

Eurobodalla Shire Council's application for a special variation for 2015-16

under section 508(A) of *Local Government Act 1993*

Local Government — Determination
May 2015

Eurobodalla Shire Council's application for a special variation for 2015-16

under section 508A of *Local Government Act 1993*

**Local Government — Determination
May 2015**

© Independent Pricing and Regulatory Tribunal of New South Wales 2015

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

ISBN 978-1-925193-72-5

The Tribunal members for this review are:

Dr Peter J. Boxall AO, Chairman

Ms Catherine Jones

Mr Ed Willett

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

Veronika Henkel (02) 9290 8487

Nadja Daellenbach (02) 9290 8407

Independent Pricing and Regulatory Tribunal of New South Wales

PO Box K35, Haymarket Post Shop NSW 1240

Level 15, 2-24 Rawson Place, Sydney NSW 2000

T (02) 9290 8400 F (02) 9290 2061

www.ipart.nsw.gov.au

Contents

1	Determination	1
1.1	Our decision	2
2	What did the council request and why?	3
3	How did we reach our decision?	5
3.1	The need for a special variation	8
3.2	Community consultation and feedback	9
4	What does our decision mean for the council?	10
5	What does our decision mean for ratepayers?	11
	Appendices	13
A	Expenditures to be funded from the special variation above the rate peg	15
B	Eurobodalla Shire Council's projected revenue, expenses and operating balance	18
C	Comparative indicators	20

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 successive increases for up to seven years (section 508A).

IPART assesses these applications against criteria in Guidelines set by the Office of Local Government (OLG).¹ Box 1.1 explains the Guidelines for 2015-16.

Eurobodalla Shire Council (Eurobodalla Council) applied for a multi-year special variation to increase general income by 6.37% each year for the three years 2015-16 to 2017-18, to remain permanently in the rates base.² We assessed the council's application against the criteria, and have approved it in full.

Box 1.1 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.

Our decision enables the council to fund a program of operating expenditure, including maintenance, and renewal of key assets and to improve its financial sustainability. The council consulted its community extensively to address these issues, both in reviewing its Integrated Planning and Reporting (IP&R) documents and in preparing its special variation application.

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 Eurobodalla Council, *Special Variation Application – Part A, 2015/16* (Eurobodalla Council, *Application Part A*), Worksheet 4.

1.1 Our decision

We determined that Eurobodalla Council may increase its general income between 2015-16 and 2017-18 by the annual percentages 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 20.35% is 11.72% more than the assumed rate peg increase over these years.

After the last year of the special variation (2017-18), the increase will remain permanently in the council's rate base.

Table 1.1 IPART's decision on Eurobodalla Shire Council's application for a special variation in 2015-16

	2015-16	2016-17	2017-18
Percentage increase approved	6.37	6.37	6.37

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

Source: Eurobodalla Shire Council, *Section 508A Special Variation Application 2015/16 – Part A* (Eurobodalla Shire, *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.

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.

Box 1.2 Conditions attached to Eurobodalla Shire Council's approved special variation

IPART's approval of Eurobodalla Council's application for a special variation over the period from 2015-16 to 2017-18 is subject to the following conditions:

- ▼ The council uses the additional income from the special variation to fund the program of expenditure and improve its financial sustainability as outlined in its 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 each year from 2015-16 to 2024-25 in its financial statements (currently in Special Schedule 9) on its compliance with the special variation and these conditions.
-

2 What did the council request and why?

Eurobodalla Council applied to increase its general income by a cumulative 20.35% over the 3-year period from 2015-16 to 2017-18, and to permanently incorporate this increase into its general income base.⁴

The council estimated that if the requested special variation is approved, its permissible general income would increase from \$23.9 million in 2014-15 to \$28.8 million in 2017-18. This would generate additional revenue of \$5.6 million above the rate peg increases over three years.

