

COUNCIL REPORTS AND RESOLUTIONS IN REGARD TO THE SPECIAL RATE VARIATION PROCESS.

OCTOBER 2014 ORDINARY MEETING OF COUNCIL

4. SPECIAL RATE VARIATION FOR 2015/2016 AND 2016/2017

(File No. 91.349)

Introduction

Several years ago Council resolved not to take up the recommended rate “catch ups” amounting to \$525,000 over four years and this has effectively reduced the yearly income that could have been received from rates now and in the future.

It is suggested that a Special Rate Variation (SRV) be sought over the next two financial years in an attempt to rectify this situation and assist with Council’s future long term financial viability.

Background

The Office of Local Government determines if there is any available catch-up or excess in a specific year. A catch-up and the circumstances under which it occurs is outlined in the Local Government Act 1993 Section 511 as –

Catching up of shortfall in general income

- (1) *If the rates and charges made by a council for a year that produce its general income produce an amount of general income that is less than the maximum amount permissible under section 509 for that year because the council did not apply a full percentage increase applicable to it under section 506, 508 (2) or 508A for the year for which the rates and charges were made, the council may make rates and charges for either or both of the next 2 years after the year for which the shortfall occurred so as to produce the maximum amount so permissible of the general income plus the whole or any part of the shortfall.*
- (2) *An amount of a shortfall caught up in accordance with this section may be caught up once only.*

The history of the foregone income is as follows –

2007/08 Rating year	\$288,707
2008/09 Rating year	\$143,917
2009/10 Rating year	\$ 89,025
2010/11 Rating year	\$ <u> 6</u>
Total foregone	<u>\$521,655</u>

The cumulative effect of not taking up this income to date is approximately \$3M.

Issues

Each year when the Long Term Financial Plan is compiled it is very evident that expenses are increasing at a greater percentage rate than income. In some years the rate peg matches the CPI increases however it is not unusual for the CPI increase to be higher than the rate peg. This means in these years that our overall income is not matching what we expend.

In completing Council's latest Long Term Financial Plan (LTFP), the figures were worked on a static workforce with no additional employees being added to the workforce and decreased depreciation due to the new Asset Management System working on correct residuals and revised remaining useful lives.

The resulting LTFP forecasts a return to surplus outcomes in 2017/2018 however this forecast was done before the Federal Government announced that there would be a freeze put on the Federal Assistance Grant (FAG) that Council receives yearly. Over the ten year period of the LTFP this effectively means Council will lose out on \$3,530,000 of grant income which will have to be recouped from other sources. **Attachment 5** includes a copy of Council's latest revised LTFP, a revised plan showing the loss of FAGs income, a revised plan with a 2.5% SRV and a revised plan with a 3.5% SRV.

It is suggested that Council look at applying for a Special Rate Variation over the next two financial years. This will not be an easy task given that former Councils have declined recommended rating catch ups in previous years and also the amount of work involved in the lead up to submitting an application not to mention the amount of work needed to fill all of the requirements of the application. Also an extensive amount of community consultation is required and hopefully some support for an increase would be garnered from the community during this process.

In March 2012, the Minister for Local Government established an independent Local Government Review Panel to develop options to improve the strength and effectiveness of local government in NSW. The Panel was also to assess the sustainability of each Local Government Area. The main findings of the assessment for local government were –

- Operating deficits are unsustainable
- Sustainability is deteriorating
- Consultation with the community is required
- Need to prevent further deterioration
- Asset management planning is improving
- An asset maintenance gap exists
- Regional performance varies
- Population density is a key factor
- Depreciation rates and expenses, and methodologies vary across Councils
- Liquidity levels in Councils are generally considered to be acceptable and in some cases overly conservative
- Management of cash reserves and invested funds

- Whilst the reported Infrastructure Backlog across all Councils as at 30 June 2012 has decreased marginally to \$7.2b, these numbers are not audited and required further refinement
- Long term financial planning is improving but further work needs to be done
- The transparency of the rate setting process is improving as IPART continues its work in this area
- There are a small number of Councils increasing their charges at rates lower than CPI
- Major projects expertise and resources available to Councils need to be considered before committing to projects
- Debt is underutilised and there are opportunities for it to be structured in a more cost effective manner

Note – For the sake of brevity not all of the findings were listed above.

