

Fact Sheets

- Draft 2019/20 Transport, Stormwater Drainage & Buildings Program
- How much will this increase my rates by?
- Special Rate Variation Fact Sheet
- Budgeting for our Future



Our Place Our Future

Proposed Transport,
Stormwater Drainage &
Buildings Program for
2019/20

**DRAFT FOR
CONSULTATION**

December 2018

At its meeting on 26 November, Lithgow City Council resolved to notify IPART of its intention to apply for a permanent increase, above the normal rate peg, in our general rate income to commence in 2019/20. This process is called a Special Rate Variation (SRV) application.

Council proposes to apply to retain the current SRV of 4.77%. Council also plans to request an additional one-off SRV of 4.23%. The total SRV application will be for a 9% increase in rates revenue (i.e. the current 4.77% SRV plus a new 4.23% SRV) plus the 2.7% (set by IPART for 2019/20) rate peg will also be added. In 2019/20, the total SRV increase will be 11.7% (inclusive of the 2.7% rate peg).

Why is Council Considering a Special Rate Variation?

Like many other NSW Councils, our roads, footpaths, buildings, drainage and other community assets are ageing and need to be renewed or upgraded. We know that our community places a high value on these assets, in particular our road network. Our assets in their current state are continually deteriorating and require ongoing, costly maintenance. To improve our public assets we need to spend more money on maintaining and renewing these assets to ensure that they meet the needs of our community. Also, a small portion of the Special Rate Variation will be allocated to business improvement initiatives which will either generate additional revenue or reduce long-term costs. Examples of projects could include energy saving programs or technological solutions which would generate operating efficiencies.

The proposed Special Rate Variation is an important step to help maintain and manage our current assets to ensure that we deliver services in line with community expectations and remain financially sustainable into the future.

Why can't my current rates pay for the additional maintenance and renewal works?

The role of local Councils has come a long way since the days of roads, rates and rubbish. Today, we now fund many more services to meet our community's needs and expectations.

Some of these include:

- Parks, sports grounds, playgrounds and community halls; Libraries, arts and culture;
- Community development services for children, youth, older people, people living with a disability and Aboriginal and Torres Strait Islander People;
- Public and environmental health;
- Environmental sustainability projects and invasive species management;
- Transport services including roads, footpaths, car parks, road safety and traffic facilities;
- Business development, events and tourism;
- Development services, such as development applications and certification;
- Land use and natural environmental planning; Stormwater and flood management; Emergency management;
- Community and council strategic planning;
- Executive, communication and support services

Council is proposing to increase funding for the following assets:

The projected total SRV income (from maintaining the current SRV plus adding the new SRV) is estimated at \$1.178 million for the 2019/20 year

- \$725,000 on Transport (sealed roads, unsealed roads, footpaths, cycleways, bridges and road drainage)
- \$100,000 on stormwater drainage
- \$250,000 on buildings

Increasing the level of funding for these assets will allow council to renew those which are currently in a poor condition. It will also ensure that the number of assets in poor condition does not continue to grow. It is essential that our community assets are safe, in working order and meet community expectations. The expenditure will ensure that the Fit for the Future asset benchmarks are met over time.

The remainder of the increased funding (approx. \$100,000 p.a.) will be spent on business improvement initiatives which will either generate additional revenue or reduce long-term costs.

Proposed Buildings, Transport & Stormwater Drainage

The program below is the 'First Draft' of the Proposed Program of Works for Buildings, Transport and Stormwater Drainage. This program is subject to change and will not be finalised until June 2019.

The works identified in this program to be funded by the Special Rate Variation will not proceed in 2019/20 without approval of a Special Rate Variation.

How can I make a submission?

Written submissions quoting reference no. SRV19-20 will be accepted by Council until midnight on 11 January 2019:

- Lithgow City Council, PO Box 19, LITHGOW 2790 or email council@lithgow.nsw.gov.au

Written submissions may also be made to IPART in writing or online at www.ipart.nsw.gov.au.

- IPART, PO Box K35, Haymarket Post Shop NSW 1240

For more information on the proposed Special Rate Variation visit
www.haveyoursay.lithgow.com

Proposed 2019/20 Budget – Building Program					
Program	Source of funding				Measurement
	General Revenue	Special Rate Variation	Building Reserve	Total \$	
Improvement works to following buildings:					Works completed
SRV - General Asset Building Maintenance		\$75,000	\$25,000	\$100,000	
Pioneer Park Toilet Replacement	\$125,000	\$125,000		\$250,000	
Union Theatre Sound and Lighting	\$40,000	\$50,000		\$90,000	
Lithgow Depot Store Roof Renewal	\$200,000			\$200,000	
Building Program Total	\$365,000	\$250,000	\$25,000		
Reporting Method – Report of ‘on the ground’ works undertaken and/or works completed in the Six Monthly Progress Report and Annual Report. Progress with capital works communicated through media releases, social media and website.					
Proposed 2019/20 Budget – Stormwater Drainage Program					
Program	Source of funding		Measurement		
	Special Rate Variation				
Alison Close, Wallerawang Drainage Improvements	75,000		Works completed		
As a result of recent development, the drainage at Alison Close, Wallerawang is not sufficient. This project involves the clearing of natural drainage lines and the installation of pipes underneath a nearby property to carry the stormwater that is currently overland flow to the drainage that runs alongside Pipers Flat Road.					
SRV - General Asset Drainage Maintenance	25,000				
Stormwater Drainage Program Total	\$100,000				
Reporting Method – Report of ‘on the ground’ works undertaken and/or works completed in the Six Monthly Progress Report and Annual Report. Progress with capital works communicated through media releases, social media and website.					

