



Item: 4.1

Subject: SPECIAL RATE VARIATION - APPLICATION TO IPART

File/Index: Special Rate Variation 17/18 - Application to IPART

Presented by: Matt Fanning, Deputy General Manager Operations
Liz Jeremy, General Manager
Chris Hodge, Chief Financial Officer
Maxine Compton, Grants & Business Development Officer
Michelle McFadyen, Deputy General Manager

ALIGNMENT WITH DELIVERY PROGRAM

(CL) CIVIC LEADERSHIP

(CL.2) Our community is informed and engaged with a strong sense of civic leadership.

(CL.2.1) The community is engaged in decision making and implementation.

(CL.2.1.0) The community is engaged in decision making and implementation - Other Activities.

RECOMMENDATION

That Council:

1. Acknowledge the feedback received from the community during the community and public exhibition process.
2. Adopt the updated Long Term Financial Plan that includes the 6% Special Rate Variation
3. Adopt the updated Delivery Program that includes the 6% Special Rate Variation
4. Make application to the NSW Independent Regulatory and Pricing Tribunal for a single year permanent 6% Special Rate Variation, under S. 508(2) of the NSW Local Government Act 1993, for the 2017/18 Financial Year for the specific purpose of implementing and partly funding its sealed road resurfacing program, based on the contents of this report.

EXECUTIVE SUMMARY

Council resolved at its December Ordinary 2016 Meeting to engage with the community regarding revised Integrated Planning and Reporting (IP&R) documents (Long Term Financial Plan (LTFP) and Delivery Program (DP)) relevant to the proposed 6% Special Rate Variation (SRV). These documents were placed on public exhibition from Wednesday 15 December 2016 to Tuesday 31 January 2017 with public submissions invited. Concurrent to this, a community engagement process was undertaken.

This report overviews submissions received regarding the IP&R documents and the SRV proposal generally during the community engagement process. The revised versions of the IP&R documents are attached (Refer to Attachments A and B). This report also makes recommendations that Council adopt the revised documents and submit an application to the Independent Pricing and Regulatory Tribunal (IPART) for a permanent, single year Special Rate Variation of 6% in accordance with Section 508(2) of the NSW Local Government Act 1993.

**REPORT DETAIL****1. Overview**

In December 2016, Council considered a report that outlined a funding shortfall relative to the infrastructure gap to renew Council's transport infrastructure and its ability to fund important and necessary works. The report outlined:

- Local Government Reform, in particular, the Fit for the Future process and outcomes
- Council's review of road infrastructure including the necessary required investment
- Council's financial position in terms of priority resurfacing (renewal) works
- The impact of the proposed SRV on ratepayers
- Priority resurfacing works that would be enabled by a SRV
- The process, criteria and timeframe to nominate and apply for a SRV
- The proposed community engagement strategy

In consideration of this report, Council resolved:

That Council:

1. Notify the NSW Independent Regulatory and Pricing Tribunal of its intention to lodge an application for a Special Rate Variation for the 2017/18 Financial Year.
2. Undertake the community engagement initiatives outlined within this report inclusive of amendments to Council's Integrated Planning & Reporting documentation (Delivery Program and Long Term Financial Plan) to support the Special Rate Variation application
3. Place on public exhibition the Integrated Planning & Reporting documents that articulate the special rate variation for a minimum period of six (6) weeks from 15 December

For: Cr King, Cr Klipin, Cr Harrison, Cr Jenkins, Cr Fenton and Cr WrightTurner.

Against: Cr Carter

2. THE 2017-18 RATE PEG

Roads and bridges are vital transport infrastructure that connect and support our communities. Local government has been subject to rate pegging for 39 years and, as a consequence, the majority of councils in NSW are suffering from an infrastructure backlog, meaning that they have not been in a position to generate sufficient income to renew their infrastructure in a timely fashion.

