF, including being able to demonstrate Community Support and reapply for their multi-year SRV in 2013*

*- Council’s LTFP has been based on current levels of service with*

*reduced capital works, lower growth in roads expenditure and increased rates income base. This is not considered to be sustainable*

*- While Council’s Asset Maintenance Ratio and Buildings and*

*Infrastructure Asset Renewal Ratio are currently above benchmark, this is likely to change when Council’s Asset Management Plan is complete “* **(attachment J)**

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).
* The following tables extracted from Councils LTFP modelling shows the

projected key financial indicators for the period 2013/14 – 2022/23 both baseline and special variation scenario’s

* In addition to the above key financial indicators the following indicator

has been calculated

**Operating balance ratio**


## 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 [x]  |
| If *Yes*, has a review been done and submitted to DLG? | Yes [ ]  No [ ]  |

# 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 documents[[2]](#footnote-2) 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:

* 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.

|  |
| --- |
| Box 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 variationthat, 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 fallif 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.

## 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.

* Councils Community Engagement Strategy is attached **(attachment** **V)**
* The consultation strategy undertaken by Council included the following:
* Report and decision to apply for special variation Sept 2013 Council

meeting

* Special rate variation ratepayer information package distributed to all

ratepayers November 2013 **(attachment G)**

* Special rate variation page established on Councils web site
* Newspaper advertisements public meetings Nov - Dec 2013 **(attachment K)**
* Mayoral Columns in Gilgandra Weekly Sept & Nov 13 **(attachment**

**L)**

* Advertisements Review of DP in the Gilgandra Weekly Nov 13 – Jan

14 **(attachment M)**

* Special variation presentation to public meetings throughout the Shire December 2013 **(attachment N)**
* Reviewed DP on public exhibition 26 Nov 13 – 6 Jan 14

**(attachment B)**

* Consideration of responses received from community consultation

at Councils Feb 14 meeting **(attachment P)**

## 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.

* As outlined in section 3 of this application Council has been through a

significant planning process to reach this point. Over the past three years Council has considered and had discussions with the community relating to:

* **Reduced Service Levels**

 The community survey and consultation sessions carried out in 2011 along with consultation sessions in June 2013 regarding the CSP DP

 & OP and the Dec 2013 special variation public meetings have all confirmed the importance of current services to the community. Council’s previous proposals to reduce the level of services in tourism, culture and community hall facilities were not acceptable to the community

* **Reduced Capital Works Projects**

The community survey and consultation sessions carried out in 2011 along with consultation sessions in June 2013 regarding the CSP DP & OP and the Dec 2013 special variation public meetings have all confirmed general community support for the capital projects detailed in Councils LTFP. Council is determined to address the issue of asset renewal and the bulk of these capital works relate to asset renewals.

* **Rural Road Maintenance**

The community survey and consultation sessions carried out in 2011 along with consultation sessions in June 2013 regarding the CSP DP & OP and the Dec 2013 special variation public meetings have all flagged the importance of local road assets to the community and the less than satisfactory condition of particularly rural roads. While developing a local road hierarchy plan Council has identified that current expenditure levels will not deliver rural local roads of a standard acceptable to the community.

* **Councils Operations effectiveness and efficiency**

The community survey and consultation sessions carried out in 2011 along with consultation sessions in June 2013 regarding the CSP DP & OP and the Dec 2013 special variation public meetings have all identified a community perception of the need for Council to review its operations and service delivery in terms of efficiency and effectiveness.

Council is committed to reviewing all service areas over its four year term and has made a commitment to achieve budget savings of an accumulated 3% of operating expenditure over this period. However Councils LTFP modelling confirms that these savings alone will not provide the revenue to deliver services at acceptable levels, improve rural roads, renew assets as required and achieve financial sustainability in the longer term

## 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.

The following attachments detail the feedback Council has received from community consultations