Proposed 2019/20 Budget – Transport Program			
Program	Source of funding		Measurement
	General Revenue	Special Rate Variation	
SRV General Asset Transport Maintenance		360,000	Works completed
SRV – Roads Renewal		365,000	
Road resealing program that focusses on the reseal of all classes of roads assets in the Lithgow LGA utilising funds from an approved special rate variation.			
<ul style="list-style-type: none"> First Street, Lithgow Hotmix asphalt reseal from Great Western Highway to Second Street for a length of 272m and an area of 2,806m². 		140,000	
<ul style="list-style-type: none"> William Street, Portland Two-coat bitumen reseal from Wallerawang Road to Green Street for a length of 353m and an area of 3,780m². 		65,000	
<ul style="list-style-type: none"> View Street, Lidsdale Two-coat bitumen reseal from Castlereagh Highway to end for a length of 727m and an area of 1,404m². 		35,000	
<ul style="list-style-type: none"> Red Hill Road, Upper Turon Gravel re-sheet, vegetation control and drainage reinstatement from CH4991 to CH6013 for a length of 1,500m and an area of 7,500m². 		125,000	
Rural Unsealed Roads Renewal		500,000	
Gravel road repair program that focuses on improvement (by way of repair, reconstruction or refurbishment) of all unsealed road assets in the Lithgow LGA.			
<ul style="list-style-type: none"> Hughes Lane, Marrangaroo Reconstruct and gravel re-sheet vegetation control and drainage reconstruction from Great Western Highway to end for a length of 707m and an area of 4,239m². 		200,000	
<ul style="list-style-type: none"> Jerrys Meadow Road, Sodwalls Select gravel re-sheet vegetation control and drainage reconstruction from Sodwalls Road to Cuthill Road for a length of 3,800m and an area of 18,971m². 		190,000	
<ul style="list-style-type: none"> Anarel Road, Sodwalls Select gravel re-sheet, vegetation control and drainage reconstruction from Jerrys Meadow Road to Honeysuckle Falls Road for a length of 2,605m and an area of 10,420m². 		110,000	

Footpath Construction Program		367,000	
Focuses on the installation of new footpath assets in the Lithgow LGA.			
<ul style="list-style-type: none"> Lithgow Footpath Renewals Will facilitate the renewal of pre-determined, isolated segments of footpath throughout the Lithgow LGA. In all instances, the most significant segments will be identified and reconstructed with the asset date being updated to reflect changes. 		367,000	
Timber Bridge Improvements		186,238	
Repair and upgrade timber bridges in the Lithgow LGA as required.			
<ul style="list-style-type: none"> Timber Bridges Repair and maintenance through capital upgrade to timber bridges 		141,238	
<ul style="list-style-type: none"> Hartley Vale Bridge Reconstruction Construction of a bridge at the end of Redgate Street, Lithgow to resolve long standing access issues over private property. 		45,000	
Rural Sealed Roads Renewals		1,197,355	
Carry out sealed road improvement to roads within rural townships as well as roads that serve to connect our rural townships and villages.			
<ul style="list-style-type: none"> Cuthill Road, Sodwalls Two-coat bitumen reseal from Rydal Hampton Road to CH3200 for a length of 3,200m and an area of 17,286m2. 		320,000	
<ul style="list-style-type: none"> Sunray Avenue, Little Hartley Two-coat bitumen reseal from Browns Gap Road to end for a length of 998m and an area of 4,000m2. Includes provision to raise road approximately 0.45m. 		120,000	
<ul style="list-style-type: none"> Hampton Road, Rydal Two-coat bitumen reseal of selected sections from Magpie Hollow Road to Jenolan Caves Road for a length of 3,269m and an area of 21,268m2. 		360,000	
<ul style="list-style-type: none"> Magpie Hollow Road, Rydal Two-coat bitumen reseal of selected sections from Great Wester Highway to Hampton Road for a length of 1,915m and an area of 12,218m2. 		397,355	

Urban Drainage Improvements		325,000	
Repair of existing and installation of new (where required) urban drainage infrastructure.			
<ul style="list-style-type: none"> Main Street, Lithgow In 2018/19, Council allocated funds to the improvement of stormwater infrastructure in the vicinity of Laurence Street to improve localised flooding. This funding was enough to cover feasibility and design. This project will effect the proposed design for construction in 2019/20. Lithgow Kerb and Gutter Improvements Proposed to work alongside the Lithgow Footpath Improvements project, where trees have damaged roadside infrastructure, this project will aim to rectify kerb and gutter assets once the tree has been replace the footpath reconstructed under the Footpath Construction Program. 	162,500		
	162,500		
Traffic Facilities improvements		90,000	
Construction and repair of existing traffic facilities in the Lithgow LGA.			
<ul style="list-style-type: none"> Bus Shelter Installation Where identified and through consultation with Lithgow Buslines and the community, replacement of existing and construction of new bus shelters throughout the urban Lithgow, Wallerawang and Portland areas. Street Lighting Installation of 4 new street lights at the Lithgow Rail Interchange to facilitate pedestrian movement after hours. 	15,000		
	75,000		
Unsealed Roads Sealing		1,210,000	
Road sealing program that focusses on the application of new bitumen seal to predetermined roads in the Lithgow Local Government Area.			
<ul style="list-style-type: none"> Glen Davis Road, Glen Davis Construction and application of new two-coat bitumen seal as well as completion of associated vegetation and drainage improvements from CH6084 to CH8627 for a length of 2,500m and an area of 20,000m2. Hazelgrove Road, Tarana Construction and application of new two-coat bitumen seal as well as completion of associated vegetation and drainage improvements from Sodwalls Road to the LGA boundary for a length of 5,709m and an area of 39,962m2. 	350,000		
	860,000		

Slope Stability Improvements Ongoing assessment and completion of required works to improve safety and ensure consistent access to the Wolgan Valley and Newnes Township.	300,000	
<ul style="list-style-type: none"> Wolgan Road Embankment Construction Reconstruction of the Wolgan Road embankment after localised collapse (budget subject to further investigation of costs) 	300,000	
Urban Sealed Roads Renewal Road resealing program that focusses on the asphalt reseal of urban streets in Lithgow, Wallerawang, Portland and Lidsdale.	410,000	
<ul style="list-style-type: none"> Waratah Street, Lithgow Hotmix asphalt reseal from Bent Street to Lett Street for a length of 140m and an area of 1,366m². 	65,000	
<ul style="list-style-type: none"> Tobruk Street, Lithgow Hotmix asphalt reseal from Amiens Street to Lemnos Street for a length of 240m and an area of 1,867m². 	90,000	
<ul style="list-style-type: none"> Fourth Street, Lithgow Hotmix asphalt reseal from West Street to End for a length of 266m and an area of 1,755m². 	85,000	
<ul style="list-style-type: none"> Lidsdale Street, Wallerawang Two-coat bitumen reseal from Commens Street to End for a length of 306m and an area of 2,205m² 	85,000	
<ul style="list-style-type: none"> Villiers Street, Portland Two-coat bitumen reseal from Wolgan Street to Ridge Street for a length of 535m and an area of 4,748m² 	85,000	
<ul style="list-style-type: none"> Sofala Street, Portland Two-coat bitumen reseal from Cox Street to Ridge Street for a length of 375m and an area of 2,474m². 	45,000	
Transport Program Total	4,585,593	725,000

Definitions

Maintenance works are routine activities undertaken to sustain an asset in a functional state and to ensure an asset reaches the end of its useable life. Maintenance stops an asset from deteriorating quicker than it should but it doesn't return the asset to 'as-new' condition. Maintenance aims to repair localised defects on an ad-hoc basis and does not have an effect on overall asset depreciation. Maintenance works contribute to the whole-of-life costs of an asset.