The council intends to use the revenue from the special variation to fund gaps in capital expenditure for its key assets—roads and bridges, parks and recreation facilities, and community facilities and storm-water management. It will fund depreciation costs, renewals and loan repayments over the medium to longer term. Over the longer term, the additional revenue will improve the council's financial sustainability indicators, which show a reduction in the operating deficit (which won't reach a surplus) and improvements in asset renewal and broad liabilities ratios.⁵

⁴ Eurobodalla Council, *Application Part A*, Worksheet 4.

⁵ Eurobodalla Council, *Application Part A*, Worksheet 7, and *Application Part B*, p 20.

During the 3-year special variation period, the council plans to spend:

- ▼ \$16.0 million on its capital works program which includes:
 - transport facility renewals and upgrades of \$6.8 million
 - recreation facility upgrades of \$3.9 million, including upgrades to some playgrounds and lookouts, upgrades to sporting amenities and a showground
 - halls and amenities upgrades of \$0.6 million
 - building and recreation renewals of \$1.3 million
 - a CBD upgrade and airport terminal upgrade of \$1.5 million
 - a rockwall upgrade of \$1.1 million
 - additional staff costs for two project managers of \$0.8 million
- ▼ \$1.2 million to replace Federal Assistance Grant funds lost due to the indexation pause, and
- ▼ \$1.5 million on some operational costs and loan financing.⁶

This expenditure will be funded partly by special variation revenue (\$5.6 million), and partly by loans (\$10.4 million) and by council's reserves (\$2.0 million).⁷

Over 10 years, the special variation would generate revenue of \$27.7 million above the assumed rate peg. The council indicates that over the period it proposes to spend:

- ▼ \$6.4 million on operational costs, primarily borrowing costs
- ▼ \$26.7 million on capital works, and
- ▼ \$4.9 million to fund losses related to pausing the indexation of the Federal Assistance Grants.

There will be a net transfer of \$381,261 to its special variation reserves.⁸ These funds will be internally restricted to fund infrastructure renewals.

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

⁶ Eurobodalla Council, *Application Part A*, Worksheet 6.

⁷ Eurobodalla Council, *Application Part A*, Worksheet 6.

⁸ Eurobodalla Council, *Application Part A*, Worksheet 6.

3 How did we reach our decision?

We assessed Eurobodalla Council's application against the criteria in the Guidelines and consider that Eurobodalla Council's application met these criteria. 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.⁹

Eurobodalla Council applied to IPART on the basis of its adopted IP&R documents, in particular the *Community Strategic Plan, Delivery Program, Long Term Financial Plan 2015-2025* and *Asset Management Strategy*.

The rate increases for which the council has applied are moderate, and we considered, among other things, the council's need for the increase, its consideration of the community's priorities and capacity and willingness to pay, and the impact of the rate increase on ratepayers. We note that the council's current application is for lower percentage increases than those it consulted its community about, and originally notified us of.¹⁰

Eurobodalla Council's application met the criteria. In particular, we found that:

1. The need for the proposed revenue is demonstrated in the council's IP&R documents, and is supported by TCorp's assessment of the council's financial sustainability.
2. The council provided evidence that it has engaged with the community and the community is aware of the need for and extent of the rate increases. It had considered the community's capacity and willingness to pay the proposed increases.
3. The impact of the proposed rate increases on ratepayers is moderate.
4. The council provided evidence that the relevant IP&R documents have been exhibited and adopted.
5. The council reported some productivity savings in past years, and indicated its intention to realise further savings during the period of the special variation. The council has high staff numbers compared to the similar councils and the state average.

Table 3.1 summarises our assessment against the criteria.

⁹ See Appendix C. Eurobodalla Council is in OLG Group 4, which is classified as Urban Small/Med Regional Town/City (pop. up to 70,000). The group comprises 30 councils, including councils such as Bega Valley Council, Byron Shire Council, Great Lakes Council and Port Stephens Council.

¹⁰ *Eurobodalla Council*, letter to IPART, 11 December 2014. The council originally proposed a special variation of 8% annual increases for three years.