Rate pegging has been in place since 1977. The rate peg determines the maximum percentage amount by which a council may increase its general income for the year. For 2017-18, the rate peg has been set by the NSW Government at 1.5% based on the change in the Local Government Cost Index (LGCI) and consideration of a productivity factor. IPART's assessment on this year's productivity factor is that it did not have a material impact on the LGCI.

IPART calculated the rate peg by:

- Taking the increase in the LGCI for the year to September 2016 of 1.47%
- Deducting a productivity factor of 0.001%

This results in a rate peg of 1.47% which IPART rounded to 1.5% for 2017-18.



Local Government NSW (LGNSW) released commentary regarding the rate peg percentage applied by the NSW Government expressing their concern that it simply does not meet the needs of local councils. In a media release dated 2 December 2017, LGNSW President Keith Rhodes (who is also a councillor on Coffs Harbour City Council), states, "The rate pegging limit of 1.5 per cent is down from 1.8 per cent for the financial year 2016/17. The increase is slightly smaller than the consumer price index. It needs to be noted that the LGCi only reflects movements in underlying costs. The index does not reflect increased costs arising from the need to expand services to meet growing demands or the need to increase infrastructure spending to address backlogs or growth. These needs are to be met by way of special rate variations".

Keith Rhodes goes on to further state, "The rate pegging limit of 1.5 per cent is unrealistically low and does not reflect the real cost pressures facing NSW councils. Without seeking and securing rate variations over the rate pegging limit, councils will need to cut services and reduce expenditure on community infrastructure and facilities. The outcome further highlights the failure of the rate pegging system - no general index can reflect the individual needs and circumstances of a wide range of councils and communities".

Bellingen Council, like its neighbouring councils, has a significant infrastructure renewal program that has been identified in its Long Term Financial Plan (LTFP). One of the key areas of renewal requirement is the resurfacing of its bitumen road network. Council is responsible for maintaining, renewing and improving 598kms of roads valued at approximately \$275M. On average the Council needs to invest \$800,000 each year to renew the surface of its bitumen roads network. These works form the basis of the proposed 2017/18 SRV proposal.

The proposed SRV will allow Council to attend to urgent road resurfacing works that has been both assessed and prioritised. This will also allow a greater focus on the strategic management of its infrastructure while putting steps in place to ensure that any renewal requirements are addressed. The SRV will assist in facilitating a refocus from reactive maintenance to proactive renewal of its transport infrastructure.

3. LOCAL GOVERNMENT REFORM

Four years of discussion with the State Government has resulted in the local government reform process. This encapsulates a number of different undertakings including a series of reviews and, in particular, the Fit for the Future program.

The Government released its Fit for the Future package in September 2014, in response to the findings of the three-year Independent Review of Local Government. As part of the local government reform process, councils were asked to consider new ways of working and new structural arrangements. A strong focus of the Fit for the Future program was financial sustainability and addressing the issues around the long term maintenance and improvement of councils' infrastructure.

Bellingen Council was asked to submit a proposal by 30 June 2015 outlining its strategy to remain 'Fit for the Future' based against a specific set of criteria. IPART assessed all council submissions and Bellingen was initially determined as 'not fit' due to not fully meeting two of seven financial criteria – one of which was the infrastructure and asset renewals ratio.



IPART's assessment of Council's original 2015 submission provided the following key findings:

- *The council does not satisfy the sustainability criterion based on its forecast for a negative operating performance ratio'.*
- *'....does not meet the criterion for sustainability based on its continuing operating deficits and relatively low building and infrastructure asset renewal ratio'.*
- *'We consider a council's operating performance ratio is a key measure of financial sustainability that all Fit for the Future (FTFF) councils must meet, therefore the council is not fit'.*
- *'.....demonstrates good regional collaboration'.*
- *'.....analysis has not identified evidence for a better alternative to the council's proposal to stand alone'.*
- *'....has limited options to improve its financial position and relies on the successful application for and adoption of a special variation'.*

Council has carried out a significant body of work in addressing the feedback from IPART particularly regarding the operating result. A steady improvement over the past few years is due to a range of initiatives that have been underway for some time, as well as holding to the commitments made in Council's Fit for the Future submission and resubmission.

