

**COFFS HARBOUR CITY
COUNCIL**



**Application for a Special Variation 2015/16
IPART Determination – May 2015**



Attachment 6

Helping to achieve the 2030 Community Vision



Independent Pricing and Regulatory Tribunal

Coffs Harbour City Council's application for a special variation for 2015-16

under section 508A of *Local Government Act 1993*

Local Government — Determination
May 2015



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1 Determination

The Independent Pricing and Regulatory Tribunal of NSW (IPART) is responsible for setting the amount by which councils may increase their general income, which mainly comprises rates income. Each year, we determine a standard increase that applies to all NSW councils, based on our assessment of the annual change in their costs and other factors. This increase is known as the rate peg.

Under the *Local Government Act 1993* (the Act) councils may apply to us for a special variation that allows them to increase their general income by more than the rate peg. These increases may be, for either an increase in a single year (section 508(2)) or, for a successive series of increases up to seven years (section 508A).

IPART assesses these applications against the criteria in by the Guidelines.¹ Box 1.1 explains the Guidelines for 2015-16.

Coffs Harbour City Council applied for increases of 8.14% in 2015-16 and 7.75% in 2016-17. This is on top of a single year increase of 7.90% in 2014-15. The current application represents a cumulative increase of 16.52% over the next two years, and for the increase to permanently remain in the rate base.²

After assessing the council's application, we decided to approve the special variation as requested. We made this decision under section 508A of the Act.

Box 1.1 The Special Variation Guidelines for 2015-16

IPART assesses applications for special variations using criteria in the *Guidelines for the preparation of an application for a special variation to general income for 2015/2016*, issued by the Office of Local Government.

The Guidelines emphasise the importance of the council's Integrated Planning and Reporting (IP&R) processes and documents to the special variation process. Councils are expected to engage with the community about service levels and funding when preparing their strategic planning documents. The IP&R documents (eg, Delivery Program and Long Term Financial Plan) must contain evidence that supports a council's application for a special variation.

¹ Office of Local Government, *Guidelines for the preparation of an application for a special variation to general income for 2015/2016*, October 2014 (the Guidelines).

² Coffs Harbour City Council, *Special Variation Application – Part A, 2015/16* (Coffs Harbour, Application Part A), Worksheet 4.

1.1 Our decision

We determined that Coffs Harbour City Council may increase its general income in 2015-16 by 8.14% and in 2016-17 by 7.75% (as shown in Table 1.1). The annual increases incorporate the rate peg to which the council would otherwise be entitled (2.4% in 2015-16).³ The cumulative increase of 16.52% over the next two years is 11.05% more than the expected rate peg increase over these two years.

After the last year of the special variation (2016-17), the increase will remain permanently in the council's rate base.

Coffs Harbour City Council has \$1.19 billion in assets associated with its General Fund.⁴ Council estimates that the backlog in the maintenance and renewal of these assets has grown to \$70.0 million as at 2012.⁵ Coffs Harbour City Council applied for a cumulative increase of 16.52% (including the rate peg). This equates to a \$2.2 million increase in revenue above the rate peg in 2015-16.⁶

Our decision to approve the special rates variation enables the council to fund a program of maintenance and renewals of key assets, which should arrest the growth in the backlog. It will also have the effect of making a small improvement in Coffs Harbour City Council's financial sustainability.⁷

The council consulted its community extensively, both in reviewing its Integrated Planning and Reporting (IP&R) documents and in preparing its special variation application. Whilst Coffs Harbour City Council does not have the majority support of its ratepayers it has demonstrated that it considered the feedback from ratepayers and has said that it will freeze increases in its water and sewerage charges to residents whilst the special rates variation is phased in.⁸

Table 1.1 sets out our decision.

³ The council has assumed a rate peg of 3% in future years. The special variation percentage approved will not change to reflect the actual rate peg in those years.

⁴ Special Information Request by IPART to Coffs Harbour City Council 9 March 2015; Coffs Harbour, *Application Part B- Attachment 10C – Asset Management plan – Transport infrastructure*.