TCORPs recommendations to correct these problems were –

- At least breakeven operating positions are essential
- Rate increases must meet underlying costs
- Asset management planning must be prioritised
- Improved use of restricted funds
- Increased use of debt
- Consideration should be given to providing Councils with a standard set of economic and financial assumptions to be used in preparing their LTFP
- Further development and analysis of the benchmarking data and methodologies is required
- Councils should arrange for a regular independent review of their financial position to be undertaken
- Treasury management policies need to be reviewed to improve Council management of liquidity
- A full analysis of the depreciation and AMP methods being used be conducted to ensure that Councils are depreciating assets in an accurate and consistent manner

Council staff have been working on addressing a lot of these issues over the past two years. A substantial amount of work has gone into asset management and an Asset Management System has been purchased which has shown vast improvements in the depreciation methodology used and accurate figures are now being produced. A lot of work has also gone into the budget process in an endeavour to reduce deficits and work on future sustainability. An increase in rates income would certainly assist in this area.

The Asset Management Team carried out an extensive consultation with the community on its roads infrastructure backlog and recommendations were brought back to Council on how to best reduce this backlog. At the council meeting on the 11th December 2013 it was resolved to apply for the Local Infrastructure Renewal Subsidy (LIRS) which assists with interest on loans obtained for road works. The planned work amounts to \$3M worth of road upgrades over two years. Council is still waiting to see if its application was successful however the additional income raised from a SRV could be used to offset the interest and redemption payments if the LIRS application was successful.

The remaining income would be used to address some of the other infrastructure backlog as outlined in this year's Financial Statements – Special Schedule 7 on pages 17 and 18 and improve Council's financial sustainability.

Assessment

(a) *Legal Implications Including Directives and Guidelines*

Local Government Act 1993

(b) *Financial Implications/Considerations*

Address TCORPs concerns over Council's Future Sustainability and assist in the reduction of Council's Infrastructure Backlog.

(c) *Strategic Implications – Implications For Long Term Plans/Targets*

Address TCORPs concerns over Council's Future Sustainability, assist in the reduction of Council's Infrastructure Backlog and assist with the "Fit for the Future" roadmap assessment.

Summary

Council's potential income over the next ten years has decreased by approximately \$3.5M due to the Federal Government's decision to not apply CPI increases to its Federal Assistance Grant for the next four years. Applying for a SRV would assist Council to recoup some of this loss and also reduce its operating deficits as per TCORPs recommendations.

Keeping in mind community affordability it is suggested that a variation be sought along the lines of 2.5% to 3.5% each year on top of the normal rate peg for two years in a row. The rate cap for each year has been kept at 2.3% for this exercise. It is also suggested that the increase remain permanently in the rate base thereafter. The effect of this increase on a selection of rate payers is shown in **Attachment 6**. Because of the amount of work this exercise takes, only the results of the 3.5% increase are shown. The approximate increase in **net** income over the two years would be –

	2.5%	3.5%
2015/16	124,000	174,000
2016/17	131,000	184,000

The net cumulative effect over nine years is approximately \$1.98M if a 2.5% increase is approved and \$2.5M if a 3.5% increase is approved.

If Council commits itself to applying for this variation, it is proposed that a comprehensive community engagement program be developed to consult on funding increases as well as on service provision in the medium to long term. This program would entail meetings, surveys, online rating tools (use of a rates calculator on Council's website to assist the community to assess the impact on their rates), advertisements and newsletters.

It would also mean that the IP&R documents would have to be revised and put out on public exhibition again and can be done as part of Council's roadmap as a "Fit for the Future" rural council.