* 2011 survey results relating to Councils LTFP and proposal to apply for

a special variation **(attachment I)**

* Submissions received in June 2013 in relation to Councils CSP DP and

OP **(attachment Q)**

* Meeting notes from community consultation sessions on the special

variation held in Dec 2013 **(attachment O)**

* Media reports from Nov 13 to Feb 14 in relation to the special variation

**(attachment R)**

* Eleven submissions (10 objections 1 supporting) received from the

community in relation to the special variation **(attachment P)**

* Views expressed in the submissions on the special variation are

summarised below

* Extra burden placed on rural ratepayers
* Rural ratepayers subsidising services that they do not use
* Council should concentrate on core business and review its funding

of non essential services

* Rural ratepayers do not have the capacity to pay the increased rates
* Rural ratepayers would like to see more of their rates spent on rural

roads

* Rural roads require more maintenance and improved maintenance

practices

* Lack of confidence in Councils ability to manage its funds
* Productivity gains and operational savings should be greater
* Rural ratepayers cannot meet cost of rate rise and electricity and fuel

rises all at same time

* Problems will occur with increases in unpaid rates/increased

hardship cases for rural ratepayers smaller business pensioners and low income earners

* Senior staff should take a 7% pay cut for 3 years to set example
* Bad timing world economy still in crisis
* The Gilgandra area is in drought which will reduce capacity to pay
* Council should consider amalgamation or an administrator
* Independent review of Councils operations needed
* Higher rates will discourage people moving to the Shire
* Acknowledgement that some savings have been made
* Why does Gilgandra need a special rate rise when those Councils

around it can live within their means

* Land tax system unfair – burden should be spread equally across all

ratepayers

* Higher rates will result in loss of businesses to surrounding shires,

closure of businesses and loss of employment

* Too many staff on too big a wage maybe starting point to reduce costs
* Council should cut budgets before considering rate rises
* Overhaul of rating system required to spread the burden more fairly
* Council applied for a rate rise 2 years ago which met with similar strong

opposition

* Rates already higher than surrounding Shires
* Would be Irresponsible of IPART to approve this rate increase with

social and economic impacts on the community

* Already pay twice the rates of other Councils
* Poor seasons have lead to increasing farm debt
* Funds committed to town development have led to the rate shortfall
* Council needs more revenue to remain sustainable
* If rate increases had kept pace with CPI in the past a large hike would

not be needed now

* If rates aren’t increased we will lose services and facilities
* The submissions received were tabled at Councils meeting of 19

February 2014

## 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.

* Council has determined to apply for a special variation of 7% above

rate pegging for a three year period commencing 2014/15 with this increase to be applied consistently to all rating categories.

* The Special Rate Variation Ratepayer Information Package distributed

in November 2013 provides details of the average impact on each rating category **(attachment G)**

* The powerpoint presentation to community consultation sessions which

is currently available on Councils web site (Special Variation page) includes slides on the impact of the special variation on each rating category including anticipated changes to the rate in the dollar to allow individual ratepayers to calculate the impact on individual rating assessments**. (attachment N)**

## 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.

* The Socio Economic Index for Areas (SEIFA) for Gilgandra is 911. This

places the Gilgandra LGA 6th of 13 Councils in the Orana region.

* The information in the table below is sourced from 2011/12 DLG

comparative information and compares Gilgandra with its neighbouring rural councils

* Council’s outstanding rates ratio for 2012/13 is 7.4%. This ratio has

been consistently in the range between 5 % and 8% over many years.

* The table below compares the ordinary rating levels of the rural

councils that adjoin Gilgandra Shire. Warrumbungle Shire is significantly larger following a previous amalgamation. Narromine has a larger residential population while both Coonamble and Warren Shires are comparable to Gilgandra in terms of population, number of ratepayers, community infrastructure and core service provision. Gilgandra Councils ordinary rate yield is 16% less than Coonamble and 19% less than Warren Shire. Gilgandra’s farmland rate yield is 25% less than Coonamble and 27% less than Warren Shire