Council's overall operating result has improved from a deficit of \$9M in 2014 to a deficit of \$0.9M in 2016, which was subject to a report to the November 2016 Ordinary Meeting of Council.

Significant achievements contributing to the turnaround in results include:

- Special rate variation in 2014/15
- Revaluation of roads, bridges, footpaths and drainage
- Option to no longer recognise Rural Fire Service assets
- Review of fees and charges
- Achievement of the Fit for the Future expenditure reduction commitments
- Staffing initiatives – review and reduction in staff overtime and leave liabilities
- Increase in Roads and Maritime Services (RMS) State road works
- Shift in operational works to renewal (capital) works
- Energy efficiency initiatives
- Shared service and alliancing initiatives
- Service reviews
- Regional advocacy, programs and support through MIDROC
- General cost containment strategies as previously reported through Council's Special Rate Variation Implementation Planning and Policy Committee

Council, along with a number of other councils across the State, was provided with an opportunity to make a resubmission to the Office of Local Government (OLG) for reassessment against the Fit for the Future criteria and this was completed in July 2016 following extensive consultation with and endorsement by the 2012-16 Council. A copy of the Fit for the Future Action Plan is provided at Attachment E.

Council was advised on 6 December 2016 that it has been deemed fit on the basis of the strategies outlined in its reassessment submission. The OLG determination in the matter is provided at Attachment C.

Whilst the various initiatives outlined above (which formed part of Council's reassessment submission) have delivered significant improvement in Council's overall operating result,



there remains a major financial commitment that needs to be made, as outlined in previous reports to Council and the reassessment documentation endorsed by Council and submitted to government, in order to address infrastructure renewal.

Council has outlined seven (7) years of rate increases in its Fit for the Future resubmission and is taking an incremental approach. That is, Council over time and in consideration of its community, will only apply for future SRVs if the other financial sustainability strategies to increase savings and efficiencies (some of which are outlined above) do not provide the appropriate level of funding to assist in delivery of its LTFP and required infrastructure renewal.

Within that, a strategy for 2017/18 is the application of a 6% SRV focused on transport infrastructure. The rationale is outlined in the section of this report entitled Asset Management.

IPART recognise that councils, like Bellingen, are restricted in their ability to generate additional revenue. This is evidenced in IPART's 2015 findings that state, *'the council has limited options to improve its financial position and relies on the successful application for and adoption of a special variation'*.

On this basis, this report presents two options in terms of rating for 2017/18. These options include:

- A 1.5% rate peg increase
- A 6% SRV increase (rate peg + 4.5%)

Should an application for a SRV be made, and approved, it would be a permanent, single year variation to the general rate income.

The following summary outlines what each option will generate in additional revenue.

Option number	Percentage increase	Revenue Generated
One	1.5% (rate peg – the statutory limit determined by IPART)	\$103,256 (general revenue)
Two	6% (rate peg + 4.5%)	\$413,023 \$103,256 (general revenue) \$309,767 (road resurfacing program)

4. LONG TERM FINANCIAL PLAN (LTFP)

Council's adopted LTFP balances revenue and expense over a ten year period in the knowledge that asset renewal is under-funded. It also indicated that a SRV report would be submitted to Council proposing options for two scenarios. These scenarios were modelled as required under the IP&R & SRV guidelines. The models focus on Fit for the Future benchmarks not previously met around financial sustainability.

The two financial models are:

Model 1 – Service Levels Maintained
This is the base model used throughout the LTFP and assumes a permanent 6% per year special rate variation (incl. rate peg) across all categories in years 2017/18 – 2023/24 (7 years). The scenario also models a \$300K (2017/18) operational cost reductions/savings continued throughout the LTFP in order to improve Council's



infrastructure.

