



NOVEMBER 2014

NEWSLETTER

PROPOSED SPECIAL RATE VARIATION CONSULTATION AND INFORMATION

INTRODUCTION

Council seeks your feedback on the following very important proposal. Please read and respond via the feedback options provided on page 5.

BACKGROUND

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. Each council was also reviewed by NSW Treasury Corporation to ascertain their extent of the financial sustainability. A few of the main findings of the assessments were – operating deficits are unsustainable, sustainability is deteriorating, infrastructure backlogs exist and further consultation with councils and the community is required on the need to prevent further deterioration by agreement on levels of service and income streams. Narromine Shire Council's standing, after these reviews, was that its Financial Sustainability Rating was "moderate" and its outlook "neutral" in the short to medium term.

Further to this, in 2014 a new Minister for Local Government was appointed and a reform pack has now been introduced by the Office of Local Government which aims to strengthen local communities and ensure councils are "Fit for the Future". Councils are being asked to look at their "scale and capacity" and to submit a proposal by 30 June 2015 to the NSW State Government, demonstrating how they will become and remain sustainable into the future, ie "Fit for the Future".

Over a number of years Narromine Shire Council has continued to provide services to the community while minimising costs; however grant income is declining and there have been instances in the past where Council has foregone opportunities for "catch up" rate increases and some instances where general rates were actually reduced instead of increasing to keep in line with CPI growth which has affected Council's "scale and capacity" to be a "Fit for the Future" council. It is important that the community of the Narromine local government area receive services that they expect from Council, and that the costs of these services are covered by rates and other revenues, in a cost effective and efficient manner.

As a result of new costs expected to be incurred over the next few years and to address ongoing operating deficits, Council proposes to seek State Government approval for a "Special Rate Variation".

In order to address the foregone rates, loss of grants and the new State Government direction and to minimise the impact on ratepayers, Council proposes to apply for a Special Rate Variation of 6.5% per annum (comprising 3% Rate Peg plus 3.5% Special Rate Variation) limited to two years and made permanent in the rates.

Council has assessed that this increase is **critically important** and will enable Narromine Shire Council to remain financially sustainable in the long term, and able to meet its commitments, satisfy resident expectations of service levels and maintain its assets to an affordable level.

WHY IS COUNCIL CONSIDERING AN INCREASE IN RATES?

Council is not in a position to finance (from our existing revenue sources) the ongoing operating deficit or any additional costs without reducing other services, selling assets or cutting out services.

Council will need to find funding for additional costs, such as the Federal Government announcement that there would be freeze put on the Federal Assistance Grant (FAG) that Council receives annually. In addition, Council has recently been successful in achieving approval for the Local Infrastructure Renewal Scheme (LIRS) which assists with interest on loans obtained for road works.



Additional funding is required to offset the interest and redemption payments for the loans which will fund the planned \$3m road works under the LIRS program. Council is acting on the recommendations of the NSW Treasury Corporation (TCorp) Review to address operating deficits and ensure financial sustainability over the long term.

When Council talks about rates, this does not mean increases to your water, wastewater (sewer) and domestic waste charges. These items are separate charges and apply only to properties that receive or can receive these services. Also, revenue from these charges must, by legislation, be spent on the provision of the services (ie waste charges must be spent on waste collection and disposal), and are separate.

General rate income is a critical part of any council's budget and this money is spent on a wide range of community services including roads, maintenance of our streets and parks, footpaths, community buildings, street lighting, playground equipment, sporting fields, public amenities, libraries, environmental projects and public swimming pools. All of the functions that Council undertakes are outlined in Council's 2013/17 Delivery Program.

ALTERNATIVES - WHY DOESN'T COUNCIL LOOK AT OTHER FUNDING OPTIONS

While Council will explore all possible alternatives, there are three primary options available to Council to achieve financial sustainability:

OPTION 1: One option available to Council and the community is to reduce the nature and number of services delivered by Council, or to reduce the levels of service. This could be complemented by the sale of assets no longer required to deliver services. Under this option, reducing operating hours at some facilities, closure of some facilities, reducing maintenance levels, reducing expenditure on capital works would be explored; however, these reductions are contrary to current community expectations.

OPTION 2: The second option available to Council and the community is to examine all potential sources of revenue required to sustain current services and service levels to our growing community over time. Under this option, a range of revenue sources would be explored including fees and charges, rating, the sale of non-core assets and changes to service delivery models; however these sources are limited without a Special Rate Variation to complement them.