In applying for a SRV it has to be shown that Council has looked at a range of alternatives before it goes down this path, such as –

- A reduction in services provided (eg reduced mowing of parks, review service levels etc)
- A review of the staff structure – are staff numbers sufficient for the work proposed or is Council over staffed, or can less important functions be deleted?
- A review of Fees and Charges – is Council recouping the cost of providing services?
- Asset rationalisation and a review of asset management – Could some assets be sold off etc?

In regard to the new reform package from the Office of Local Government mentioned above, its aim is to strengthen communities and ensuring councils are "Fit for the Future". Councils are being asked to submit a proposal by 30 June 2015 demonstrating how they will become and remain sustainable, provide effective and efficient services, and meet the needs of their communities into the future. The guidelines and assessment tools are being prepared now and will be issued to Councils in late October. In the discussions held recently at regional level with local Mayors and General Managers, it was revealed that there could possibly be a shift in allocation of FAGS money between city and country (with more being allocated to country areas), possible increases in road grant funding and reduced interest rates if a treasury facility was developed for use by local and state government bodies. If these developments go ahead, then Council may not have to apply for a SRV at all. It therefore raises the question of whether it would be best to address this issue of a SRV after Council receives more information on these new proposals, however time is a real problem as applications for SRVs usually close around the last week in February each year.

Unfortunately this leaves Council between a rock and a hard place – apply for a SRV now and receive approval from IPART **and** possibly receive the additional funding from FAG/other road grants or not to apply for a SRV and possibly not receive any additional funding from the state or federal governments. Thus leaving us with a far weaker case for the "Fit for the Future" roadmap assessment which is to be carried out by the Independent Panel.

If Council does support the idea of applying for a SRV, given the amount of work involved in preparing the documentation (both the revised IP&R and SRV application) and the amount of community consultation required, it is suggested that a consultant be hired to run the process.

Of course this will require an allocation of funds to do so however there are reserves under an "Organisational Review" vote that could be utilised.

RECOMMENDATION

For Council's consideration.

RESOLUTION

SPECIAL RATE VARIATION FOR 2015/2016 AND 2016/2017 (File No. 91.349) RESOLVED

Crs Lambert/Truscott that Council apply for a rate variation of 3.5% for the 2015/2016 and 2016/17 financial years. **2014/327**

It was noted that Council would receive a further report on the level of assistance required in view of the additional work involved to apply for the SRV, as well as the cost and funding source.

3. SPECIAL RATE VARIATION FOR 2015/2016 AND 2016/2017

(File No. 91.349)

Introduction

At its meeting on the 8th October 2014, Council resolved to apply for a Special Rate Variation (SRV) of 3.5% for the 2015/16 and 2016/17 financial years. It was also noted at that meeting that Council would receive a further report on the level of assistance required in view of the additional work involved in applying for the SRV, as well as the cost and funding source.

A discussion was held with an officer from the Independent Pricing and Regulatory Tribunal (IPART) to ascertain exactly what was required to complete the process. The officer expressed his surprise that Council was starting this process so late in the year with applications closing in February 2015. It is usual to start in March/April each year as the community engagement process has to ensure opportunity for community awareness of the need for and extent of a rate rise and for input back from the community on the increase.

The complete process must include –

- a) Proposed Delivery Program incorporating the proposed rate increase
- b) Revised Long Term Financial Plans showing –
 - Baseline scenario – Showing revenue and expenditure forecasts which reflect the business as usual (excludes the SRV)
 - Special variation scenario – Showing the result with the SRV in full
- c) Evidence that the community is aware of the need for and extent of a rate rise. This must be clearly spelt out in the IP&R documents and Council must demonstrate an appropriate variety of engagement methods to ensure opportunity for community awareness/input. The IP&R documents should canvass alternatives to a rate rise, the impact of any rises upon the community and Council's consideration of the community's capacity and willingness to pay rates. The IP&R documents must be approved and adopted by Council before it seeks IPART's approval for a SRV.
- d) Submit application to IPART who will assess each one on its merits. In doing so IPART will consider –
 - The size and resources of Council
 - The size (both actual \$ and %) of the increase requested
 - Current rate levels and previous rate rises
 - The purpose of the special variation; and
 - Any other matter considered relevant in assessing a SRV

Background

Each year when the Long Term Financial Plan is compiled it is very evident that expenses are increasing at a greater percentage rate than income. In some years

the rate peg matches the CPI increases however it is not unusual for the CPI increase to be higher than the rate peg. This means in these years that our overall income is not matching what we expend.