Table 3.1 Summary of IPART's assessment of Eurobodalla Shire Council's application for a special variation against the criteria in the Guidelines

Criterion	IPART findings
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>The council's IP&R documents clearly explain the need for and purpose of the special variation.</p> <p>The funds will be mainly used to address the infrastructure backlog and provide some upgrades. The funds are for transport works, community spaces, recreation facilities and a CBD upgrade. Additional funds will be used to cover cessation of the indexation of the Federal Assistance Grants and will contribute to the council's financial sustainability.</p> <p>In 2012, TCorp observed that the council's financial position was 'moderate' and outlook 'neutral'. TCorp noted that:</p> <ul style="list-style-type: none"> ▼ The General Fund is forecasting deficits for the next 10 years, indicating that the councils could face sustainability issues in the future. ▼ The council has based its forecast on an increase in level of asset servicing to maintain infrastructure to address most of the gap between existing and required maintenance. <p>The council considered alternatives to a rate rise and has included debt funding, some additional grant funding and \$2m from its reserves to the total project funding.</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>The council demonstrated that it had engaged with the community and the community is aware of the need for and the extent of the rate increase. It consulted on a higher increase than it has applied for.</p> <p>The council used a variety of tools to engage with the community including a mailout to all ratepayers (resident and non-resident), media releases and public information sessions.</p> <p>We note that there has been strong opposition to the proposed increase both to the council and to IPART.</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>The impact on ratepayers will be reasonable. We note that:</p> <ul style="list-style-type: none"> ▼ The average residential rates will increase by \$53 in 2015-16, a cumulative increase of \$170 over the 3 years. ▼ The average residential rate (2012-13) as a proportion of average total income (2011) excluding Government pensions is 2.0% in Eurobodalla, consistent with the OLG Group 4 average. ▼ The council has reviewed its hardship policy, which offers assistance to ratepayers in financial stress. ▼ Over the past 10 years, due to 3 approved special variations, the average annual growth in residential ordinary and special rates was 5.0% and 6.6% for

Criterion	IPART findings
regard to the local community's capacity to pay.	<p>business rates, and 0.7% for farmland rates.</p> <ul style="list-style-type: none"> ▼ The (consolidated funds) outstanding rates and annual charges ratio is reasonable, at 3.56% (in 2013-14). ▼ 21% of ratepayers receive the pensioner rebate, in line with the Group 4 average. ▼ The council's SEIFA rating from 2011 is 53 (out of 153). This excludes non-residential ratepayers (38% of ratepayers). <p>The IP&R documents include the council's consideration of ratepayer's willingness to pay, which is based on surveys undertaken during the IP&R process.</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>The council adopted a revised Community Strategic Plan in June 2013. The council exhibited its Delivery Program during December 2014 and January 2015 and formally adopted it with amendments to include the proposed Special Variation, on 10 February 2015. The council adopted the LTFP with amendments to include the proposed Special Variation, on 10 February 2015.</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>The council has made modest productivity and cost savings.</p> <p>The council estimates that its sustainability initiatives (mostly installing solar power) during the last 5 years will result in future annual savings of around \$370,000. Additionally:</p> <ul style="list-style-type: none"> ▼ Council saved \$11,000 in training costs resulting from collaborative training initiatives. ▼ A Work Health and Safety Management system has reduced workplace incidents and lead to a \$250,000 refund on its insurance premium in 2013-14. <p>The council's ratio of population to total FTE is 80, very low compared to 126 for the Group 4 average. This indicates an opportunity to find efficiencies and increase savings. It intends to employ another 2 project managers for the next 3 years if the special variation is approved.</p> <p>In the General fund, employee costs are 39% of the total ordinary expenditure, slightly higher than the group average of 37.1% (range from 24% to 52%). On the other hand, consultancy and contractor expenses (incl water and sewer funds) are 4.6% of total ordinary expenses compared to 7.6% for the Group 4. This indicates that the council chooses to complete more work internally as compared to the Group 4 councils and somewhat explains the high number of FTEs.</p>

Note: SEIFA is the Socio-Economic Indexes for Areas: refer to Appendix C, Table C.2.