Renewal works aim to extend the useable life of an asset beyond that which is expected. Renewal works are defined as the works required to replace existing assets or facilities with assets or facilities of equivalent capacity or performance capability. Renewal works are strategically scheduled to occur prior to large-scale failure (best practice intervention points) in order to postpone capital reconstruction. This work can return an asset to 'as-new' condition based on visual inspection but will not have the 'as-new' pavement/subgrade characteristics. This work will reduce capital expenditure over time due to extended asset lifespans which will in turn reduce asset depreciation rates. Renewal works contribute to the whole-of-life costs of an asset



How will the SRV impact my rates?

**Financial Information
Fact Sheet**

Financial Information | Special Rate Variation

What is the Rate Peg?

As things currently stand, Council's revenue is regulated under the rate peg. The Independent Pricing and Regulatory Tribunal (IPART) sets a rate peg which limits the amount by which councils can increase their rate revenue from one year to the next.

For many years, the rate peg limit has not kept pace with the funding needs of Councils in NSW, including costs shifted from other levels of government, and residents' needs for appropriate services.

What is a Special Rate Variation?

After IPART announces the rate peg for the upcoming year, Councils can then have a conversation with the community as to whether the increase is sufficient to continue to deliver the existing range and standard of services available, whilst also ensuring there are sufficient funds to maintain and renew infrastructure. If they feel the increase is insufficient, Council can request an increase above the rate peg limit. These increases are known as a Special Rate Variation (SRV).

Applications for increases above the rate peg limit are assessed by IPART. IPART has stringent criteria which a Council must meet before approving any application. This includes extensive community consultation and clearly showing to the community the impact of the proposal on ratepayers.

The proposal to apply for an SRV was included as "Scenario 3 – Sustainable Assets" in Council's 2017-2027 Long Term Financial Plan (LTFP), which was placed on public exhibition in May 2017 and adopted by Council in June 2017.

On 26 November 2018, Council adopted the 2019-2029 Long Term Financial Plan and 2019-2029 Strategic Asset Management Plan for public exhibition. Financial modelling for the 10 year period has been updated in these documents based on the proposal to apply for a Special Rate Variation. Submissions will be accepted until 11 January 2019 and the documents are available for viewing on Council's website <http://www.haveyoursay.lithgow.com/document-library/>

Why is Council Considering a Special Rate Variation?

Like many other NSW Councils, our roads, footpaths, buildings, drainage and other community assets are ageing and need to be renewed or upgraded. We know that our community places a high value on these assets, in particular our road network. Our assets in their current state are continually deteriorating and need costly maintenance. To improve our public assets we need to spend more money on maintaining and renewing these assets to ensure that they meet the needs of our community.

The proposed Special Rate Variation is an important step to help maintain and manage our current assets to ensure that we deliver services in line with community expectations and remain financially sustainable into the future.

What is 'Fit for the Future' all about?

In 2014 the NSW State Government initiated its 'Fit for the Future' (FFTF) local government reform program that required all NSW councils to submit a proposal demonstrating plans to achieve long term financial sustainability and meet seven asset and financial benchmarks.

As a part of our 'Fit for the Future' process we reviewed the condition of our assets and detailed long term financial modelling. We currently spend around \$19 million on the maintenance and renewal of community assets each year; we have a funding gap and need to invest an additional \$1.1 million per year. This additional investment will ensure that the number of assets in poor condition does not continue to grow.

On 6 December 2016, Council received a 'Notice of intention to issue a Performance Improvement Order to Lithgow City Council under Section 438A of the Local Government Act 1993 from the, then Minister for Local Government, the Hon. Paul Toole, MP. The Minister identified a number of reasons for issuing the Notice including:

- Failure by Council to follow the principles of sound financial management with respect to ensuring that Council's forecast spending is responsible, sustainable, aligning general revenue and expenses.
- Reporting of annual deficits in the financial statements over the past five financial years.
- Consistently forecasted deficits in Council's Long Term Financial Plan (LTFP) for the next ten years until 2024-25.
- Council's FFTF reassessment proposal forecast to meet the financial sustainability criteria relied heavily on two proposed SRV's.
- Council did not have a documented strategy to meet its forecast operating performance ratio to ensure its long term financial sustainability did not include a SRV.
- Council did not provide substantive evidence of strategies implemented since the IPART review to move Council towards long term financial sustainability.
- The financial sustainability ratios forecast in Council's FFTF reassessment submission (General Fund) did not align with the ratios forecast in Council LTFP (Consolidated Fund).

In response, Council engaged the services of specialist consultants, Morrison Low to develop a Performance Improvement Plan that would position Council for a sustainable future by:

- Reviewing and developing Council's LTFP to incorporate a Fit for the Future Improvement Plan and strategies.
- Reviewing Council's Asset Management Plan and Financial Statements Assets Special Schedule 7.
- Preparing a Financial Management Maturity Assessment to understand Council's Financial Management Maturity Status and developing an Improvement Plan with specific priority actions.

This work was completed as part of Council's Integrated Planning and Reporting Framework (IPR) and the actions identified support the following objective in the Community Strategic Plan 2030:

- *GL2 – Moving towards a sustainable Council.*

Strategies identified in the Fit for the Future Improvement Plan are included in Council's Supplementary 2018/19 Operational Plan. In addition to this the following actions have commenced to improve service delivery, cut costs and reduce reliance on rates revenue:

- Implementation of a range of initiatives to generate operational efficiencies.
- Review of the 2018/19 fees and charges to optimise revenue.
- Service reviews to determine affordable levels of service (commenced in 2018/19).
- Implementation of asset management and financial management improvement plans.
- Applications for grants and seeking corporate sponsorship.

Why can't my current rates pay for the additional maintenance and renewal works?

The role of local Councils has come a long way since the days of roads, rates and rubbish. Today, we now fund many more services to meet our community's needs and expectations. Some of these include:

- parks, sports grounds, playgrounds and community halls;
- libraries, arts and culture;
- community development services for children, youth, older people, people living with a disability and Aboriginal and Torres Strait Islander People;
- public and environmental health;
- environmental sustainability projects and invasive species management;
- transport services including roads, footpaths, car parks, road safety and traffic facilities;
- business development, events and tourism;
- development services, such as development applications and certification;
- land use and natural environmental planning;
- stormwater and flood management;
- emergency management;
- community and council strategic planning;
- executive, communication and support services

The cost of providing all of these services comes from existing rate income. The restrictions placed on Council to increase its rate income above rate pegging simply do not allow Council to allocate additional funding to infrastructure maintenance and renewal. Council for many years has reported annual deficits in the financial statements, meaning we have been living beyond our means.