A lot of work has also gone into the budget process in an endeavour to reduce deficits and work on future sustainability however an increase in rates income would certainly assist in this area.

Council's potential income over the next ten years has decreased by approximately \$3.5M due to the Federal Government's decision to not apply CPI increases to its Federal Assistance Grant for the next four years. Applying for a SRV would assist Council to recoup some of this loss and also reduce its operating deficits as per TCORPs recommendations.

Keeping in mind community affordability it is suggested that a variation be sought along the lines of 2.5% to 3.5% each year on top of the normal rate peg for two years in a row. It is also suggested that the increase remain permanently in the rate base thereafter.

The Asset Management Team carried out an extensive consultation with the community on its roads infrastructure backlog and recommendations were brought back to Council on how to best reduce this backlog. At the council meeting on the 11th December 2013 it was resolved to apply for the Local Infrastructure Renewal Subsidy (LIRS) which assists with interest on loans obtained for road works. The planned work amounts to \$3M worth of road upgrades over two years. Council has been advised that its application was successful so the additional income raised from a SRV could be used to offset the interest and redemption payments.

The remaining income would be used to address some of the other infrastructure backlog as outlined in this year's Financial Statements – Special Schedule 7 on pages 17 and 18 and improve Council's financial sustainability.

Assessment

(a) *Legal Implications Including Directives and Guidelines*

Local Government Act 1993

(b) *Financial Implications/Considerations*

Address TCORPs concerns over Council's Future Sustainability and assist in the reduction of Council's Infrastructure Backlog.

(c) *Strategic Implications – Implications For Long Term Plans/Targets*

Address TCORPs concerns over Council's Future Sustainability, assist in the reduction of Council's Infrastructure Backlog and assist with the "Fit for the Future" roadmap assessment.

Summary

To assist with the SRV, Local Government Appointments were engaged to see if they had any experienced personnel on their books who Council could appoint to assist with the process. Several names were put forward and after careful scrutiny

of their work history and experience with SRVs, Ms Elisabeth Brown was hired and commenced work on the 3rd November. The cost to Council for a six week appointment is approximately \$39,000 and includes flights, accommodation and LO-GO fees. Reserves put aside for organisation restructure will be used to fund the appointment.

The first task was the revised Delivery Program which shows Council will be seeking an SRV and this is presented to Council as **Attachment 1**.

The second task is the Long Term Financial Plans (LTFP) and drafts of these were presented to Council at its last meeting however further work was required as part of IPART's conditions. Further revision of these has been completed and they are presented to Council under separate cover, showing a baseline scenario and the special variation scenario. As the final figures for the 2013/2014 financial year have been completed and audited, these have now been used as the base for the new LTFPs.

Council must also look at alternatives to a rate rise such as -

- A reduction in services provided (eg reduced mowing of parks, review service levels etc)
- A review of the staff structure – are staff numbers sufficient for the work proposed or is Council over staffed, or can less important functions be deleted?
- A review of Fees and Charges – is Council recouping the cost of providing services?
- Asset rationalisation and a review of asset management – Could some assets be sold off etc?

These reviews will be carried out over the next three to six weeks.

Council should note that the application process must be managed within a significantly tight timeframe to achieve consideration from IPART for approval of the Special Rate Variation for the 2015/16 and 2016/17 financial years.

After further discussions with IPART, any discussion of a rate increase must include the rate peg increase for the year. The representative from IPART suggested the use of a "typical" rate peg increase of 3% be used, thus combining this with the proposed rate increase of 3.5% brings the overall increase proposed to 6.5%.