|  |
| --- |
| **Adjoining Councils Rates and Annual Charges Comparison 2013/14** |
| Category | Number of Assessments | Average Rates | Total Yield | % of Total Rates Collected |
| **Farmland** |
| Gilgandra | 811 | $3,402 | $2,759,042 | 76.66% |
| Coonamble | 798 | $4,335 | $3,459,634 | 82.78% |
| Narromine | 873 | $3,133 | $2,735,122 | 57.67% |
| Warren | 678 | $5,183 | $3,514,237 | 81.90% |
| Warrumbungle | 1,741 | $2,642 | $4,600,110 | 64.10% |
| **Residential / Ordinary** |
| Gilgandra | 1,021 | $489 | $499,435 | 13.88% |
| Coonamble | 1,356 | $380 | $514,803 | 12.32% |
| Narromine | 1,865 | $603 | $1,124,343 | 23.71% |
| Warren | 882 | $510 | $449,637 | 10.48% |
| Warrumbungle | 2,964 | $477 | $1,414,995 | 19.72% |
| **Business** |
| Gilgandra | 208 | $848 | $176,339 | 4.90% |
| Coonamble | 207 | $713 | $147,585 | 3.53% |
| Narromine | 290 | $1,611 | $467,081 | 9.85% |
| Warren | 127 | $1,528 | $194,016 | 4.52% |
| Warrumbungle | 384 | $1,443 | $554,189 | 7.72% |
| **Rural Residential**  |
| Gilgandra | 297 | $553 | $164,128 | 4.56% |
| Coonamble | 120 | $477 | $57,223 | 1.37% |
| Narromine | 321 | $585 | $187,938 | 3.96% |
| Warren | 206 | $646 | $133,071 | 3.10% |
| Warrumbungle | 867 | $689 | $596,990 | 8.32% |
| **Small Rural Holdings**  |
| Coonamble  | 92 | $1,130 | $103,973 | 2.49% |
| **Mining** |
| Narromine  |   |   | $228,409 | 4.82% |
| Warrumbungle |   |   | $10,000 | 0.14% |
| **Total General Rates** |
| Gilgandra | 2,337 | $1,540 | $3,598,944 | 100% |
| Coonamble | 2,573 | $1,624 | $4,179,245 | 100% |
| Narromine | 3,349 | $1,416 | $4,742,893 | 100% |
| Warren | 1,893 | $2,267 | $4,290,961 | 100% |
| Warrumbungle | 5,956 | $1,205 | $7,176,284 | 100% |

# 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.

## 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.

* As discussed in section 4.4 each ordinary rating category will incur the

same percentage increases as a result of the special variation.

### Minimum Rates

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

Does the council have minimum rates? Yes [x]  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 does have minimum rates and the impact on the minimum rate

for each category will be the same as the percentage increases for the rate in the dollar for each ordinary rating category.

## 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.)

* Refer to section 4.5

## 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.

### 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 [x]  No [ ]  |
| If Yes, is it identified in the council’s IP&R documents? |  Yes [ ]  No [x]  |
| Please attach a copy of the Policy and explain who the potential beneficiaries are and how they are addressed.* Council has a Rates Hardship Relief Policy and a

Late Payment Waiving of Interest Policy that provide ratepayers the opportunity to apply for consideration of rate relief in exceptional circumstances. **(attachment S)** |  |
| Does the council propose to introduce any measures to limit the impact of the proposed special variation on various groups?  |  Yes [ ]  No [x]  |

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

* No measures are proposed. Council has considered the mix of rates

between ratepayer categories and determined that a consistent percentage increase to all ratepayers is the equitable way to distribute the impact of the proposed special variation under the current land based rating system.

# 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.

**Scope and Level of Service Delivery**

* Councils DP and LTFP scenario 1(base line) have been developed

based on the provision of existing services and the delivery of those services at current levels

* Scenario 2 (special variation) includes an increase in expenditure on

rural road maintenance from 2014/15 onwards ($5.6m over the life of the LTFP)

* Scenario 2 (special variation) includes an increase in transport asset

renewal expenditure of $455k from 2016/17 onwards ($3.2m over the life of the LTFP)

* Scenario 2 (special variation) includes a commitment form Council to

review its operations/service delivery to achieve savings of an accumulated 3% of its general fund operating expenditure over the term of Council and to maintain those savings over the life of the LTFP ($2.9m over the life of the LTFP)

**Estimates of specific program or project costs**

* Councils DP includes details of the capital works proposed for the

period 2013/14 – 2016/17 and the LTFP includes details of the capital works proposed for the period 2013/14 – 2022/23. The bulk of these works are identified asset renewals which are in some cases overdue.