⁵ Coffs Harbour City Council, *Special Variation Application – Part B 2015-16* (Coffs Harbour, Application Part B), p 14.

⁶ The increase in the revenue above the rate peg for the two years of the special variation will be approximately \$4.3 million which will be permanent.

⁷ The revenue above the rate peg improves the operating position. This money is then spent on capital renewals.

⁸ Coffs Harbour City Council states that this will mean that whilst the average general rates bill will rise by 16.52% over the next two years, the freezing of water and sewerage annual charges will mean that the total bill that an average urban residential property receives will only rise by 3.9% each year over the next two years. *Source: Coffs Harbour City Council Application Part B, p 34.*

Table 1.1 IPART’s decision on Coffs Harbour City Council’s application for a special variation in 2015-16 and 2016-17

	2015-16	2016-17
Percentage increase approved	8.14%	7.75%

Note: The rate peg in 2015-16 is 2.4%. In later years the council has assumed a rate peg of 3%.

Source: Coffs Harbour City Council, *Application Part A*, Worksheet 1 and IPART calculations.

We have attached conditions to this decision, including that the council uses the income raised from the special variation for purposes consistent with those set out in its application. Box 1.2 summarises these conditions.

Box 1.2 Conditions attached to Coffs Harbour City Council’s approved special variation

IPART’s approval of Coffs Harbour City Council’s application for a special variation over the period from 2015-16 to 2016-17 is subject to the following conditions:

- ▼ The council uses the additional income from the special variation for the purposes of rehabilitation, maintenance and renewal of infrastructure as outlined in the council’s application and listed in Appendix A.
 - ▼ The council reports in its annual report for each year from 2015-16 to 2024-25 on:
 - the actual revenues, expenses and operating balance against the projected revenues, expenses and operating balance, as outlined in the Long Term Financial Plan provided in the council’s application, and summarised in Appendix B
 - any significant variations from its proposed expenditure as forecast in the current Long Term Financial Plan and any corrective action taken or to be taken to address any such variation
 - expenditure consistent with the council’s application and listed in Appendix A, and the reasons for any significant differences from the proposed expenditure, and
 - the outcomes achieved as a result of the actual program of expenditure.
 - ▼ The council reports in its financial statements (currently in Special Schedule 9) each year from 2015-16 to 2024-25 on its compliance with the special variation and these conditions.
-

2 What did the council request and why?

Coffs Harbour City Council has applied for a two year special rates variation of 8.14% in 2015-16 and 7.75% in 2016-17. This is a cumulative increase of 16.52% over the two years, which Coffs Harbour City Council wishes to permanently incorporate into its general income base.⁹ This is in addition to a special rates variation of 7.90% in 2014-15.

In 2014, the council applied for a three-year special variation of 7.90% in 2014-15, 8.14% in 2015-16 and 7.75% in 2016-17. In June 2014, IPART only approved the first year of the three year application due to concerns with the clarity of the consultation process.¹⁰ The current application is for the final two years of the initial three year application.

Table 2.1 Coffs Harbour City Council's application for a special variation for 2015-16 to 2016-17

Year	Increase applied for (%)	Cumulative increase applied for (%)	Annual increase in general income (\$)	Permissible general income (\$)
Adjusted notional income 30 June 2015				39,093,110
2015-16	8.14	8.14	3,196,940 ^a	42,290,050
2016-17	7.75	16.52	3,277,479	45,567,529

^a Including adjustments of \$14,761.

Source: Coffs Harbour City Council, *Special Variation Application 2015-16– Part A*, Worksheets 1 and 6.

Coffs Harbour City Council states that it has \$1.19 billion in General Fund infrastructure and property assets.¹¹ Coffs Harbour City Council estimates that it has a renewals/maintenance backlog of approximately \$70 million for its general fund assets.¹²

The council estimated that if the requested special variation is approved, its permissible general income would increase from \$39.09 million in 2014-15 to \$45.57 million in 2016-17. This would generate additional revenue of \$6.56 million above the rate peg increases over two years.¹³

⁹ Coffs Harbour City Council, *Application Part A*, Worksheet 1.