In view of the constraints of this timeframe, a program for community consultation and associated newsletters, mail drops and information sessions will be arranged in conjunction with the exhibition period of the revised Delivery Program 2012-16 and Long Term Financial Plans.

Councillors are encouraged to liaise with the community and participate in the associated community information sessions. It is suggested that community meetings be held in Narromine and Trangie in early December 2014 and again in both towns in the first week in February 2015. This ensures that the maximum amount of ratepayers are in town and available to attend these meetings if they wish.

RECOMMENDATION

That Council adopt the revised Delivery Program 2012-2016 and revised Long Term Financial Plans and resolve to place them on public exhibition for 28 days.

RESOLUTION

SPECIAL RATE VARIATION FOR 2015/2016 AND 2016/2017 (File No. 91.349) RESOLVED

Crs Carney/McCutcheon that Council adopt the revised Delivery Program 2012-2016 and revised Long Term Financial Plans and resolve to place them on public exhibition for 28 days.

2014/365

1. SPECIAL RATE VARIATION

(File No 94.047)

Background

Council at its meeting on the 8th October, 2014 resolved to apply to IPART for a Special Rate Variation of 3.5% each year for two years commencing in 2015/16. A revised Delivery Program and Ten Year Financial Plan were drafted and put out on public submission. Ratepayers were sent a newsletter outlining Council's proposal and a survey was also included in the mail out. Community consultation has commenced throughout the shire.

Issues

The application to IPART is now being drafted and it is noticed that Council's resolution is not sufficient and needs to be redrafted.

Assessment

- (a) ***Legal Implications Including Directives and Guidelines***
Local Government Act 1993
- (b) ***Financial Implications/Considerations***
Address TCORPs concerns over Council's Future Sustainability and assist in the reduction of Council's Infrastructure Backlog.
- (c) ***Strategic Implications – Implications For Long Term Plans/Targets***
Address TCORPs concerns over Council's Future Sustainability, assist in the reduction of Council's Infrastructure Backlog and assist with the "Fit for the Future" roadmap assessment.

Summary

The resolution to apply for a Special Rate Variation needs to include the total percentage of the increase and note that it is permanent.

RECOMMENDATION

That Council resolve to notify IPART of its intention to apply for a Special Rate Variation of 6.5% for 2015/16 and 6.5% for 2016/17, inclusive of an estimated 3% rate peg each year and for the increase to be permanent.

RESOLUTION

RESOLVED Crs McCutcheon/Ellis that Council resolve to notify IPART of its intention to apply for a Special Rate Variation of 5.9% for 2015/16, made up of 2.4% rate peg increase and 3.5% increase; and 6.5% for 2016/17, made up of an estimated 3% rate peg increase and 3.5% increase, and for the increases to be permanent.

JANUARY 2015 ORDINARY MEETING OF COUNCIL

3. REVISED DELIVERY PROGRAM AND LONG TERM FINANCIAL PLAN (File 91.349)

Introduction

This report is presented to Council to endorse the revised Delivery Program 2012-2016 and Ten Year Long Term Financial Plan.

Background

At Council's Ordinary Meeting held on 12th November, 2014 Council resolved to adopt the revised Delivery Program and Long Term Financial Plan and place them on public exhibition for 28 days. The Long Term Financial Plan includes a consolidated plan with separate plans for the General, Water and Sewerage Funds. These were subsequently placed on Council's website and in Council's Column and Notes for the required 28 day period notifying the public and providing the opportunity for written submissions regarding these documents.

The public submission period closed at 5pm on Wednesday 24th December 2014. No written submissions on the documents were received.

A narration has been written to accompany the Long Term Financial Plan which outlines the effect of and the reasons for the Special Rate Variation application.

Assessment

(a) Legal Implications Including Directives and Guidelines

Local Government Act 1993

(b) Financial Implications/Considerations

Address TCORPs concerns over Council's Future Sustainability and assist in the reduction of Council's Infrastructure Backlog.