PREFERRED OPTION 3: The third option available to Council and the community is to examine all potential sources of revenue required to sustain current services and service levels to our community over time and to provide funds to offset interest on loans for road infrastructure works under the LIRS program. This would be achieved by raising additional revenue via a Special Rate Variation.

Accordingly, Council proposes to make application to the Independent Pricing & Regulatory Tribunal (IPART) to increase rates above the standard annual increase for 2015/16 and 2016/17, allowing for the delivery of services as programmed and to ensure financial sustainability. This would be done via a process known as a 'Special Rate Variation'. The proposed Special Rate Variation component will be permanent. A comprehensive community consultation package has been developed to seek your feedback on this proposal to accompany the IPART application.

HOW WILL WE USE THE FUNDS RAISED BY A SPECIAL RATE VARIATION

Council proposes to apply the funds raised by a proposed Special Rate Variation to enable it to be "Fit for the Future", to undertake the following:

- address potential operating deficits in accordance with New South Wales Treasury Corporation (TCorp) recommendations,
- address a shortfall in income resulting from the Federal Government's decision to not apply CPI increases to Financial Assistance Grants (FAG) for the next four years,
- offset interest repayments on loans obtained for road works, complementing Council's successful application for the Local Infrastructure Renewal Scheme (LIRS).



RISKS - WHAT HAPPENS IF THIS PROPOSAL DOES NOT PROCEED?

If the Special Rate Variation application is not approved by IPART, Council will need to consider all other options available including possible service reductions, potential amalgamation with other councils or increasing fees and charges. Council must make changes to ensure its financial sustainability and be “Fit for the Future”. If Council does not have the “scale and capacity” for this, the NSW State Government will very likely make the decision for Council and merge it with another council, or councils.

WHAT PERCENTAGE GENERAL RATE INCREASE ARE WE TALKING ABOUT?

Councils in NSW are subject to general rate pegging. This means that the NSW Government only allows councils to increase general rates by a set percentage each 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 rates 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 estimated standard general rate increase for all councils each year is around 3%. This generally covers the rising cost of goods and services however it can make it difficult for Council to address ongoing operating deficits or fund unanticipated costs. Council is therefore considering a proposal to apply 3.5% on top of the estimated standard 3% increase for a limit of two years to fund the operating deficit, FAG grant shortfall, and interest payments for roads infrastructure works under the LIRS program. This represents a total rate increase of 6.5% for 2015/16 and 6.5% for 2016/17. From 2017/18 onwards only standard rate increases would then apply to our total increased rate income.

IMPACT - WHAT DOLLAR INCREASE IN MY GENERAL RATES ARE WE TALKING ABOUT?

For General Rating purposes, properties are classified as residential, business and farmland. This classification is based on the dominant use of the property. The following table shows an overview of the increase expected based on the average land value in each category:

Rating Category	Rating Year 2015/2016			Rating Year 2016/2017	
	Average Land Value	Rate Peg only: Average Rates with 3%	Special Rate Variation: Average Rates with 6.5%	Average Land Value	Special Rate Variation: Average Rates with 6.5%
Farmland	470,404	3,011.80	3,117.22	470,404	3,323.12
Residential	93,881	621.95	643.76	93,881	686.33
Residential- Narromine	47,302	632.58	654.76	47,302	698.05
Residential - Trangie	15,815	496.56	514.03	15,815	548.08
Residential - Tomingley	12,708	304.28	315.04	12,708	335.96
Residential - Skypark	87,391	2,080.42	2,153.24	87,391	2,295.46
Business - Narromine	51,454	1,784.16	1,847.06	51,454	1,969.53
Business - Trangie	17,143	1,534.31	1,588.71	17,143	1,694.40
Business	68,315	1,542.33	1,596.65	68,315	1,702.47
Business – Industrial Est	60,176	1,020.22	1,056.42	60,176	1,126.72
Mining	5,090,000	240,694.24	249,118.55	5,090,000	265,572.84

These figures are subject to change.