¹⁰ IPART, *Coffs Harbour City Council's application for a special variation for 2014-15 - Determination - June 2014*, p 4.

¹¹ Coffs Harbour City Council also has infrastructure and property assets of approximately \$1 billion in water, sewerage and airport assets, but these do not form part of the General Fund and are not funded through general rates revenue. Source: Coffs Harbour, *Application Part B*, p 11.

¹² Coffs Harbour City Council, *Application Part B*, p 14.

¹³ Coffs Harbour City Council, *Application Part A*, Worksheet 1.

The council intends to use the additional revenue from the special variation to fund gaps in operating and capital expenditure for its key assets - buildings, roads and bridges and parks and recreation. Over the medium to longer term, the additional revenue will also improve its financial sustainability.¹⁴

Over 10 years, the special variation would generate revenue of \$46.1 million above the rate peg. The council indicated that over the 10 years of the Long Term Financial Plan (LTFP) it proposes to spend:

- ▼ \$36.9 million on asset renewal
- ▼ \$7.8 million on asset maintenance, and
- ▼ \$1.3 million on asset management works.¹⁵

More detail on the council's proposed program of expenditure to 2024-25 is provided in Appendices A and B.

3 How did we reach our decision?

We assessed Coffs Harbour City Council's application against the criteria in the Guidelines. In making our assessment we also considered the council's most recent IP&R documents, as well as a range of comparative data about the council (set out in Appendix C).

Coffs Harbour City Council has applied on the basis of its adopted IP&R documents, in particular its *Community Strategic Plan, Delivery Program 2014-2018*, (CSP), *Long Term Financial Plan 2014-2025* (LTFP) and *Asset Management Plan 2014-2024* (AMP).

The rate increases for which the council has applied are significant over two years. We carefully considered, among other things, the council's need for the increase, its consideration of the community's priorities, capacity and willingness to pay, and the impact of the rate increase on ratepayers.

¹⁴ The revenue above the rate peg improves the operating position. This money is then spent on capital renewals.

¹⁵ Coffs Harbour City Council, *Application Part A*, Worksheet 6.

We found that the application generally met all of the criteria. In particular, we found:

1. The need for the proposed revenue is demonstrated in the council's IP&R documents, and reflects community priorities. The council generally made realistic assumptions concerning its projected service delivery and budget. However, IPART noted that the council's forecast depreciation expense indicated that assets would continue to deteriorate and the backlog would continue to grow. IPART investigated this matter further with the council and this is discussed in more detail in Section 3.1.
2. The council provided evidence that it consulted widely with the community on its plan to apply for a special variation. IPART also notes however, that a significant majority of the community that responded to surveys on the special rates variation application did not wish to pay more. The council has fulfilled the requirements of the guidelines which are to consult, and to take any feedback into consideration.
3. The impact of the proposed rate rises on ratepayers is significant though reasonable, given the purpose of the special variation, and that the council has taken account of ratepayers' willingness and capacity to pay. Coffs Harbour City Council has undertaken to maintain its water and sewerage annual charges at their current level whilst the special rates variation is being transitioned in. IPART notes that council has done this to mitigate the impact of the special rate variation on its residents.
4. The council exhibited and adopted the IP&R documents consistent with the Guidelines.
5. The council reported productivity savings in past years, and indicated its intention to realise further savings during the period of the special variation.

Table 3.1 summarises our assessment against the criteria. Sections 3.1 and 3.2 discuss our findings against criteria 1 and 3 in more detail.