Sources: Eurobodalla Shire, *Application Part A*, and *Application Part B*; OLG, Unpublished data; NSW Treasury Corporation (TCorp); *Eurobodalla Shire Council Financial Assessment, Sustainability and Benchmarking Report*, 8 October 2012; Eurobodalla Shire Council, *Delivery Program 2013/17*, Eurobodalla Shire, *Long Term Financial Plan 2015/25*.

3.1 The need for a special variation

Eurobodalla Council indicates it needs the extra funding largely to finance a list of projects outlined in its IP&R documents. The IP&R documents clearly set out the purpose of the requested special variation, and the use of the funds, which is to renew, upgrade and maintain community facilities and roads infrastructure and for a CBD upgrade. Some funds will be used to replace lost revenue following the cessation of the indexation of Federal Assistance Grants, and to fund ongoing maintenance costs of new infrastructure.¹¹

TCorp observed in 2012 that the council had based its financial forecast on an increase in level of asset servicing to maintain infrastructure to address most of the gap between existing and required maintenance, and that the council was forecasting deficits in the General Fund for the 10-year LTFP, indicating that the council could face sustainability issues in the future.

The high level of community opposition to the increase raises the question of how important the projects are to the community. We note that the council has based its decision on a number of statistically significant surveys conducted for the development of its IP&R documents.

A survey of residents from November 2014 measured support for categories of projects that would be funded by an increase in rates. It showed that the majority of participants were at least 'somewhat supportive' of all categories except for the Moruya Library exhibition space which is no longer included in the special variation proposal. We note that this survey engaged only the residents of Eurobodalla Shire but 38% of rate payers do not live in the Eurobodalla Shire.¹² This sector was, however, engaged during earlier surveys.

The council engaged Micromex Research in late 2011 (a January 2012 report) and mid 2012 (a July 2012 report) to conduct surveys to determine the community's priorities and satisfaction levels with council services and support for a special variation. These surveys engaged Eurobodalla residents as well as non-resident ratepayers.

The broad categories into which the projects fall are of varying level of priority and current satisfaction levels, from high to moderate. Council states that without additional funding the conditions of services will decline and satisfaction will also decline.¹³

¹¹ See Appendix A for more details on the Council's expenditure program.

¹² Eurobodalla Council, *Application Part B*, p 35.

¹³ Eurobodalla Council, *Application Part B*, p 38.

We consider that the council has met this criterion. The council has adequately shown in its IP&R documents a need for extra funds to finance the suite of projects and improve financial sustainability and this is supported by TCorp's assessment of the council's financial sustainability. We found that the projects to be funded by the special variation are of varying levels of priority to the community and consider that the council has consulted on these projects through the development of its adopted IP&R documentation.

3.2 Community consultation and feedback

We consider the council has met this criterion on the basis that:

- ▼ A survey of 602 residents from November 2014 residents indicated that 64% of the resident population were aware of the council's intention to apply for a special variation.¹⁴
- ▼ The level of awareness is supported by the large number of submissions from the community received by IPART.
- ▼ Between 2010 and 2013, the council reviewed its IP&R documents in consultation with the community. It explained the need for and purpose of the rate increases and clearly presented the impact on rates in its Delivery Program.¹⁵
- ▼ The council used a variety of methods to engage with its community in developing its IP&R documents and its application for a special variation. This included surveys, media releases, mail outs to all ratepayers and community discussions, and it provided reasonable opportunities for community feedback.¹⁶

Some submissions received by IPART indicated some confusion amongst the attendees at the public information sessions about the council finances and a small error in the mailout regarding the impact on rates. We note that the main aspects of the impact were clearly conveyed.

3.2.1 Opposition to the increase

IPART and the council received a high number of submissions, both for and against the rate increase. We note that the council consulted extensively on the special variation.