(c) Strategic Implications – Implications For Long Term Plans/Targets

Address TCORPs concerns over Council's Future Sustainability, assist in the reduction of Council's Infrastructure Backlog and assist with the "Fit for the Future" roadmap assessment.

Summary

Council resolved at its Ordinary Meeting held on 12th November 2014 to adopt the revised Delivery Program and Long Term Financial Plan. The Long Term Financial Plan includes a consolidated plan, and separate plans for the general, water and sewerage funds. The documents have been duly advertised and the submission period closed at 5pm on Wednesday 24th December, 2014. No written submissions on the draft documents were received. A narrative on the Special Rate Variation and its impact on the Long Term Financial Plan is included as **Attachment 1**.

RECOMMENDATION

That Council adopt –

1. The revised Narromine Shire Council Delivery Program 2012- 2016

2. The revised Narromine Shire Council Ten Year Long Term Financial Plan which includes the consolidated plan, with separate plans for the general, water and sewerage funds; and
3. The narrative which forms part of the Ten Year Long Term Financial Plan;
4. That the adopted versions be placed on Council's website and submitted with Council's Special Rate Variation application.

RESOLUTION

1. **RESOLVED** Crs McCutcheon/Lambert that Council adopt –
 1. The revised Narromine Shire Council Delivery Program 2012- 2016
 2. The revised Narromine Shire Council Ten Year Long Term Financial Plan which includes the consolidated plan, with separate plans for the general, water and sewerage funds; and
 3. The narrative which forms part of the Ten Year Long Term Financial Plan;
 4. That the adopted versions be placed on Council's website and submitted with Council's Special Rate Variation application.

2015/19

4. DRAFT HARDSHIP POLICY AND DRAFT DEBT RECOVERY POLICY

(File No 91.341)

Introduction

This report is presented to Council to endorse the proposed Rates Hardship Policy and Debt Recovery Policy.

Background

At Council's Ordinary Meeting held on 10th December, 2014 Council resolved to adopt the draft policies and place them on public exhibition for 28 days. These policies were subsequently placed on Council's website and in Council's Column and Notes for the required 28 day period notifying the public and providing the opportunity for written submissions regarding these policies.

The public submission period closed at 5pm on Friday 23rd January 2015. No written submissions on the draft policies were received.

Assessment

- (a) **Legal Implications Including Directives and Guidelines**
Local Government Act 1993
- (b) **Financial Implications/Considerations**
Loss of income depending on the amount of the waiver or write off.
- (c) **Strategic Implications – Implications For Long Term Plans/Targets**

Would not be significant amounts of money lost.

Summary

Council resolved at its Ordinary Meeting held on 10th December 2014 to adopt the Draft Hardship Policy and Draft Debt Recovery Policy. The policies have been duly advertised and the submission period closed at 5pm on Friday 23rd January, 2015. No written submissions on the draft policies were received. The policies are included as **Attachments 2 and 3**.

RECOMMENDATION

That Council adopt the Hardship Policy and the Debt Recovery Policy.

RESOLUTION

- 4. RESOLVED** Crs Lambert/Mack that Council adopt the Hardship Policy and the Debt Recovery Policy.

2015/20

5. SPECIAL RATE VARIATION PROPOSAL

(File 91.349)

Introduction

At its meeting on the 8th October 2014, Council resolved to apply for a Special Rate Variation (SRV) of 3.5% for the 2015/16 and 2016/17 financial years. The resolution from that October meeting (Resolution No 2014/327) is as follows –

08/10/2014 - SPECIAL RATE VARIATION FOR 2015/2016 AND 2016/2017 (File No. 91.349) RESOLVED Crs Lambert/Truscott that Council apply for a rate variation of 3.5% for the 2015/2016 and 2016/17 financial years.