Table 3.1 Summary of IPART’s assessment against criteria in the Guidelines

Criterion	IPART findings
<p>1. The need for and purpose of a different revenue path for the council’s General Fund (as requested through the special variation) is clearly articulated and identified in the council’s IP&R documents, including its Delivery Program, Long Term Financial Plan and Asset Management Plan where appropriate. In establishing need for the special variation, the relevant IP&R documents should canvas alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan by including scenarios both with and without the special variation.</p>	<p>IP&R documents identified the need for additional revenue to maintain current infrastructure, consistent with community priorities outlined in the Delivery Program and Asset Management Strategy.</p> <ul style="list-style-type: none"> ▼ The LTFP base case indicates an operating deficit exceeding 7% on average over the next 10 years - well below the benchmark operating deficit of 4%. ▼ TCorp’s most recent financial sustainability outlook for council is ‘negative’, with underinvestment on asset renewal highlighted.^a
<p>2. Evidence that the community is aware of the need for and extent of a rate rise. The IP&R documentation should clearly set out the extent of the General Fund rate rise under the special variation. The council’s community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure an opportunity for community awareness and input to occur.</p>	<p>Council has clearly and unambiguously communicated the annual dollar and percentage increases along with the cumulative dollar and percentage increases. The large, predominately unresponsive, response from residents gives credence to the scope of the consultation. Community feedback to consultation includes:</p> <ul style="list-style-type: none"> ▼ 66 written submissions to council, all of which opposed the special variation application. ▼ The council also conducted public on-line survey, whole of local government area (LGA) pre-paid postcard survey and a randomly selected reference panel survey. ▼ Both the open on-line survey and the postcard survey showed only 11% support for the special variation. The randomly selected reference survey showed 29% support for the special variation. ▼ The council also received a 1,440 signature submission opposing the special variation. ▼ IPART has received 125 submissions. ▼ The submissions received by Council, those received by IPART and the petition all had very similar objections. Objections mostly addressed affordability, council financial management and governance concerns, and council’s geographic spending priorities.

Criterion	IPART findings
<p>3. The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. The IP&R processes should:</p> <ul style="list-style-type: none"> ▼ clearly show the impact of any rises upon the community ▼ include the council's consideration of the community's capacity and willingness to pay rates, and ▼ establish that the proposed rate increases are affordable having regard to the local community's capacity to pay. 	<p>We have concluded that the rate increase is reasonable because:</p> <ul style="list-style-type: none"> ▼ The council's 2012-13 average residential rate was 14% lower than the comparable council reference group average.^b ▼ Vulnerable socio-economic groups, including pensioners, are covered under the council's hardship policy and its voluntary pensioner concessions on the environmental levy and domestic waste charge. <p>A mid-range SEIFA ranking (70 out of 153) considered alongside the current relative rate level suggests capacity to pay, however this is counteracted by average annual income being 13% lower than peer average in 2011.</p> <p>Council also commissioned an affordability study by Western Research Institute (WRI) that showed that when compared to 19 major cost categories over the last five years, the change in average rates is below the cost increase of 8 of the 19 categories facing Coffs Harbour residence. The council considered this was therefore a reasonable increase. Council has also undertaken to maintain water and sewerage annual charges at their current level over the next two years to mitigate the impact of the rate increase. Council states that this will see the average bill an urban residential property receives from Council (including water and sewerage) rise by approximately 3.9% each year for the next two years.</p>
<p>4. The relevant IP&R documents must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation to its general revenue.</p>	<p>The Delivery Program was publicly exhibited between 11 April and 09 May 2014. It was adopted by Council on 22 May 2014.</p> <p>Council adopted the LTFP on 22 May 2014. It was subsequently revised and adopted on 12 February 2015.</p>
<p>5. The IP&R documents or the council's application must explain the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation period.</p>	<p>Council's past savings projects include the introduction of a VOIP phone system (2008-09) resulting in savings estimated at over \$150,000. Council also implemented an external mailing system that saves approximately \$30,000 annually.</p> <p>Future improvements are centred on implementation of opportunities to be identified by the Transformation to Sustainability program. Forecast savings associated with this project are \$3.2 million after three years.</p>