¹⁴ Micromex Research, *Eurobodalla Shire Council Special Rate Variation*, November 2014, p 12.

¹⁵ Eurobodalla Council, *Application Part B*, pp 25-27.

¹⁶ Eurobodalla Council, *Application Part B*, p 28.

The council originally consulted on annual increases of 8% for three years (25.97% cumulative). Between September 2014 and January 2015, the council received 385 written submissions in response to a flyer mail out, the majority in opposition, with 20 in support and 12 giving conditional support or requesting further information. The key issues were affordability, the current level of service and that the council should work within its current capacity and be more financially responsible.¹⁷ A petition with 7,326 signatures against the rate variation was presented at a council meeting.¹⁸ In response to the opposition, the council reduced the special variation to 6.37% per annum for three years.¹⁹

The most recent survey by council showed greater support for the increase but still a preference for current rate levels. It proposed two options regarding future rates and the results showed that 77% were supportive of maintaining the base case scenario (of current rates and possibly a fall in service levels), and 50% were supportive of the initial proposed increase of 8% for three years.²⁰

Since 16 February 2015, IPART has received 49 submissions in opposition to, and 85 in support of the council's application. We also received a copy of a petition handed to the Member for Bega, and addressed to the Legislative Assembly of NSW and the councillors of the Eurobodalla Shire, which states it has over 10,268 signatories 'wholly rejecting any increase in rates'. Community concerns were mainly with affordability, council management and an unwillingness to fund some of the listed projects.

4 What does our decision mean for the council?

Our decision means that Eurobodalla Council may increase its general income over the three-year special variation period from \$23.9 million in 2014-15 to \$28.8 million in 2017-18. 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 2017-18, the council's permissible general income will increase by the annual rate peg unless we approve a further special variation.²¹

¹⁷ Eurobodalla Council, *Application Part B*, pp 30-39.

¹⁸ Eurobodalla Council, *Eurobodalla Shire Council Public Forum*, 10 February 2015, Submitted to IPART by email, 9 April 2015.

¹⁹ Eurobodalla Council, *Application Part B*, p 41.

²⁰ Micromex Research, *Eurobodalla Shire Council Special Rate Variation*, November 2014, pp 16-17.

²¹ 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.

Table 4.1 Permissible general income of Eurobodalla Shire Council from 2015-16 to 2017-18 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 ^a				23,909,129
2015-16	6.37	6.37	1,526,591	25,435,719 ^a
2016-17	6.37	13.15	1,620,255	27,055,975
2017-18	6.37	20.35	1,723,466	28,779,440

^a A prior catch-up of \$3,579 that had not been recouped by the time of the application was submitted to IPART is to be recouped in 2015-16.

Source: Eurobodalla Shire Council, *Application Part A*, Worksheets 1 and 4 and IPART calculations.

The council estimates that over these three years, the additional rates revenue will accumulate to \$5.6 million above the assumed rate peg.

This extra income is the amount the council requested to enable it to undertake additional capital and operating expenditure to maintain service levels at acceptable standards and to enhance its financial sustainability.

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.

In its application, Eurobodalla Council indicated that it intended to increase residential rates by about 6.5%, and to apply marginally lower increases to business and farming rates.

The council has calculated that:

- ▼ the average residential rate will increase by a cumulative 20.78%, or by \$53 in the first year and by \$170 after the three years
- ▼ the average business rate will increase by a cumulative 20.52%, or by \$188 in the first year and by \$606 after the three years, and
- ▼ the average farmland rate will increase by a cumulative 20.17%, or by \$85 in the first year and by \$270 after the three years.

Table 5.1 sets out Eurobodalla Council's estimates of the expected increase in average rates in each of the ratepayer categories.