What are the options Council is considering?

There are two options that we would like you to consider; each option will have varying impacts on our assets and service quality.

Scenario 1 – Current SRV expires + rate peg

On 1 July 2019, the current 4.77% SRV expires. An estimated 2.7% rate peg would be added to the lower rate base. The projected loss of rates revenue due to the expiry of the current SRV is estimated at \$624,000 for the 2019/20 year.

Scenario 2– Maintain the current SRV + rate peg + one-off (permanent) 4.23% SRV

Council proposes to apply to retain the current SRV of 4.77%. Council also plans to request an additional one-off SRV of 4.23%. The total SRV application will be for a 9% increase in rates revenue (i.e. the current 4.77% SRV plus a new 4.23% SRV). The estimated 2.7% rate peg will also be added. The impact on ratepayers will be a new 4.23% SRV plus the rate peg. The projected total SRV income (from maintaining the current SRV plus adding the new SRV) is estimated at \$1.178 million for the 2019/20 year.

Council is proposing to increase funding for the following assets.

- Transport (sealed roads, unsealed roads, footpaths, cycleways, bridges and road drainage)
- Stormwater Drainage
- Buildings

Increasing the level of funding for these assets will allow council to renew those which are currently in a poor condition. It will also ensure that the number of assets in poor condition does not continue to grow. It is essential that our community assets are safe, in working order and meet community expectations. The expenditure will ensure that the Fit for the Future asset benchmarks are met over time.

The remainder of the increased funding (approx. \$100,000 p.a.) will be spent on business improvement initiatives which will either generate additional revenue or reduce long-term costs.

What is the proposed increase in funding?

The table below shows the current amount of funding allocated each year, towards renewal and maintenance work across our main asset types, as well as recommendations for increases to improve their condition.

Asset Type	Current Maintenance & Renewal Budget (\$'000 p.a.)	Proposed increase in Investment (\$'000 p.a.)	Proposed Total Investment (\$'000 p.a.)	Proposed % increase in investment
Transport	4,188	725	4,913	17%
Stormwater Drainage	107	100	207	93%
Buildings	831	250	1,051	26%

How will this impact on my rates?

The impact of each of these options on average rates is shown in the tables opposite and over page.

Impact on average rate	Average Rate	Average Rate 2019/20	Variance \$ per annum	Variance \$
Residential Rates				
Scenario 1	763.00	747.00	-16.00	
Scenario 2	763.00	815.00	52.00	1.00
Business Rates				
Scenario 1	3,950.00	3,868.00	-82.00	
Scenario 2	3,950.00	4,225.00	275.00	5.29
Farmland Rates				
Scenario 1	1,439.00	1,410.00	-29.00	
Scenario 2	1,439.00	1,539.00	100.00	1.92
Mining Rates				
Scenario 1	160,461.00	157,139.00	-3,322.00	
Scenario 2	160,461.00	171,581.00	11,120	213.85

The impact of each of these options on base rates for land value ranges is shown in the tables below:

Residential			
	Base	Scenario 1	Scenario 2
Rateable Value	Average 2018/19 \$	Average 2019/20 \$	Average 2019/20 \$
\$0 -> \$100,000	620	608	658
\$100,000 -> \$200,000	934	911	1,002
\$200,000 -> \$300,000	1,060	1,033	1,138
\$300,000 -> \$400,000	1,328	1,293	1,431
\$400,000 -> \$500,000	1,849	1,797	2,002
\$500,000 -> \$600,000	2,725	2,641	2,971
\$600,000 -> \$700,000	4,291	4,150	4,710
\$700,000 -> \$800,000	3,630	3,517	3,967
\$800,000 +	6,054	5,860	6,629

Business			
	Base	Scenario 1	Scenario 2
Rateable Value	Average 2018/19 \$	Average 2019/20 \$	Average 2019/20 \$
\$0 -> \$100,000	1,309	1,285	1,381
\$100,000 -> \$200,000	3,204	3,134	3,413
\$200,000 -> \$300,000	4,769	4,659	5,097
\$300,000 -> \$400,000	6,878	6,716	7,358
\$400,000 -> \$500,000	9,226	9,001	9,893
\$500,000 -> \$600,000	8,524	8,319	9,129
\$600,000 -> \$700,000	9,340	9,114	10,009
\$700,000 -> \$800,000	8,099	7,901	8,686
\$800,000 -> \$900,000	20,848	20,345	22,340
\$900,000 -> \$1,000,000	23,940	23,361	25,658
\$1,000,000 +	23,272	22,691	24,996

What other factors could impact on how much rates I have to pay?

Council rates are calculated based on the value of your land, as determined by the NSW Valuer General. Updated land values are provided to Council every three years. The last general revaluation of land valuations to properties throughout the LGA came into effect from 1 July 2016. Any significant fluctuation in your land valuations will also have an impact on the amount of rates you pay.

Farmland			
	Base	Scenario 1	Scenario 2
Rateable Value	Average 2018/19 \$	Average 2019/20 \$	Average 2019/20 \$
\$0 -> \$100,000	491	487	501
\$100,000 -> \$200,000	876	860	921
\$200,000 -> \$300,000	1,113	1,091	1,180
\$300,000 -> \$400,000	1,398	1,367	1,491
\$400,000 -> \$500,000	1,671	1,631	1,789
\$500,000 -> \$600,000	1,991	1,941	2,138
\$600,000 -> \$700,000	2,239	2,181	2,409
\$700,000 -> \$800,000	2,540	2,474	2,738
\$800,000 -> \$900,000	2,827	2,751	3,050
\$900,000 -> \$1,000,000	3,148	3,063	3,401
\$1,000,000 +	4,988	4,845	5,409

Mining			
	Base	Scenario 1	Scenario 2
Rateable Value	Average 2018/19 \$	Average 2019/20 \$	Average 2019/20 \$
\$0 -> \$100,000	13,781	13,691	14,049
\$100,000 -> \$200,000	27,964	27,530	29,251
\$200,000 -> \$300,000	30,652	30,153	32,131
\$800,000 -> \$900,000	92,911	90,904	98,860
\$1,000,000 +	259,142	253,110	277,026

What if I have difficulties in paying my rates?

Council acknowledges that any rate increase may adversely impact some community members. Council has mechanisms in place to assist ratepayers should they incur difficulty in keeping up with their rates payments, including a Financial Hardship Policy, Policy 8.1. Visit <http://council.lithgow.com/policies1/> for more information.

Where can I find more information about rates?