Criterion	IPART findings
6. IPART's assessment of the size and resources of the council, the size of the increase, current rate levels and previous increases, the purpose of the special variation and other relevant matters.	Coffs Harbour City Council is a medium to large sized regional Council. The increase in rates applied for is significant, particularly when the one year increase approved in 2014 is taken into consideration. The current rate level however is below the OLG Group 5 average. The application is to enable the council to maintain existing infrastructure standards. Further, Coffs Harbour LGA has been declared a natural disaster area on a number of occasions in recent years. TCorp identified that this has increased the cost of maintaining the road network to community standards, which has resulted in other capital projects being delayed.

a Infrastructure Backlog ratio is 6.0% (2013-14) against the T-Corp benchmark of < 2.0%. Building and Infrastructure Renewal Ratio is 66.6% (2014-15) against a benchmark of >100%. Source: *Special information request by IPART to Coffs Harbour City Council*, 9 March 2015, and IPART calculations.

b Other Group 5 councils are Wollongong, Newcastle, Shoalhaven and Tweed. Coffs Harbour residential rates are \$804 (2012-13) compared to OLG group average of \$911 (2012-13 is the latest data in the OLG database).

Note: SEIFA is the Socio-Economic Indexes for Areas: Coffs Harbour LGA has 69 LGAs that have a lower socio-economic ranking than it and 83 LGAs that have a higher socio-economic ranking. Refer to Appendix C, Table C.2.

Sources: Coffs Harbour City Council, *Application Part A* and *Application Part B*; OLG, Unpublished data; NSW Treasury Corporation (TCorp); *Coffs Harbour City Council Financial Assessment, Sustainability and Benchmarking Report*, October 2012; Coffs Harbour City Council Delivery Program 2013-17; Coffs Harbour City Council Long Term Financial Plan 2015-2025.

3.1 Financial need for and purpose of the special variation

Coffs Harbour City Council proposed the special rate variation to arrest the increase in the infrastructure renewal backlog. Council's current estimation is that the backlog is approximately \$70 million.

Our analysis highlighted that even if IPART approved the council's application in full:

- ▼ The council's proposed asset renewal expenditure is significantly less than its estimate of depreciation expense in its LTFFP.
- ▼ If council's estimate of depreciation expense is correct, the proposed asset renewal expenditure will not stabilise the backlog of infrastructure renewal.

This means that the backlog of infrastructure will continue to grow. In the course of our assessment we raised this issue with the council. The council responded:¹⁶

- The council has immediately started to investigate the matter and is currently leading a Mid North Coast Regional Organisation of Councils' (MIDROC) Asset Management Project to benchmark asset renewal costs and useful lives.
- Concurrent with this the council is reviewing its Asset Management Plans and will ensure the issue of depreciation expense is addressed.

¹⁶ Personal communication, Coffs Harbour City Council, Email to IPART, 12 March 2016.

- Whilst council has limited the increase in the SRV to the bare minimum because of the community's hardship/affordability concerns, it is still confident that the SRV will arrest the increase in the renewal backlog.
- After a thorough review of the Asset Management Plans, the council will set about reducing the backlog through long-term borrowing to avoid intergenerational inequities.

In light of council's response that it was confident that the proposed renewals expenditure would arrest the increase in the backlog we conducted sensitivity analysis to see if Council needed the special variation at all.

We calculated an average asset life for the Group 5 councils from the OLG data base.¹⁷ We then applied the resultant depreciation based on Coffs Harbour's \$1.2 billion general fund asset base to Coffs Harbour's LTFFP.

This showed that even with this amendment, that Coffs Harbour Council would still be running deficits of approximately 2% per annum on average over the next 10 years. Therefore, we consider that Coffs Harbour City Council has a demonstrated need for the special variation.

3.2 Impact on ratepayers

There are two obligations in regards to impact on ratepayers. Firstly, the council is required to consider the impact of its special variation application on its ratepayers. Secondly, IPART is required to assess whether the council has indeed considered the impact on ratepayers and we need to be satisfied that the impact of the increase is reasonable.