Model 2 – Service Levels Reduced

The purpose of the 'Model 2' is to model the impact on Council's financial position if Council was not to include any new special variation over the life of the LTFP. The scenario models a \$1.5M operational cost reductions/savings in 2016/17 continued throughout the LTFP in order to improve Council's infrastructure.

Financial Model 1 was adopted as part of the LTFP and Council's Fit for the Future reassessment proposal. Application of SRV income would enable Council to bring forward or implement essential asset renewal projects.

The recommendation to this report, ie application for a 6% SRV for 2017/18, accords with Council's adopted LTFP.

5. ASSET MANAGEMENT

Bellingin Shire Council manages over \$0.5 Billion in assets of which its transport infrastructure forms a significant component. Council is responsible for maintaining, renewing and improving 598kms of roads valued at approximately \$275M.

Council has embarked on the implementation of advanced asset management practices including a risk based maintenance management system and full technical analysis of its timber bridges and road pavements. These systems will drive modern best value for money decision making processes. This information has been used to develop the current LTFP.

The full condition assessment of the sealed road network has been completed. One of the most significant findings from these assessments is that the condition of the rural sealed road network is well below satisfactory. Currently the analysis has identified that \$6.07M is required to be spent over the next 10 years to renew the rural roads sealed pavement surface and that an additional \$1.96M is required for the same period for urban streets. This represents a total sealed pavement resurfacing renewal investment of \$8.03M. The annual required investment into resurfacing is approximated at \$800,000. (refer to LTFP Attachment 19)

Revenue generated from a proposed SRV of 4.5% (not including the rate peg of 1.5%) for 2017/18 is approximately \$310,000 and will be used to undertake a targeted road resurfacing program of works with a key focus on renewing condition 5 classified sealed road pavements, that is, those roads rated as very poor as first priority. This is based on the following:

- Limited grant funding available for road renewal projects
- While extremely competitive, funding to support timber bridge works is available
- A regional initiative is underway with the intention of applying for funding to the Building Better Regions Fund for bridge infrastructure. For Bellingin, it is anticipated that this will involve 10 bridges valued at approximately \$9M
- If work is not undertaken to reseal the road network as a priority, it is at risk of needing a full reconstruction exponentially increasing the cost of works
- The proposed SRV for 2017/18 will enable the resurfacing program of works to be completed sooner than later minimising the risk of accelerated deterioration of the sealed road network



The 2016/17 resurfacing program outlined below is an example of the targeted program of work to be undertaken from 2017/18 with assistance from the proposed SRV.

2016/17 Reseal Program of Works

Promised Land Loop road	\$ 13,500.00
Gordonville road	\$ 27,000.00
Summervilles road	\$ 20,250.00
Gleniffer road	\$ 18,000.00
Kalang road	\$245,250.00
Summervilles road	\$ 31,000.00
Valery road	\$ 84,000.00
Martells road	\$ 160,500.00
Whiskey Creek road	\$ 60,500.00
North Bank road	\$ 140,000.00
	\$ 800,000.00

As a requirement of the application and assessment process, Council has identified the proposed program of works that will be undertaken as a result of an approved SRV.

A full list of all condition 5 bitumen seal surfaces formed part of the consultation undertaken. These sections of pavement will be the first areas targeted in the resurfacing program and are provided below.



Rural Resurfacing – Priority Roads (~109km) \$3.28M

Beaumonts Road	0.22	Lower Belsdown Road	2.50	Promised Land Road	2.59
Bowraville Road	5.00	Martells Road	5.33	Rigney Drive	0.27
Coramba Road	3.90	Maynards Plain Road	1.04	Roses Road	1.50
Darkwood Road	6.98	McGraths Road	0.20	Shepherds Road	1.00
Deer Vale Road	5.50	McIndoes Road	1.00	Slingsbys Road	2.50
Fernbrock Loop Road	1.50	Muldiva Road	4.48	South Arm Road	3.00
Gleniffer Road	6.00	Mylestom Drive	3.50	Summervilles Road	1.50
Gordonville Road	5.00	North Bank Road	8.00	Tyringham Road	3.35
Hungry Head Road	2.50	Old Brierfield Road	0.15	Valery Road	4.63
Hydes Creek Road	5.64	Old Coast Road	2.00	Wenonah Close	0.37
Kalang Road	4.50	Old Coramba Road North	0.51	Whisky Creek Road	6.34
Keevers Drive	1.00	Paddys Plain Road	0.67	Yellow Rock Road	3.57
		Prices Road	1.50		