Note that when we talk about rates we do not mean increases to your water, wastewater (sewer) and domestic waste charges. General Rates will vary depending on land valuation. You can check the impact of the 6.5% total increase on your individual property by using the new “Rate Checker” on Council’s website www.narromine.nsw.gov.au

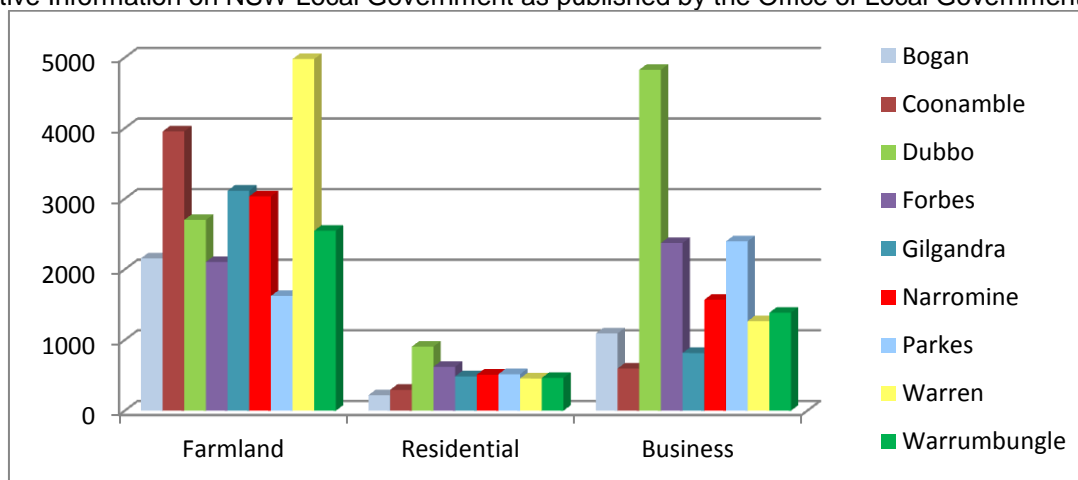


ARE OUR GENERAL RATES TOO HIGH IF THIS INCREASE IS APPROVED?

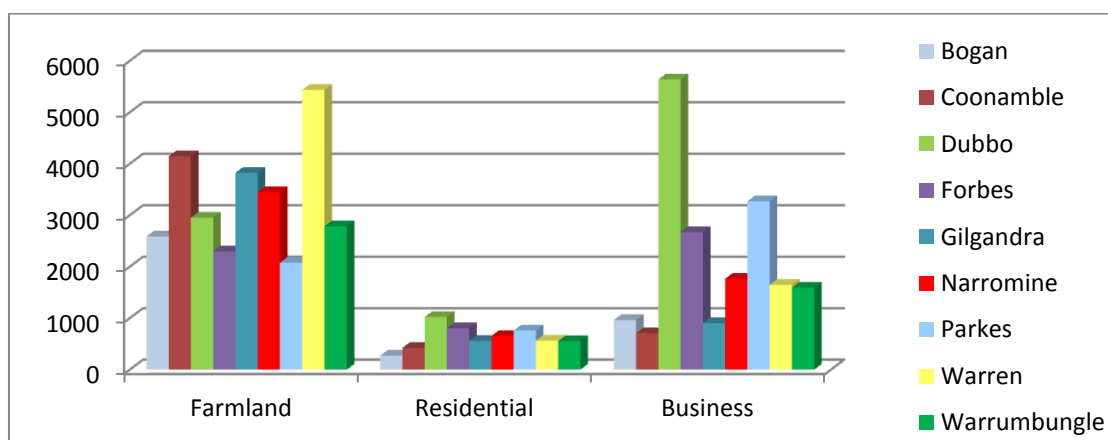
The General Rates for Narromine Shire are consistent with other similar councils, even after application of the Special Rate Variation, if approved. It is important to ensure that the rates received meet the needs of the community in covering the cost of services provided. This ensures your council is financially sustainable for the long term. The following table shows rating levels in neighbouring and comparable councils:

	Bogan	Coonamble	Dubbo	Forbes	Gilgandra	Narromine	Parkes	Warren	Warrumbungle
Residential	219.85	295.87	907.18	622.06	486.34	510.29	517.44	456.3	463.76
Business	1095.74	597.09	4828.65	2374.71	817.31	1571.43	2398.12	1267.72	1387.43
Farmland	2157.74	3954.75	2701.36	2107.04	3115.91	3035.55	1624.82	4980.91	2548.54

The graph below shows the average general rate figures for 2012/2013 for neighbouring shires as shown in the Comparative Information on NSW Local Government as published by the Office of Local Government.