You can learn more about rates on the Office of Local Government website:

- www.olg.nsw.gov.au/content/rates-and-charges-frequently-asked-question

LITHGOW

AT A GLANCE



45 is our Median Age



9% of residents were born overseas



5.7% of residents are Aboriginal and Torres Strait Islander decent



20% of the population are older couples without children



23% of the population are couples with children

AREA: 4,567KM²

POPULATION: 21,524 ERP 2016

POPULATION DENSITY:
0.5 PERSONS PER HECTARE

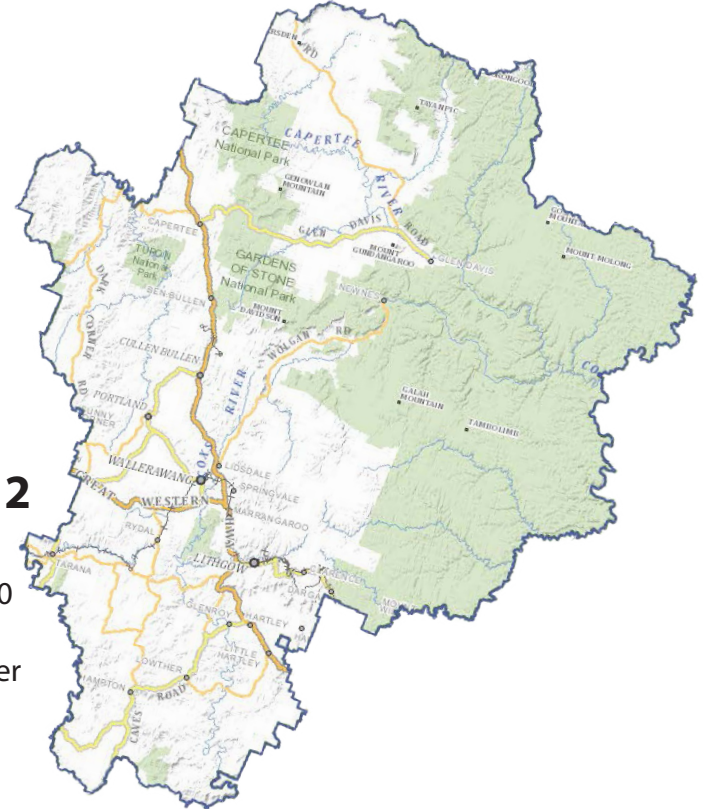
YOUR council



Employs **185.12** FTE which equals

8.5 FTE per 1,000 residents. Total employee costs per 1,000 residents is

A\$749k



3% of residents speak a language other than english at home

\$1.24 billion

GROSS REGIONAL PRODUCT



10 Primary Schools

2 High Schools

1 Central School

Plus

1 TAFE &
2 Universities



2% of residents attend University



Median weekly household income is **\$987**



27% Households have a mortgage & the median weekly mortgage repayment is **\$324**



10% of housing is Medium and high density housing



23% of households are renting & the Median weekly rent is **\$231**

Mining is our largest industry



1,329 local businesses

9,038 local jobs

9,097 employed residents



8.41% Unemployment



Proposed Special Rate Variation Fact Sheet



Proposed Special Rate Variation

Why is Council Considering Increase in rates?

The following actions have commenced to improve service delivery, cut costs and reduce reliance on rates revenue:

- Implementation of a range of initiatives to generate operational efficiencies.
- Review of fees and charges to optimise revenue.
- Service reviews to determine affordable levels of service (to commence in 2018/19).
- Implementation of asset management and financial management improvement plans.
- Applications for grants and seek corporate sponsorship.

The improvement initiatives and service adjustments have helped to reduce the planned operating deficit (before capital) in the 2018/19 Operational Plan.

For Council to improve its financial sustainability, fund infrastructure renewals and fund asset maintenance it will be necessary to apply for a Special Rate Variation (SRV) of 9% to commence in 2019/20. This will extend the current SRV of 4.77% (which ends in 2018/19) with an increase of 4.23%.

The only alternative to an SRV application is to make further cuts to services to deliver a balanced operating result (before capital), consistent with 'Fit for the Future' requirements.

We need to ensure Council is 'Fit for the Future'. The NSW State Government established its 'Fit for the Future' Program in 2014, where it asked all councils in NSW to identify how they would comply with a range of financial criteria to demonstrate that the council was financially sustainable, efficient and was managing its assets.

On 6 December 2016, Council received a 'Notice of intention to issue a Performance Improvement Order to Lithgow City Council under Section 438A of the Local Government Act 1993' from the Minister for Local Government.

The Minister identified the following reasons for issuing the Notice:

- The reassessment of Council's 'Fit for the Future' (FFTF) proposal by the Office of Local Government identified a failure by Council to follow the principles of sound financial management with respect to ensuring that Council's forecast spending is responsible, sustainable, aligning general revenue and expenses.
- Council had reported annual deficits in its financial statements over the past five financial years, and consistently forecasted deficits in its Long Term Financial Plan (LTFP) for the next ten years until 2024-2025.
- Council's FFTF reassessment proposal forecast to meet the financial sustainability criteria relied heavily on two proposed Special Rate Variations (SRV's). Council did not have a documented strategy to meet its forecast operating performance ratio to ensure its long term financial sustainability which did not include a SRV.
- Following IPART's determination that Council is 'not fit', Council did not provide substantive evidence of strategies implemented since the IPART review to move Council towards long term financial sustainability.
- Following re-assessment by the Office of Local Government against the IPART Criteria, it was identified that financial sustainability ratios forecast in Council's FFTF reassessment submission (General Fund) did not align with the ratios forecast in Council's LTFP (Consolidated Fund).

In response, Council engaged the services of specialist consultants, Morrison Low to develop a Performance Improvement Plan that would position Council for a sustainable future by:

- Reviewing and developing Council's Long Term Financial Plan (LTFP) to incorporate a Fit for the Future Improvement Plan and strategies.
- Reviewing Council's Asset Management Plan and Special Schedule 7.

- Preparing a Financial Management Maturity Assessment to understand Council's Financial Management Maturity Status and developing an Improvement Plan with specific priority actions.

This work was completed as part of Council's Integrated Planning and Reporting Framework (IP&R) and the actions identified support the following objective in the Community Strategic Plan 2030:

- GL2 – Moving towards a sustainable Council.

The work undertaken by Morrison Low to position Council for a sustainable future provides a range of long term benefits and value for Council and the community in the form of:

- A robust financial plan with improvement options for longer term sustainability.
- An opportunity for Council to provide improved services to the community.
- Good practice financial management governance, procedures and process.
- It satisfies the additional Integrated Planning and Reporting requirement for the Asset Management Plan and asset service levels.
- Building confidence in the community that Council is financially sustainable to deliver on the Community Strategic Plan outcomes, key programs and projects.
- Meeting all statutory obligations and being in a position to maintain stewardship of the community's resources.
- Ensuring transparent annual planning and reporting processes through the IP&R Framework which shows the implementation of the Performance Improvement Plan.