2014/327

Subsequent resolutions were also made at the November 2014 and December 2014 meetings regarding the proposed Special Rate Variation –

12/11/2014 - SPECIAL RATE VARIATION FOR 2015/2016 AND 2016/2017 (File No. 91.349) RESOLVED Crs Carney/McCutcheon that Council adopt the revised Delivery Program 2012-2016 and revised Long Term Financial Plans and resolve to place them on public exhibition for 28 days.

2014/365

10/12/2014 - SPECIAL RATE VARIATION (File No. 94.047)

RESOLVED Crs McCutcheon/Ellis that Council resolve to notify IPART of its intention to apply for a Special Rate Variation of 5.9% for 2015/16, made up of 2.4% rate peg increase and 3.5% increase; and 6.5% for 2016/17, made up of an estimated 3% rate peg increase and 3.5% increase, and for the increases to be permanent.

2014/405

Public consultation has been held and extensive advertising has been carried out to inform the public of the reasons for the application. A survey has been sent out to the ratepayers along with two newsletters. Public submissions have also been called for on the proposal.

Background

Each year when the Long Term Financial Plan is compiled it is very evident that expenses are increasing at a greater percentage rate than income. In some years the rate peg matches the CPI increases however it is not unusual for the CPI increase to be higher than the rate peg. This means in these years that our overall income is not matching what we expend.

A lot of work has also gone into the budget process in an endeavour to reduce deficits and work on future sustainability however an increase in rates income would certainly assist in this area.

Council's potential income over the next ten years has decreased by approximately \$3.5M due to the Federal Government's decision to not apply CPI increases to its Federal Assistance Grant for the next four years. Applying for a SRV would assist Council to recoup some of this loss and also reduce its operating deficits as per TCORPs recommendations.

Keeping in mind community affordability it was suggested that a variation be sought along the lines of 2.5% to 3.5% each year on top of the normal rate peg for two years in a row. It was also suggested and agreed to by Council that the increase remain permanently in the rate base thereafter.

Issues

Since this process has started IPART have released the rate peg figure for 2015/16 as 2.4%. This means that the first year increase will be 5.9% made up of the 2.4% rate peg and the 3.5% additional increase. The second year increase remains at 6.5% made up of the typical rate peg increase of 3.0% and the additional increase of 3.5%. This effectively means an additional income of \$170,000 in the first year and an additional \$185,000 income in the second year. This has now been incorporated into our application to IPART for a Special Rate Variation.

Part 5.2 of the Application Form Part B states –

Consideration of affordability and the community's capacity and willingness to pay

The council is required to provide evidence through its IP&R processes, and in its application, of how it assessed the community's capacity and willingness to pay the proposed rate increases. This is to include an explanation of how the council established that the proposed rate rises are affordable for the community.

Evidence about capacity to pay could include a discussion of such indicators as SEIFA rankings, land values, average rates, disposable incomes, the outstanding rates ratio and rates as a proportion of household/business/farmland income and expenditure, and how these measures relate to those in comparable or neighbouring council areas.

As many of these measures are highly aggregated, it may also be useful to discuss other factors that could better explain the impact on ratepayers affected by the proposed rate increases, particularly if the impact varies across different categories of ratepayers.

Soon after our notice to apply for a Special Rate Variation was sent in to IPART, an email was received from the Western Research Institute informing Council that they had undertaken a number of studies for local councils providing evidence such as required in part 5.2 of the application to support SRV applications. A quote of \$9,000 was received for this service and subsequently accepted. The finance budget has a yearly consultancy allowance and this was utilised for the expense. A copy of their report is provided to Councillors as **Attachment 4**.

Assessment

(a) *Legal Implications Including Directives and Guidelines*

Local Government Act 1993

(b) *Financial Implications/Considerations*

Address TCORPs concerns over Council's Future Sustainability and assist in the reduction of Council's Infrastructure Backlog.

(c) *Strategic Implications – Implications For Long Term Plans/Targets*

Address TCORPs concerns over Council's Future Sustainability, assist in the reduction of Council's Infrastructure Backlog and assist with the "Fit for the Future" roadmap assessment.