The graph below shows the proposed rates for the 2015/2016 rating year based on information provided in the 2014/15 Rating Return with a proposed rate peg of 3% . The proposed increase for Narromine is 6.5% (comprising a rate peg of 3% plus the proposed Special Rate Variation of 3.5%).





WHAT ARE THE TIMES AND THE ACTUAL PROCESS FOR THE CONSIDERATION OF THIS SPECIAL RATE VARIATION?

Process - 6 Key Steps for consideration of the Proposed Special Rate Variation

	Action	Comment	Date
1	Council resolution	The decision to consult with the community was made at the Council Meeting of 12 November 2014	12 November 2014
2	Community Consultation	Actions include writing to all ratepayers with a newsletter, holding public meetings, providing website information, media releases, newspaper advertising, and conducting a survey.	13 November 2014 to 5 February 2015
3	IPART Notification	Council advises IPART whether it will be making an application for a Special Rate Variation	December 2014
4	Report on consultation feedback	All feedback received through the consultation process will be reported to Council at its Ordinary Meeting of 12 February 2015. Council then determines whether it makes formal application to IPART.	12 February 2015
5	IPART application	If Council resolves to apply for a Special Rate Variation a comprehensive application must then be submitted to IPART	February 2015
6	IPART determination	IPART undertakes its formal assessment of the application with a decision being made in May 2015.	May 2015

HAVE YOUR SAY: HOW TO PROVIDE FEEDBACK?

We encourage feedback from all ratepayers and residents of the Narromine Shire:

✓ ATTEND A PUBLIC MEETING

Tomingley Community Hall on Monday 1st December 2014 – 6 pm to 7 pm

Trangie Bowling Club on Tuesday 2nd December 2014 – 6 pm to 7 pm

Narromine Golf Club on Thursday 4th December 2014 – 6 pm to 7 pm

✓ EMAIL : mail@narromine.nsw.gov.au

✓ COMPLETE THE ONLINE SURVEY on Council's website

✓ MAKE A WRITTEN SUBMISSION to Narromine Shire Council:

- Post: PO Box 115, Narromine. NSW. 2821
- Fax: 02 68899998
- Council Office: 120/124 Dandaloo St Narromine NSW 2821

FOR MORE INFORMATION telephone Yvonne Clarke on 02 6889 9999 or visit Council's website at www.narromine.nsw.gov.au

All submissions close at 5pm on 5 February 2015.

Greg Lamont,
General Manager.

COMMUNITY CONSULTATION – PROPOSED SPECIAL RATE VARIATION

19th December, 2014

Dear Ratepayer,

In November 2014 Council sent a newsletter and survey to all ratepayers regarding our proposal for a 6.5% rate increase in 2015/16 and 6.5% increase in 2016/17. Each year rates increase by an estimated 3% 'rate peg' as determined by the state government. However Council has since been notified that the rate peg is now known for the 2015/16 year and it is 2.4%. Council has resolved to change its proposal to a 5.9% rate increase for 2015/16 (which is the 2.4% rate peg plus an additional 3.5%) and 6.5% for 2016/17 (which is the 3.0% typical rate peg and an additional 3.5% increase).

Part of the feedback we have received is that some ratepayers are uncertain as to the status of the proposal and whether the proposed increase will remain in the rate after 2016/17. To clarify, if the proposal proceeds, there would be two years of increases for 2015/16 and 2016/17 and then in the following year (ie 2017/18) the revised total rate would increase by the normal rate pegging percentage (estimated at 3% per annum). This means that the increases for 2015/16 and 2016/17 remain as a permanent increase to your rates. Based on this, the cumulative percentage increase to your rates over the two years will be 12.78%, whereas without the special rate variation of the additional 3.5%, the cumulative increase over the two years would be 5.47%.

This proposal has to be approved by the Independent Pricing and Regulatory Tribunal (IPART) before it can be implemented. IPART assesses an application submitted by a local council and can approve in full, in part or not approve an application. Applications are assessed on how each council has justified the increase, what the increase is for, whether the community can afford the increase and whether the community has shown any support for the proposed increase by special rate variation.