Morrison Low have identified in the Financial Management Maturity Assessment and the Long Term Financial Plan 2017-2027 the following actions which will impact both Council and the Community but are crucial to ensuring that Lithgow Council is 'Fit for the Future'. They are:

1. The development of a Service Review Framework. And
2. To apply for a new permanent Special Rate Variation of 9% from 2019/20.

Lithgow Council, in responding to this program, as well as identifying efficiency measures, proposes to apply to replace the existing infrastructure special rate variation (SRV) of 4.77% when it expires. In the 2017-27 LTFP scenario, a replacement SRV was planned to commence in 2019/20. It is proposed to proceed with an application for a replacement SRV to commence in 2019/20, following the expiry of the current SRV.

If Council is successful in its application for a new permanent SRV of 9% to commence in 2019/20, together with the ongoing improvement measures included in the LTFP, Council will be assured of its financial sustainability and will be able to meet all of the Fit for the Future (FFTF) ratios over the 10 year term of the LTFP. The proposed SRV represents the continuation of the existing 4.77% SRV together with a further 4.23%. The ongoing identification of organisational efficiencies, cost savings and maximisation of revenue will assist Council to overcome its financial sustainability challenges with the lowest possible impact on ratepayers.

The preferred scenario is that Council seeks an SRV of 9% when the existing SRV for infrastructure improvements expires at the end of 2018/19. The new SRV in 2019/20 will mean an additional increase of 4.23% for ratepayers at that time. This, when combined with other improvement measures, enables Council to operate with a small surplus which provides additional cash resources to help fund extra infrastructure renewals. These financial results make the Council 'fit' in accordance with the Office of Local Government guidelines. In the LTFP Scenario, Council is able to meet the operating performance ratio from 2019/20 onwards. Council will closely monitor its operating result and amend the timing of FFTF Improvement Plan actions to ensure an operating surplus is retained. This means that Council will continue to operate largely within its existing funding levels and implement a number of improvement initiatives, including service reviews, to ensure ratepayers receive an agreed affordable level of service and that the services are provided in an efficient and cost effective manner.

While the LTFP Scenario does mean that Council will seek another SRV of 9% from 2019/20, the actual impact on ratepayers is only an additional 4.23%. If there was no approved SRV in 2019/20, ratepayers could expect a fall in their rates of 4.77%. Without a new SRV, the rate peg (which was 2.3% for 2018/19) would be applied to the lower rate

base resulting in a net decrease in rates of approximately 2.47%. In the SRV Scenario, 2019/20 ratepayers will receive a further 4.23% increase in that year.

Another benefit of the LTFP Scenario is that the cash reserve balance for the general fund trends upwards from 2023. This places Council in a sound cash position with ongoing capacity to fund asset renewals.

It is proposed that the extra rate income is to be expended on increased infrastructure renewal works for items such as road and drainage reconstruction, the replacement of playground equipment and sports ground facilities, and building maintenance. Council has an extensive asset renewal program and the additional income means that our existing infrastructure will be renewed in a timelier manner and there is less likelihood of those assets deteriorating over time. The SRV may also be used for improvement initiatives that will provide long-term savings.

What is asset renewal?

Council is responsible for the management of over \$750,000 worth of assets (gross carrying value at 30 June 2017). These assets deteriorate at varying rates dependent on their use and construction type. If assets are not renewed in a timely manner we are faced with increased maintenance expenditure and the service level we provide to the community can also decrease. For example, we all prefer to drive on smooth roads rather than ones full of potholes.

For the purposes of this special variation we are aiming to improve the rate at which we renew our key infrastructure classes of roads, stormwater, community buildings, open spaces, playgrounds and sports fields. We currently have annual budgets for the renewal of these items but unfortunately the rate of renewal is proving to be insufficient to allow us to maintain or improve current standards. The additional revenue from the special rate variation will help us to maintain current standards and improve those standards over time.

What percentage increase are we talking about?

Councils in NSW are subject to rate pegging. This means that the NSW Government only allows councils to increase rates by a set percentage every year. This is determined by the NSW Independent Pricing and Regulatory Tribunal (IPART) on behalf of the State Government. If a council wants to increase the total rate income by more than the set percentage it must apply to IPART. IPART then determines whether an application should be approved. IPART has advised that the standard rate peg for all councils is 2.3% for 2018/19.

We are seeking to apply for an SRV of 9% to commence in 2019/20. This will extend the current SRV of 4.77% (which ends in 2018/19) with an increase of 4.23%. This income would be a one-off permanent increase.

Where have previous rate rises been invested?

Council applies for special rate variations to deliver projects that are above and beyond normal maintenance and service programs. Special rate variations are generally invested in projects and services that would not normally go ahead without the increased revenue that Council receives from the rate increase.

The existing 4.77% SRV expires in 2018/19 and was applied to improvement works for roads throughout the LGA, Lithgow and Portland lanes and community buildings. The following table shows projects for 2017/18 and 2018/19 that have been fully or partly funded by this special rate variation.

Proposed Infrastructure Levy: Special Rate Variation

s508 (2) of the Local Government Act 1993

Improve the condition of the following roads, streets & lanes.	2017/18	2018/19	Measurement	Reporting
Roads	\$	\$		
Cripps Avenue, Wallerawang	50,000		Road works completed.	Report 'on-the-ground' works undertaken in the Quarterly Progress Report and Annual Report.
Carlton Road, Portland	50,000			
Lyon Parade, & Hume Avenue, Wallerawang	81,318			
Cullenbenbong Road, Kanimbla	50,000			
Ellen Close, Portland	40,000			
Valley Drive, Lithgow	50,000			
Brays Lane, Wallerawang	65,000			
Forty Bends Road, South Bowenfels		176,390		
Bathurst Street, Wallerawang		75,500		
Lett Street, Portland		36,865		
Improve the condition of the following roads, streets & lanes.	2017/18	2018/19	Measurement	Reporting
Lithgow/Portland Lanes	\$	\$		
Ivatt Street Lane, Lithgow	20,000		Road works completed.	Report 'on-the-ground' works undertaken in the Quarterly Progress Report and Annual Report.
Tank/Union Lane, Lithgow	20,000			
Williwa Lane (CBD), Portland	12,000			
Jamison/High Lane, Portland	\$15,000			
Langbein Lane, Portland	\$25,000			