* It should be noted that capital works identified as Water Supply,

Sewerage, Orana Lifestyle Directions, Carlginda Enterprises, Cooee Self Care Units, Cooee Lodge and Jack Towney Hostel are not funded from Councils General Fund and are not impacted by general rate revenue.

**Projections of revenue and cost components**

* Please refer to Councils LTFP section titled Planning Assumptions

**(attachment C pages 14-18 )**

# 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.

* This Council has achieved the following productivity improvements and

cost reductions totaling $185 since it came into office in September 2012 :

* Reduction in administration staff costs $50k pa

 - Introduction of councillor iPads $5k pa

* Consolidation of revenue functions $10k pa
* Outsourcing information technology $20k pa
* Withdrawal from CENTROC Weight of Loads Group $40k pa
* Bulk electricity purchase with surrounding councils $60k pa
* Since the elections in September 2012 Council has commenced formal

reviews of the following services

* Government Access Centre
* Tourism
* Cultural
* Parks and Gardens
* Sporting Facilities
* Urban Services
* Council has also reviewed the following corporate support functions

- Information Technology

- Human Resources

* Council is committed to reviewing all areas of its operations over its

four year term and has made a commitment to achieve budget savings of an accumulated 3% of operating expenditure over this period ($650k over the period 2014/15 – 2016/17)

**DLG Group Comparative Data**

* It should be noted that the DLG group data can be misleading due to

Councils significant involvement in community services and in particular aged care, disability services and community care services. All these services are fully funded from user fees and charges and grants and subsidies from other tiers of government. The FTE staff numbers in these areas equate to approximately 55% of Councils total FTE staff. The expenditure budgets for these areas total $8.9m (27%) of Councils total budget of $32.8m for 2013/14. These services form a vital part of the fabric of the Gilgandra community and have a significant positive effect on the local economy at no cost to local ratepayers.

# Other information

## 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

## 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.

Council will measure and report its progress in delivering additional maintenance and renewal to its road assets as a result of a successful special variation application.

* Our performance will be measured in the following ways:
* The level of additional expenditure budgeted for rural road

maintenance from 2014/15 onwards –increasing progressively by $600k plus annual CPI over a three year period and retained at that level.

* Monitoring road condition ratings in line with the LRHP to assess

improvements being made.

* Annual road renewal program reporting on length and location of

bitumen reseals and gravel resheeting scheduled and achieved during the period.

* Annual reporting of renewal of other transport assets such as

bridges and culverts.

* We will report to our community by way of
* Annual OP
* OP reviews (quarterly)
* DP reviews (six monthly)
* Annual Report
* End of Term Report (at end of current term of Council in 2016)

These documents will be made available on Councils web site and in hard copy on request

* Annual external audit reports which are presented to Council at a

meeting open to the public in November annually will measure Councils progress towards improved operating results / financial sustainability ( a copy of the auditors presentation is made available on Councils web site and in hard copy on request)

## 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.

* Refer to **attachment T**

# 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 | [x]  |
| Delivery Program | [x]  |
| Long Term Financial Plan | [x]  |
| Relevant extracts from the Asset Management Plan  | [x]  |
| TCorp report on financial sustainability | [x]  |
| Contributions Plan documents (if applicable) | [ ]  |
| Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and special variation | [x]  |
| Community feedback (including surveys and results if applicable) | [x]  |
| Hardship Policy | [x]  |
| Past Instruments of Approval (if applicable) | [ ]  |
| Resolution to apply for the special variation | [x]  |
| Resolution to adopt the Delivery Program | [x] \* |

# \*Refer to attachment U

1. See Planning Circular 10-025 dated 24 November 2010 at [www.planning.nsw.gov.au](http://www.planning.nsw.gov.au) and for the most recent Direction issued under section 94E of the *Environmental Planning and Assessment Act 1979*. See also Planning Circular PS 10-022 dated 16 September 2010. [↑](#footnote-ref-1)
2. The relevant documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and, where applicable, Asset Management Plan [↑](#footnote-ref-2)