Coffs Harbour City Council engaged Western Research Institute (WRI) to conduct a study on the affordability of the special variation application for ratepayers. IPART notes that the WRI findings showed it was unclear whether the increase was affordable for ratepayers. Given the results of the WRI study and direct feedback from ratepayers, the council considered options for addressing affordability. We note that the council is intending to freeze any increase in water and sewerage prices until after the special variation has been phased in.

IPART is satisfied that Coffs Harbour City Council had demonstrated that it has considered the impact of the special variation on its ratepayers.

¹⁷ Group 5 Councils include Wollongong, Newcastle, Shoalhaven, Coffs Harbour and Tweed councils.

4 What does our decision mean for the council?

Our decision means that Coffs Harbour City Council may increase its general income over the two year special variation period from \$39.1 million in 2014-15 to \$45.6 million in 2016-17. Table 4.1 shows the annual increases in the dollar amounts to the council's general income. These amounts reflect the percentage increases we have approved and, in 2015-16, adjustments that occur as a result of various catch-up and valuation adjustments.

These increases will be permanently incorporated into the council's revenue base. After 2016-17, the council's permissible general income will increase by the annual rate peg unless we approve a further special variation.¹⁸

Table 4.1 Permissible general income of Coffs Harbour City Council from 2015-16 to 2016-17 arising from the special variation approved by IPART

Year	Increase approved (%)	Cumulative increase approved (%)	Annual increase in general income (\$)	Permissible general income (\$)
Adjusted notional income 30 June 2015				39,093,110
2015-16	8.14	8.14	3,196,940	42,290,050 ^a
2016-17	7.75	16.52	3,277,479	45,567,529

^a A prior catch-up of \$14,761 that had not been recouped by the time of the application was submitted to IPART is to be recouped in 2015-16.

Source: Coffs Harbour City Council, *Application Part A*, Worksheets 1 and 4 and IPART calculations.

The council estimates that over these two years, the additional rates revenue will accumulate to \$4.3 million pa above the rate peg. This extra income is the amount the council requested to enable it to undertake sufficient maintenance and renewal of assets to halt the increase in the infrastructure backlog.

5 What does our decision mean for ratepayers?

IPART sets the allowable increase in general income, but it is a matter for each individual council to determine how it allocates any increase across different categories of ratepayer, consistent with our determination.

¹⁸ General income in future years cannot be determined with precision, as it will be influenced by several factors apart from the rate peg. These factors include changes in the number of rateable properties and adjustments for previous under- or over-collection of rates. The Office of Local Government is responsible for monitoring and ensuring compliance.

In its application, Coffs Harbour City Council indicated that it intended to increase rates over the two years uniformly for each category. The figures below vary because the average value of business properties has fallen relative to residential and the average value of farmland has risen relative to residential.

The council calculated that:

- ▼ the average residential rate will increase by a cumulative 16.5%, or by \$86.53 in the first year and by \$172.24 over two years.¹⁹
- ▼ the average business rate will increase by a cumulative 14.5%, or by \$280.70 in the first year and by \$641.35 over two years.²⁰
- ▼ the average farmland rate will increase by a cumulative 18.0%, or by \$183.35 in the first year and by \$342.12 over two years.²¹

Table 5.1 sets out Coffs Harbour City Council’s estimate of the expected increase in average rates in the main ratepayer categories.

Table 5.1 Indicative annual increases in average rates under Coffs Harbour City Council’s approved special variation, 2015-16 to 2016-17

Year	Average residential rate			Average business rate		
	Increase (%)	Increase (\$)	Rate (\$)	Increase (%)	Increase (\$)	Rate (\$)
2014-15 ^a			1044.20			4,413.75
2015-16	8.29%	86.53	1130.72	6.36%	280.70	4,694.45
2016-17	7.58%	85.72	1216.44	7.68%	360.65	5,055.09
Cumulative increase	16.50%	172.24		14.53%	641.35	

a 2014-15 is included for comparison.