Proposed Infrastructure Levy: Special Rate Variation

s508 (2) of the Local Government Act 1993

Improve the condition of the following roads, streets & lanes.	2017/18	2018/19	Measurement	Reporting
Bate/Piper Lane, Portland	19,000			
Falnash/Ilford Lane, Portland	19,000	15,500		
Commonwealth/Portland Lane, Portland		35,500		
Williwa/Commonwealth Lane, Portland		40,500		
Total Road Improvements	496,318	380,255		
Improvement works to the following buildings: .	2017/18	2018/19	Measurement	Reporting
Buildings	\$	\$	Improvement works completed.	Report on works completed in the Quarterly Progress Report and Annual Report.
Mick Moore Pavilion	30,000			
LINC Grease Trap	20,000			
Kremer Park Toilets	100,000			
Daintree Lane Toilets	150,000			
General Asset Building Maintenance	7,217	71,110		
Total Building Improvements	307,217	71,110		
TOTAL EXPENDITURE SPECIAL RATE	803,536	451,365		

What happens if this proposal doesn't succeed?

Over time, the current condition of our key infrastructure such as roads, community buildings and playgrounds will deteriorate to a level that will result in operational inefficiencies and increased maintenance expenditure.

Eventually, there will be poorer levels of service, and a backlog of work to improve our assets. Unless we proactively increase funding now, we will be leaving future generations with significant liabilities. Lithgow City Council has always focused resources on the careful management of our assets, and we want to ensure this continues into the future by having an adequate revenue base to fund asset renewal.

The proposed SRV represents the continuation of the existing 4.77% SRV together with a further 4.23% to ensure Council becomes financially sustainable by meeting all of the Fit for the Future benchmarks by the end of the LTFP period. The impact of the proposed SRV on rates is summarised in the table below:

Table 1: Proposed SRV Impact on Rates

ANNUAL RATE INCREASE (%)	2019/20	2020/21	2020/22
Rate Peg (estimate)	2.5%	2.5%	2.5%
Additional Special Rate Variation	6.5%		
Total Annual Increase	9.0%	2.5%	2.5%
* Expiring Special Rate Variation	-4.77%		
Net Impact on Rates	4.23%	2.5%	2.5%

* If there was no additional Special Rate Variation in 2019/20, ratepayers would experience a 4.77% decrease in rates, then the rate peg would be applied.

As detailed in the adopted LTFP, without an SRV the Council “is not able to generate an operating surplus nor achieve the Operating Performance Ratio. The backlog ratio has not improved significantly and does not achieve the target.” (LTFP Scenario 2 – p23). Operating costs are rising faster than the Council’s ability to generate operating revenue. The only alternative to an SRV application is to make further cuts to services to deliver a balanced operating result (before capital), consistent with Fit for the Future requirements. Any future service reductions would occur in consultation with the community.

What is the Rate Peg?

Councils in NSW are subject to rate pegging. This means the NSW Government only allows councils to increase rates by a set percentage every year. This is determined by the NSW Independent Pricing and Regulatory Tribunal (IPART) on behalf of the State Government.

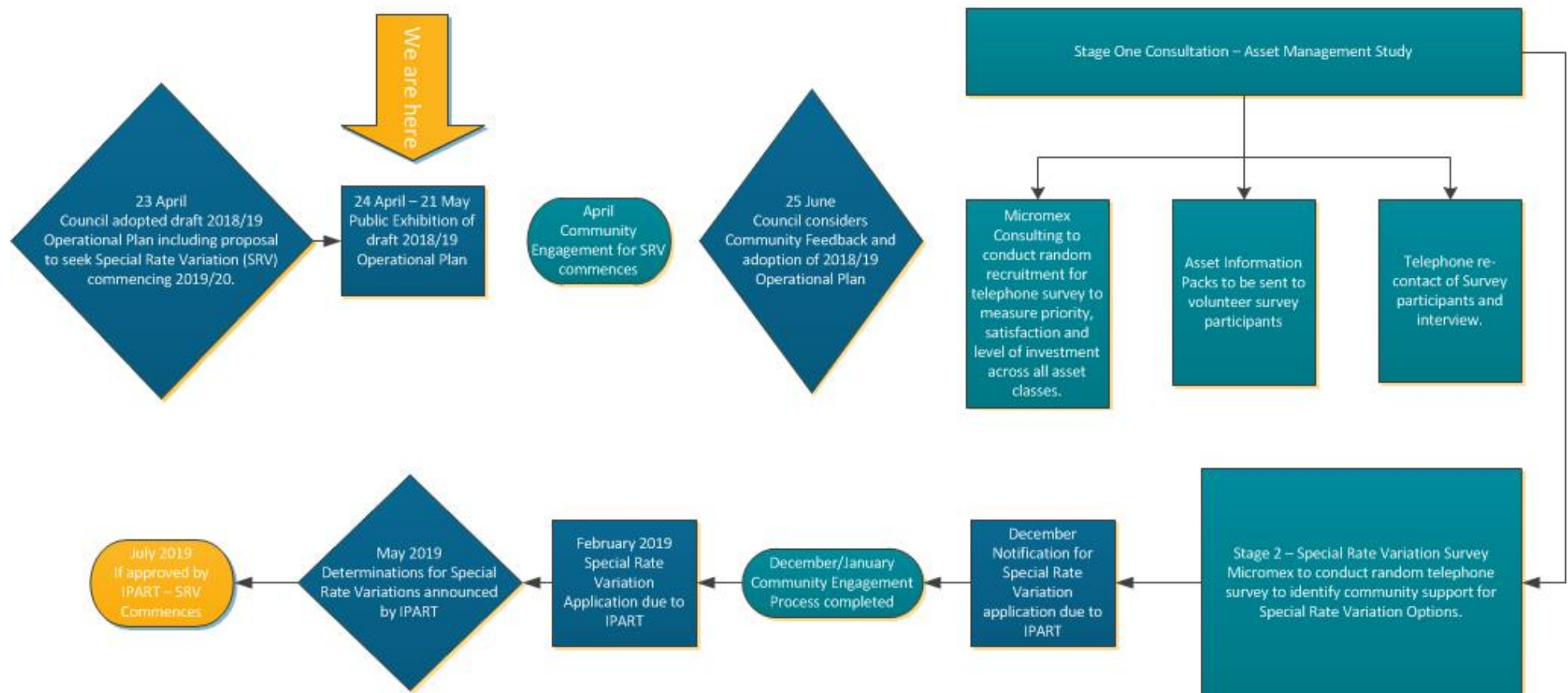
If a Council wants to increase the total rate income by more than the set percentage it must apply to IPART. IPART then determines whether an application should be approved. IPART has advised that the standard rate peg for all NSW councils is 2.3% for 2018/19.