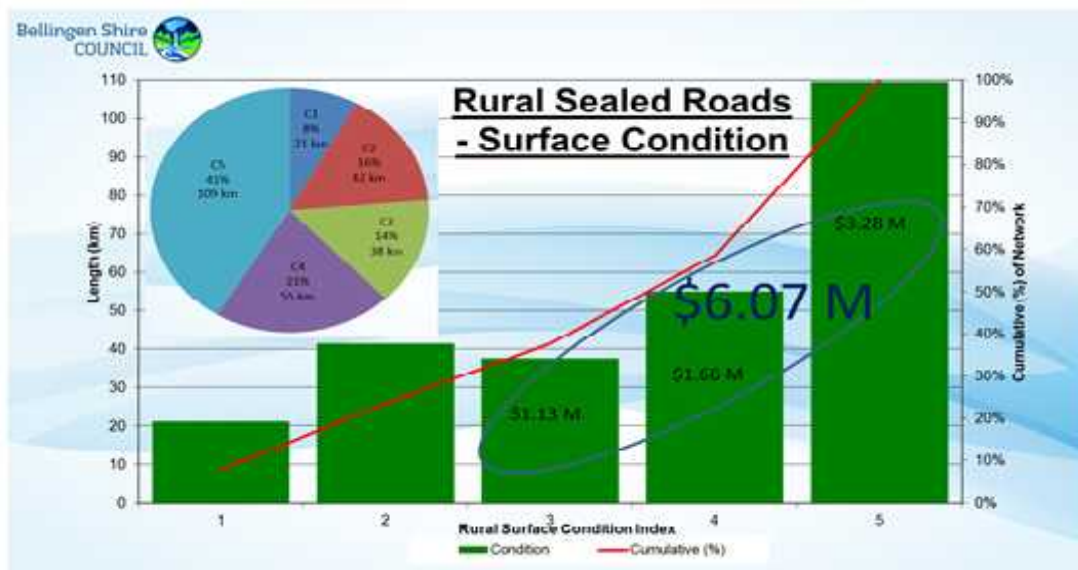


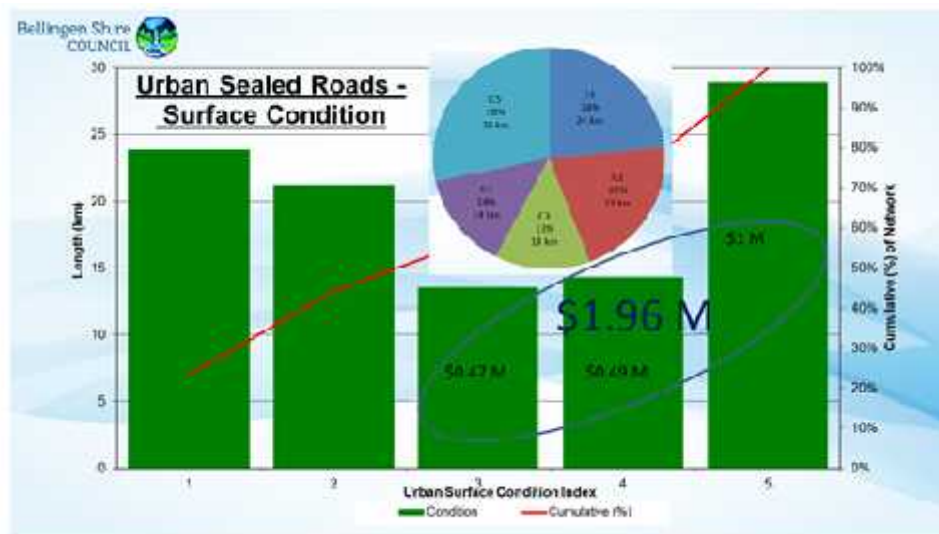
Bellingham Shire COUNCIL

Urban Resurfacing – Priority Roads (~29km) \$1M

Accia Street	0.05	Evans Street	0.17	Lburdes Avenue	0.25	Queen Street	0.25
Alex Pike Drive	0.25	Fern Street	0.06	Marina Crescent	0.22	Railway Street	0.21
Ash Street	0.25	Ferry Street	0.12	Marshall Place	0.09	Rawson Street	0.25
Baker Street	0.25	Fitzroy Street	0.47	Mary Street	0.18	Regen Road	0.25
Baker Street	0.25	Ford Street	0.54	Minerva Lane	0.44	Robert Street Lane	0.14
Balgallow Street	0.33	Forest Drive	0.13	Margo Street	0.70	Rosewood Street	0.25
Baydon Drive	0.54	George Moore Lane	0.15	Mount Street	1.44	Sculthorn Road	1.00
Bellingham Street	1.00	Gurney Street	0.75	Myrtle Street	0.64	Short Street	0.09
Bielsdown Street	0.25	Hammond Street	0.50	Nambucca Street	0.08	Short Street Lane	0.22
Bonville Street	0.17	Hayden Street	0.50	Newry Island Drive	0.75	South Street	0.22
Bowraville Road	0.58	Hickory Street	0.05	Newry Street	0.24	South Street East	0.21
Casey Lane	0.20	High Street	0.25	Newry Street (East)	0.34	Tyringham Road	1.75
Casuarina Street	0.24	Hill Street	0.44	North Street	0.65	Tyringham Street	0.44
Cedar Street	0.50	Hollbone Street	0.25	Old Coast Road	0.50	Vale Street	0.09
Church Street	0.25	Hunter Street	0.14	Old Pacific Highway	0.50	Vernon Crescent	0.23
Comlari Street	0.18	Hyde Street	0.35	Old Point Road	0.15	Vine Street	0.52
Coopers Lane	0.25	Hydro Street	0.13	Pilot Street (East)	0.25	Water Street	0.17
Crown Street	0.25	Island Place	0.30	Pilot Street	0.61	Wheatley Street	0.75
Dudley Street	0.09	Kurrajong Street	0.25	Pine Street	0.25	William Street Lane	0.35
Elliott Close	0.24	Kylie Street	0.14	Prince Street	0.45		