“FIT FOR THE FUTURE” - Financial Sustainability

The State Government has deemed local councils must now be “fit for the future”. Put simply this means that councils must be financially sustainable into the future. Unfortunately the Federal Government put a four year freeze on the grant money they make available to councils each year and this has meant a \$3.5M loss of income to Council over the next ten years. Council has had balanced budgets up to this point however this loss of revenue will cause operating deficits over this period and beyond. The Special Rate Variation will help to offset some of this loss and the rest will be made up in an improvement on Council work efficiencies, realistic fees & charges and overheads. Council has also received a \$3m loan with partly subsidised interest to carry out much needed work on its backlog of road works. The Special Rate Variation will go towards paying the remainder of the interest on this loan.

The purpose of the Special Rate Variation is to provide additional funding essential to address a shortfall in revenues resulting from the Federal Government's decision to put a freeze on Federal Assistance Grants (FAG) and not apply CPI increases for four years; to offset interest repayments on loans obtained for roadworks under Council's successful application for the Local Infrastructure Renewal Scheme (LIRS); in addition to addressing long term financial sustainability in accordance with the recommendations of the New South Wales Treasury Corporation (TCorp); as well as addressing the foregone “catchup” of rates from previous years.

ISSUES BEING RAISED DURING COMMUNITY CONSULTATION

Public meetings were held in early December 2014 in Trangie, Tomingley and Narromine and were well attended. Various questions and issues were raised during these meetings, on surveys and within written submissions received to date. Council provides the following summary and clarification of the main issue raised:

➤ **Is Council reducing its own costs and improving its performance and efficiencies?**

At the community meetings a lot of comments were made about Council needing to improve its efficiencies. What a lot of the public do not see are the improvements that have already been implemented and there are many more in the pipeline. Various initiatives have been completed in recent years or are currently underway. For example:

- All systems of Council have been reviewed and improved with the establishment of an Asset Management Unit, Asset Plans, 10 year long term Work Plans and weekly work plans etc.
- A new Asset Management System has been purchased and is now operational resulting in over \$500,000 in savings in 2013/14 in depreciation costs alone. The next step is to look at levels of service for our assets and implement them in the near future. This will determine a schedule for maintenance of existing assets so that money is being spent at the optimum time and thereby improving efficiency.
- Council has completed a three year internal audit plan which looked into the financial and risk management areas to ensure compliance and which ultimately lowered our risk exposure. A further three year plan is being investigated which will look at comparing our operations to other "like" councils with the aim of improving efficiencies in areas such as plant utilisation, procurement, contracts, governance etc., for example to identify and implement "best practices" to improve efficiency.
- The organisational structure has been reviewed and four directorates reduced to three thereby reducing employee costs.
- Administrative efficiencies have been introduced, including the purchase of iPads for Councillors to cut down on the cost of printing meeting papers.
- A major review of Council's Information Technology needs has commenced.
- Council policies and procedures (in excess of 100), are being reviewed and implemented.
- Staff productivity and skills improvements are being progressed. As staff leave, all positions are reviewed and replaced with qualified staff that have the much needed skill sets in engineering, information technology, records, roads and supervisory experience. A Performance Management System has been purchased which will assist with monitoring the performance of staff and highlighting further areas for improvement in productivity and management. The skills level of our workers is being enhanced with additional training to fill any gaps and to meet statutory obligations.
- Recruitment practices are regularly reviewed and improved to ensure the right people are hired for the job with the right attitude and skill set.
- Recent resignations have provided the opportunity to reconsider the continuation of these positions.

Improved efficiencies are resulting in cost savings however a further problem Council is facing is the increased shifting of the responsibility for State Government services onto local government without any revenue to offset the cost of implementing these services. This has resulted in additional costs to council of over \$600,000 per annum to cover this cost shifting. For example, Narromine Shire Council already heavily subsidises the provision of a medical service in Trangie and assists with the provision of medical services in Narromine. This was done to attract and keep medical practitioners in the shire.

Some specific questions asked to date:

Q. Does Council need as many cars as it has?

A. Council approves any vehicle purchases and the replacement of them annually when the Plant Replacement Program is considered, based on their need and whether or not they are necessary to attract key staff. The number of Council's light fleet equates to 0.3 vehicles per full time employee. Narromine Shire Council covers an area of 5,224 km² and these vehicles are a necessary component of inspecting and maintaining Council assets.