Table 5.1 Indicative annual increases in average rates under Eurobodalla Council's approved special variation 2015-16 to 2017-18

Year	2015-16	2016-17	2017-18	Cumulative increase
Ordinary Residential rate (\$)	871	927	988	
\$ increase	53	57	61	170
% increase	6.49	6.50	6.50	20.78
Environmental Levy (\$)	36	37	38	
\$ increase	0.87	0.87	0.89	2.64
% increase	2.47	2.40	2.40	7.45
Total Residential rate (\$)	907	965	1,026	
\$ increase	54	57	61	173
% increase	6.32	6.34	6.34	20.23
Ordinary Business rate (\$)	3,119	3,322	3,538	
\$ increase	190	203	216	608
% increase	6.47	6.50	6.50	20.76
Environmental Levy (\$)	48	49	50	
\$ increase	0.50	1.14	1.64	2.81
% increase	1.05	2.40	3.48	5.96
Total business rate(\$)	3,142	3,344	3,560	
\$ increase	188	202	215	606
% increase	6.38	6.44	6.44	20.52
Ordinary Farmland rate (\$)	1,353	1,441	1,534	
\$ increase	81	88	94	262
% increase	6.34	6.5	6.5	20.61
Environmental Levy (\$)	69	71	72	
\$ increase	4.08	1.66	1.70	7.44
% increase	6.27	2.40	2.40	11.43
Total farmland rate (\$)	1,422	1,512	1,607	
\$ increase	85	90	95	270
% increase	6.34	6.30	6.31	20.17

Note: The average rate includes the ordinary rate and special rates applying to the rating category. The special variation increases only apply to the ordinary rates.

Source: Eurobodalla Shire Council, *Application Part A*, Worksheet 5a and IPART calculations.



Appendices

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

Table A.1 and Table A.2 show Eurobodalla Council's proposed expenditure of the special variation funds over the next 10 years.

The council will use the special variation revenue above the rate peg of \$27.7 million, \$2.0 million from its reserves and \$10.4 million in loans, over 10 years to fund:

- ▼ \$26.7 million of capital expenditure
- ▼ \$6.4 million in borrowing costs and additional operational costs associated with new or upgraded facilities, and
- ▼ \$4.9 million to fund losses related to pausing the indexation of the Federal Assistance Grants.²²

As a condition of IPART's approval, the council will indicate in its Annual Reports how its actual expenditure compares with this proposed program of expenditure.

²² Eurobodalla Shire Council, *Application Part A*, Worksheet 6.

Table A.1 Eurobodalla 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	949	1,835	2,802	2,886	2,972	3,061	3,153	3,248	3,345	3,448	27,698
Transfers from reserves	2,000										2,000
Total incomes	2,949										29,698
Funding for increased operating expenditures	0	122	432	754	889	875	860	844	827	808	6,411
Funding for capital expenditure	4,445	5,670	5,915	2,207	1,376	1,274	1,343	1,413	1,486	1,560	26,688
Other uses ^a	-1,496	-3,957	-3,545	-75	707	912	951	991	1,033	1,078	-3,401
Total expenditure	2,949	1,835	2,802	2,886	2,972	3,061	3,153	3,248	3,345	3,446	29,698

^a Other uses of the income from a special variation includes repayment of loan principal amounts, loan proceeds, Federal Assistance Grants and transfers to and from its Special Rate Variation Reserves.

Note: Numbers may not add due to rounding.

Source: Eurobodalla Shire Council, *Application Part A*, Worksheet 6.

Table A.2 Eurobodalla 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
Buildings and recreation renewals	435	500	408	421	433	446	460	474	488	502	4,567
Reseals	200	412	424	437	450	464	478	492	507	522	4,386
Gravel Sheets	100	103	106	109	113	116	119	123	127	130	1,146
Other Backlog works		0	0	0	323	190	226	263	301	340	1,644,
Pathways	50	52	53	55	56	58	60	61	63	658	573
Moruya Airport Upgrade	270										270
High priority bridges and culverts	750	1,288	1,591								3,629
Upgrade Batemans bay CBD	500	773									1,273
Caseys Beach Rockwall Renewal			1,061								1,061
Rural Sealed Roads	300	556	828	918							2,602
Upgrade Community Halls and amenities	300	180	90								570
Recreation Upgrades	1,290	1,550	1,087	268							4,195
Project management costs	250	258	265								773
Total capital expenditure	4,445	5,670	5,915	2,207	1,376	1,274	1,343	1,413	1,486	1,560	26,688

Note: Numbers may not add due to rounding.