Note: The average rate includes the ordinary rate and any special rates applying to the rating category. Some numbers may not add due to rounding.

Source: Coffs Harbour City Council, *Application Part A*, Worksheet 5a.

¹⁹ The increase in the first year is 8.29%. This is made up of a 8.51% increase in the ordinary rate and a 2.66% increase in the Environmental Levy.

²⁰ The lower than consulted increase in business rates is due to a relative depreciation in the value of business land values to residential land value and \$0.46 reduction in the environmental levy in 2015-16.

²¹ The higher than consulted increase for farmland is due to the relative appreciation of farmland compared to residential land. In the first year (2015-16) of the special variation average Farmland rates will increase by 9.64%. This is made up of a 9.84% increase in ordinary rates and a 3.72% increase in the environmental levy.



Appendices

A Expenditures to be funded from the special variation above the rate peg

Tables A.1 and A.2 show Coffs Harbour City Council's proposed expenditure of the special variation funds over the next 10 years.

The council proposed to use the additional special variation revenue of \$46.1 million over 10 years to fund:

- ▼ \$9.2 million of maintenance operating expenditure (Table A.1), and
- ▼ \$36.9 million of capital expenditure (Table A.2).

The council will indicate in its Annual Reports how its actual expenditure compares to its proposed program of expenditure.

Table A.1 Coffs Harbour City Council – Income and proposed expenditure over 10 years related to the special variation (\$000)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Special variation income above rate peg	2,244	4,320	4,450	4,583	4,721	4,862	5,008	5,158	5,313	5,472	46,132
Funding for increased operating expenditures	440	861	887	914	941	969	998	1,028	1,059	1,091	9,189
Funding for capital expenditure	1,803	3,459	3,563	3,670	3,780	3,893	4,010	4,130	4,254	4,382	36,943
Total expenditure	2,244	4,320	4,450	4,583	4,721	4,862	5,008	5,158	5,313	5,472	46,132

Note: Numbers may not add due to rounding.

Source: Coffs Harbour City Council, *Application Part A*, Worksheet 6.

Table A.2 Coffs Harbour City Council – Proposed 10-year capital expenditure program related to the special variation (\$000)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Road Rehabilitation	804	1,506	1,551	1,597	1,645	1,695	1,745	1,798	1,852	1,907	16,101
Other Transport Asset Renewals	204	399	411	423	436	449	463	476	491	506	4,258
Building Renewals	516	1,008	1,038	1,070	1,102	1,135	1,169	1,204	1,240	1,277	10,757
Recreational Asset Renewals	279	546	562	579	597	615	633	652	672	692	5,827
Total Capital Expenditure	1,804	3,459	3,563	3,670	3,780	3,893	4,010	4,130	4,254	4,382	36,943

Note: Numbers may not add due to rounding.

Source: Coffs Harbour City Council, *Application Part A*, Worksheet 6.

B Coffs Harbour City Council's projected revenue, expenses and operating balance

As a condition of IPART's approval, Coffs Harbour City Council is to report annually against its projected revenue, expenses and operating balance as set out in its LTFF (shown in Table B.1).

Revenues and operating results in the annual accounts are reported both inclusive and exclusive of capitals and contributions. In order to isolate ongoing trends in operating revenues and expenses, our analysis of the council's operating account in the body of this report excludes capital grants and contributions.

Table B.1 Summary of projected operating statement for Coffs Harbour City Council, 2015-16 to 2024-25 (\$000)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Total revenue	107,315	112,033	115,828	119,755	123,553	125,772	129,964	134,320	137,923	142,666
Total expenses	104,551	107,437	110,850	113,633	117,453	121,399	125,557	129,879	134,153	138,844
Operating result from continuing operations	2,764	4,595	4,978	6,123	6,100	4,373	4,407	4,442	3,770	3,822
Net operating result before capital grants and contributions	-7,040	-4,127	-3,946	-3,146	-3,385	-5,337	-5,533	-5,736	-6,652	-6,853

Note: Numbers may not add due to rounding.