Discussion/Comments

As part of the process, submissions were asked for from ratepayers on the proposal and copies of these are provided as **Attachment 5** with names and addresses obscured for privacy reasons. A summary of the results of the survey are also provided for Councillors as **Attachment 6** and a full report provided under **separate cover**. A copy of the draft application to APART will be provided to Councillors and the public upon completion and prior to the meeting.

There is a total of 23 councils throughout NSW that are applying for Special Rate Variations and a list of these councils with their percentage increases is provided as **Attachment 7** for Councillors information.

Summary

Council is now ready to submit its application to IPART. It is still only in draft format and Councillors may propose any preferred amendments/information for inclusion in the final application. This needs to be submitted by 16th February 2015. A further report will be brought back to Council following IPART's determination of applications, expected in May/June 2015.

RECOMMENDATION

1. That Council note the independent report from Western Research Institute on the affordability of the proposed Special Rate Variation for Narromine Shire Council ratepayers.

2. That Council note the draft Special Rate Variation Application Part A and B addressing key criteria and financial reports.
3. That Council resolve to apply to IPART by 16th February, 2015 for a Special Rate Variation as follows –
 - 5.9% in 2015/16 made up of the rate peg of 2.4% and an additional 3.5% increase
 - 6.5% in 2016/17 made up of the typical rate peg of 3.0% and an additional 3.5% increase
 - The increase to be permanent in the rates
 -
4. That the Special Rate Variation Application Part A and B be exhibited on Council's website after 16th February, 2015.
5. That Council note the conclusion of community engagement on the proposed Special Rate Variation and acknowledge the community's contribution in developing the final proposal.

RESOLUTION

RESOLVED Crs Lambert/Ellis:

1. That Council note the independent report from Western Research Institute on the affordability of the proposed Special Rate Variation for Narromine Shire Council ratepayers.
2. That Council note the draft Special Rate Variation Application Part A and B addressing key criteria and financial reports.
3. That Council resolve to apply to IPART by 16th February, 2015 for a Special Rate Variation as follows –
 - 5.9% in 2015/16 made up of the rate peg of 2.4% and an additional 3.5% increase
 - 6.5% in 2016/17 made up of the typical rate peg of 3.0% and an additional 3.5% increase
 - The increase to be permanent in the rates
 - The Special Rate Variation is to be spread evenly across all of Council's rating categories.
4. That the Special Rate Variation Application Part A and B be exhibited on Council's website after 16th February, 2015.
5. That Council note the conclusion of community engagement on the proposed Special Rate Variation and acknowledge the community's contribution in developing the final proposal.

2015/21

IT IS HEREBY RESOLVED:

1. That in accordance with Schedule 8 of the Local Government Act 1993, Council adopt the draft Integrated Plan consisting of the 10 year 2012/22 Community Strategic Plan, 4 year 2012/16 Delivery Program, Annual Operating Plan 2012/13 (which includes Revenue Policy and Fees & Charges) and Resourcing Strategy documents (4 year 2012/16 Workforce Plan, 10 year 2012/22 Long Term Financial Plan, Asset Management Policy, Asset Management Strategy, 10 year 2012/22 Asset Management Plans) subject to the amendments proposed in the report.

2012/164

SPECIAL RATE VARIATION FOR 2015/2016 AND 2016/2017 (File No. 91.349) RESOLVED

Crs Carney/McCutcheon that Council adopt the revised Delivery Program 2012-2016 and revised Long Term Financial Plans and resolve to place them on public exhibition for 28 days.

2014/365

RESOLVED Crs McCutcheon/Lambert that Council adopt –

1. The revised Narromine Shire Council Delivery Program 2012- 2016
2. The revised Narromine Shire Council Ten Year Long Term Financial Plan which includes the consolidated plan, with separate plans for the general, water and sewerage funds; and
3. The narrative which forms part of the Ten Year Long Term Financial Plan;
4. That the adopted versions be placed on Council's website and submitted with Council's Special Rate Variation application.

2015/19