What is the next step?

Council has engaged Micromex Consulting to develop an Asset Management Study. Members of the community will be randomly contacted from across the Local Government Area to be involved in the study which will measure your priority and satisfaction with Council’s assets along with what you feel should be Council’s level of investment on asset groups.

We will then, undertake an assessment of the data collected to identify what areas you feel should be included in the Special Rate Variation (SRV). A second, random telephone survey will then be conducted to identify community support for the SRV. Council is required to notify IPART of its intention to submit an application in December 2018. The final application will be submitted in February 2019 for assessment by IPART. See the attached Proposed Special Rate Variation Process Chart.

PROPOSED SPECIAL RATE VARIATION PROCESS

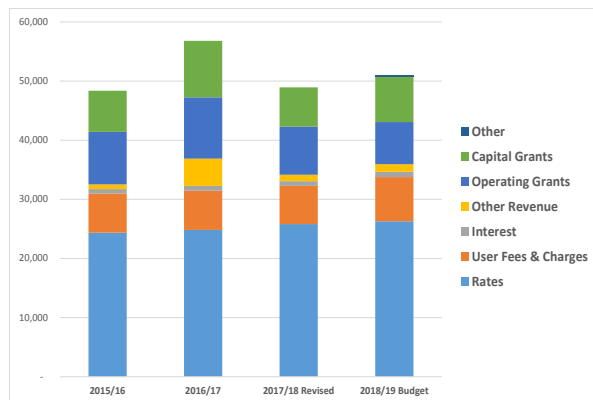


BUDGETING FOR OUR FUTURE

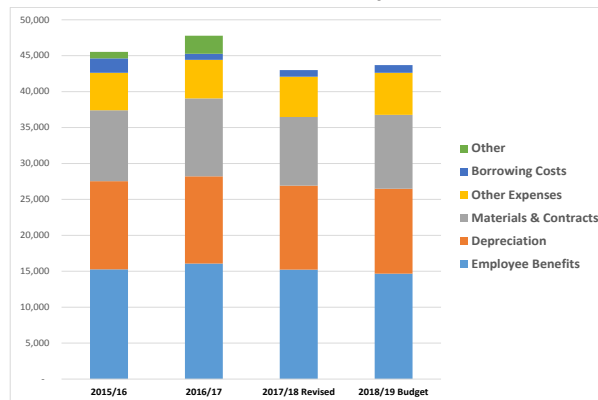
"Council needs to learn to function within their budget just as every other business and individual does. They can't keep seeking extraordinary rises every few years because of their inability to operate within the constraints of their income"

Source: Community Comment - Facebook - April 2018

2015/16 - 2018/19 Revenue



2015/16-2018/19 Expenditure



Council costs are rising faster than revenue

From 2015/16 to 2016/17, employment costs, materials & contracts and other expenses all increased by more than the CPI. The rate peg for 2016/17 was set at 1.8%, limiting Council's ability to cover cost increases and fund services. In addition to this Council is also impacted by cost shifting from other tiers of government.

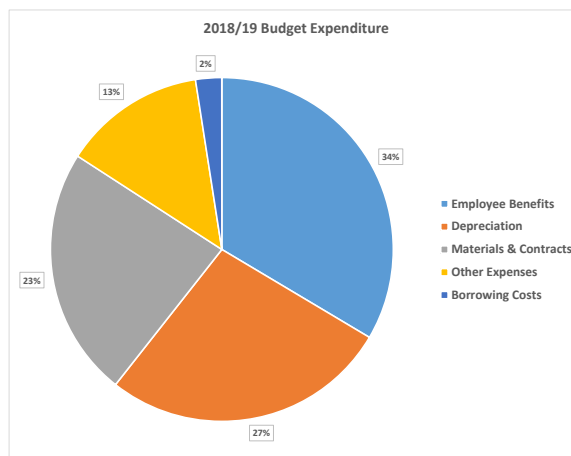
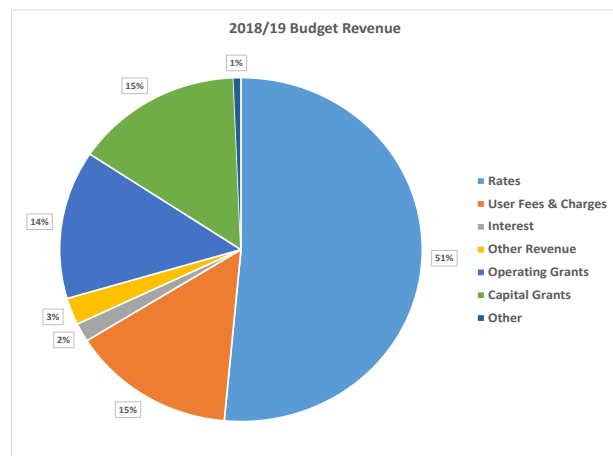
Where does Council get its money from and how is it expended?

The graphs below show the sources of Council's revenue and how it is expended.

External Revenue: Rates, Charges, interest, grants, net gain disposal of assets.

Capital Income: Grants for capital, loans raised.

Other Income: internal transfers to plant utilisation, service delivery and transfers from reserves.



AREA: 4,567KM²

POPULATION: 21,524 ERP 2016

POPULATION DENSITY:

0.5 PERSONS PER HECTARE

**YOUR
council**



Employs **185.12** FTE which equals **8.5** FTE per 1,000 residents (which is less than the average for medium sized Council's similar to Lithgow of 8.9 FTE per 1000 residents). Total employee costs per 1,000 residents is **A\$749k.**

Council is responsible for maintaining

Administration Centre	2 prescribed dams	30,514m sewer rising mains
Eskbank House Museum	1 water treatment plant	956km of urban, rural sealed, regional and unsealed roads
Lithgow VIC	9 water reservoirs	32 concrete bridges
JM Robson Aquatic Centre	3 water pump stations	10 timber bridges
3 Libraries	242,671m water mains	11 Sports fields
14 commercial buildings	8,326 consumers connected to potable water	44 parks and reserves
24 public toilets	3 sewerage treatment plants	3 picnic areas and BBQ's
81 bus shelters	34 sewer pump stations	One 32 hectare golf course
24 community buildings including public halls	7,715 sewerage service connections	Garden maintenance and weekly mowing of 213 hectares of open space (that's 213 soccer fields)
2 Depots	146,035m gravity sewer	
1 Animal Shelter	14,965m sewer trunk mains	

Sources: <http://council.lithgow.com/community-profile>
Local Government Performance Excellence Program FY17 Report (Dec 2017).
Lithgow City Council Audited Financial Statements