Source: Coffs Harbour City Council, *Application Part A, Worksheet 7*.

C Comparative indicators

Performance indicators

Indicators of council performance may be considered across time, either for one council or across similar councils, or by comparing similar councils at a point in time.

Table C.1 shows how selected performance indicators for Coffs Harbour City Council have changed over the four years to 2012-13.

Table C.1 Trends in selected performance indicators for Coffs Harbour City Council, 2009-10 to 2012-13

Performance indicator	2009-10	2010-11	2011-12	2012-13	Average annual change (%)
FTE staff (number)	524	515	509	521	-0.2%
Ratio of population to FTE	137	139	139	136	-0.2%
Average cost per FTE (\$)	65,397	65,612	72,083	72,392	3.4%
Employee costs as % operating expenditure (General Fund only) (%)	27.9	30.7	32.5	27.8	
Consultancy/contractor expenses (\$m)	20.6	23.0	26.0	30.3	13.7%
Consultancy/contractor expenses as % operating expenditure (%)	16.8	16.9	18.7	19.4	

Note: Except as noted, data is based upon total council operations that include General Fund, Water & Sewer and other funds, if applicable.

Source: OLG, unpublished data.

General comparative indicators

Table C.2 compares selected published and unpublished data about Coffs Harbour City Council with the averages for the councils in its OLG Group, and for NSW councils as a whole.

As indicated in section 3, Coffs Harbour City Council is in OLG Group 5. Unless specified otherwise, the data refers to the 2012-13 financial year.

Table C.2 Select comparative indicators for Coffs Harbour City Council, 2012-13

	Coffs Harbour City Council	OLG Group 5 average	NSW average
General profile			
Area (km ²)	1,175		
Population	70,990		
General Fund operating expenditure (\$m)	108.7		
General Fund operating revenue per capita (\$)	1,355	1,224	2,026
Rates revenue as % General Fund income (%)	45.4	52.1	46.8
Own-source revenue ratio (%)	72.2	76.7	71.1
Average rate indicators^a			
Average rate – residential (\$)	838	976	712
Average rate – business (\$)	3,610	4,841	2,688
Average rate – farmland (\$)	1,593	1,711	2,194
Socio-economic/capacity to pay indicators^b			
Average annual income for individuals, 2011 (\$)	39,207	45,257	49,070
Growth in average annual income, 2006-2011 (% pa)	4.7	4.6	5.2
Average residential rates 2012-13 to average annual income, 2011 (%)	2.1	2.2	1.5
SEIFA, 2011 (NSW rank: 153 is least disadvantaged)	70		
Outstanding rates and annual charges ratio (General Fund only) (%)	6.7	5.5	6.0
Productivity (labour input) indicators^c			
FTE staff (number)	521	803	294
Ratio of population to FTE	136	164	127
Average cost per FTE (\$)	72,392	82,341	75,736
Employee costs as % operating expenditure (General Fund only) (%)	27.8	35.7	37.1
Consultancy/contractor expenses (\$m)	30.3	25.3	7.8
Consultancy/contractor expenses as % operating expenditure (%)	19.4	12.7	10.3

^a Average rates equal total ordinary rates revenue divided by the number of assessments in each category.

^b Average annual income includes income from all sources excluding government pensions and allowances.

^c Except as noted, data is based upon total council operations, including General Fund, Water & Sewer and other funds, if applicable. There are difficulties in comparing councils using this data because councils' activities differ widely in scope and they may be defined and measured differently between councils.

Source: OLG, unpublished data; ABS, *Regional Population Growth, Australia*, August 2013; ABS, *Estimates of Personal Income for Small Areas, 2005-06 to 2010-11*, October 2013; ABS, *Socio-Economic Indexes for Areas (SEIFA) 2011*, March 2013 and IPART calculations.

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