Q. Too much Bureaucracy – how do we get rid of the red tape?

A. Council is trying to simplify procedures but must still comply with all the regulations that govern local government. Our Council is like the other 152 Councils in NSW in this respect. We are an arm of the NSW State Government and have too much legislation to address. We are always looking at ways to reduce red tape and are awaiting the State Government's lead on this.

Q. When is my road going to be graded?

A. The frequency of grading is dependent upon Council's hierarchy of roads. Council has a 10 year long term works program based on this hierarchy.

Q. Is the \$39,000 fee for a consultant to assist with the Special Rate Variation excessive?

A. Council staff do not have the required expertise or time to do the difficult and extensive application to IPART so a consultant experienced in this field was engaged. The final cost is expected to be lower than the budgeted amount which was funded from reserves.

Q. Council debts – how much do we owe and when will they be finalised?

A. The total outstanding loan amounts at the end of the 2013/14 financial year was just under \$1M and all have long repayment terms. The last of these is expected to be paid out in 2027.

Q. Why does Trangie pay so much in rates? Why not pay the same rate in the dollar as Narromine residents?

A. Trangie land values are way below those in Narromine. Council needs to partially offset the amount of money spent in Trangie each year (which amounts to over \$900,000 in direct costs alone). The actual rate amount is still far less than Narromine. The average for a Narromine resident is currently \$614 whilst Trangie is \$482.

Q. Cost of amalgamations – have the sums been done, will Council be better off?

A. Council has not undertaken to do the cost benefit analysis at this stage. We will need to prepare a proposal for the NSW State Government by 30/06/2015. However if two Councils amalgamate voluntarily the State Government is offering a \$5M incentive for two councils and \$11M for three etc.

Q. Staffing levels – prior to GM's appointment has it risen?

A. Staffing levels in certain areas such as Asset Management and Engineering have increased with Council approval to meet the State Government's Integrated Planning & Reporting requirements.

Q. Why are we continually advertising for more staff?

A. These are mainly replacement staff. Council does not have any more staff numbers than any other comparable council and legally have to advertise for any vacancy within the organisation.

Q. Will the surveys and submissions be made available at the end of the process?

A. All surveys and submissions will be sent onto IPART as part of the application process. Because of privacy reasons (a lot of the surveys had the ratepayer's names and addresses added to them) only the summary of the surveys will be made public. A copy of Council's application to IPART will be available on Council's website from mid February 2015.

Q. Where is Council up to with the trial road construction? – GM was supposed to report back in June 2014.

A. Council deferred the trial until the \$3M LIRS loan was approved. Now that the loan is finalised, Council will be holding a workshop early in 2015 to plan the trial.

Q. Update on roads – are we up to date or behind?

A. Council's work program as at mid December 2014 is up to date. Councillors receive a monthly works report.

Q. How do you expect pensioners and low income earners to pay more?

A. The increase is modest for pensioners and Council has recently adopted a Hardship Policy and extended time for payments can be given. This applies to all ratepayers suffering genuine hardship.

- Q. Are you going to reduce the proposed SRV % of 6.5 now that the rate peg has been announced as 2.4%?**
- A. Council resolved at its Ordinary Meeting on the 10th December to go with the 2.4% rate peg in the 2015/16 financial year with the additional 3.5% increase, bringing the total increase in the first year to 5.9%. The second year remains at the typical rate peg of 3.0% with the additional 3.5% increase.
- Q. Ratepayer rang IPART who advised they were surprised that Council has left the SRV process too late!**
- A. Council discussed its proposed application with IPART in early November 2014 and confirmed appropriate process and timelines in accordance with IPART advice.
- Q. What is Council doing to tighten its belt?**
- A. See the efficiencies outlined above.
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If you have not provided feedback to date and would like to, please read the following -

The proposal for increasing revenues by means of a special rate variation is considered essential for the long term financial sustainability of Narromine Shire and we encourage feedback from all property owners and residents:

- Email: mail@narromine.nsw.gov.au
- Complete an online Survey at www.narromine.nsw.gov.au/special rate variation
- Make a Written Submission to Narromine Shire Council:
 - PO Box 115 Narromine NSW 2821
 - Fax: 02 68899998
 - Council office: 124 Dandaloo St Narromine NSW 2821

More information is available on Council's website www.narromine.nsw.gov.au/special rate variation or contact: Yvonne Clarke on 02 6889 9999.

The closing date for submissions is 5 pm on 5 February 2015.