Source: Eurobodalla Council, *Application Part A*, Worksheet 6.

B Eurobodalla Shire Council's projected revenue, expenses and operating balance

As a condition of IPART's approval, Eurobodalla Council is to report annually against its projected revenue, expenses and operating balance as set out in its LTFP (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 Eurobodalla Shire 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 (including capital grants and contributions)	61,857	63,822	66,669	68,172	70,115	71,651	73,456	75,308	77,206	79,153
Total expenses	64,977	67,704	69,679	72,209	74,150	76,361	77,874	79,700	81,558	83,721
Operating result from continuing operations	-3,120	-3,883	-3,010	-4,037	-4,036	-4,710	-4,418	-4,392	-4,352	-4,568
Net operating result before capital grants and contributions	-4,177	-4,635	-3,782	- 4,679	-4,920	-5,387	-5,113	-5,106	-5,085	-5,321

Note: Numbers may not add due to rounding.

Source: Eurobodalla 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 Eurobodalla Council have changed over the four years to 2012-13.

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

Performance indicator	2009-10	2010-11	2011-12	2012-13	Average change (%)
FTE staff (number)	428	434	431	460	2.4
Ratio of population to FTE	87	86	86	80	-2.8
Average cost per FTE (\$)	65,325	67,078	70,265	65,267	0.0
Employee costs as % operating expenditure (General Fund only) (%)	36.7	41.2	37.3	39.0	-
Consultancy/contractor expenses (\$m)	3.77	3.39	3.53	4.36	5.0
Consultancy/contractor expenses as % operating expenditure (%)	5.0	4.0	3.8	4.6	-

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 Eurobodalla Council with the averages for the councils in its OLG Group, and for NSW councils as a whole.

As indicated in section three, Eurobodalla Council is in OLG Group 4. Unless specified otherwise, the data refers to the 2012-13 financial year.

Table C.2 Select comparative indicators for Eurobodalla Council, 2012-13

	Eurobodalla Shire Council	OLG Group 4 average	NSW average
General profile			
Area (km ²)	3,435	-	-
Population	37,048	-	-
General Fund operating expenditure (\$m)	60.6	-	-
General Fund operating revenue per capita (\$)	1,634	1,427	2,026
Rates revenue as % General Fund income (%)	42.7	41.3	46.8
Own-source revenue ratio (%)	68.8	66.1	71.1
Average rate indicators^a			
Average rate – residential (\$)	737	881	712
Average rate – business (\$)	2,746	3,168	2,688
Average rate – farmland (\$)	1,199	1,830	2,194
Socio-economic/capacity to pay indicators^b			
Average annual income for individuals, 2011 (\$)	36,934	44,351	49,070
Growth in average annual income, 2006-2011 (% pa)	4.4	4.5	5.2
Average residential rates 2012/13 to average annual income, 2011 (%)	2.0	2.0	1.5
SEIFA, 2011 (NSW rank: 153 is least disadvantaged)	53		
Outstanding rates and annual charges ratio (General Fund only) (%)	6.9	5.3	6.0
Productivity (labour input) indicators^c			
FTE staff (number)	460	317	294
Ratio of population to FTE	80	126	127
Average cost per FTE (\$)	65,267	76,263	75,736
Employee costs as % operating expenditure (General Fund only) (%)	39.0	37.1	37.1
Consultancy/contractor expenses (\$m)	4.4	6.1	7.8
Consultancy/contractor expenses as % operating expenditure (%)	4.6	7.6	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.