The following graphs demonstrate the quantum of sealed roads infrastructure renewal required which forms part of this SRV application.





In addition the full resurfacing works program displayed on the shire map is appended at Attachment H to demonstrate the demographics of the required works. This also was presented as part of the public consultation documentation.

6. DEMONSTRATED NEED FOR A SRV

Satisfaction Surveys

The community's needs and desires in relation to service delivery and asset maintenance and provision relevant to the SRV application are identified in the 2016 Customer Satisfaction Surveys and Council's recently completed condition assessments of the sealed road network, as outlined in section 5 of this report. Further commentary in terms of the Customer Satisfaction Survey and asset management is provided in sections 7 and 5 of this report respectively.

These drivers provided the basis for recommendations to Council in December 2016 including further engagement with the community on the need to invest in transport infrastructure, specifically the sealed road network.

The community satisfaction survey was a random and representative telephone survey of 400 local residents to measure their satisfaction with Council service levels. It was completed in late 2016. Residents were asked to contribute to a series of questions including:

- Satisfaction with and importance of key services and facilities
- Overall satisfaction with Council
- Contact with Council
- Council website
- Perception of safety
- Overnight visitors

The report highlighted the following:

- The highest mentioned priority for future Council resourcing was sealed roads at 41%
- Sealed roads was also highlighted as the greatest shortfall i.e. least satisfied

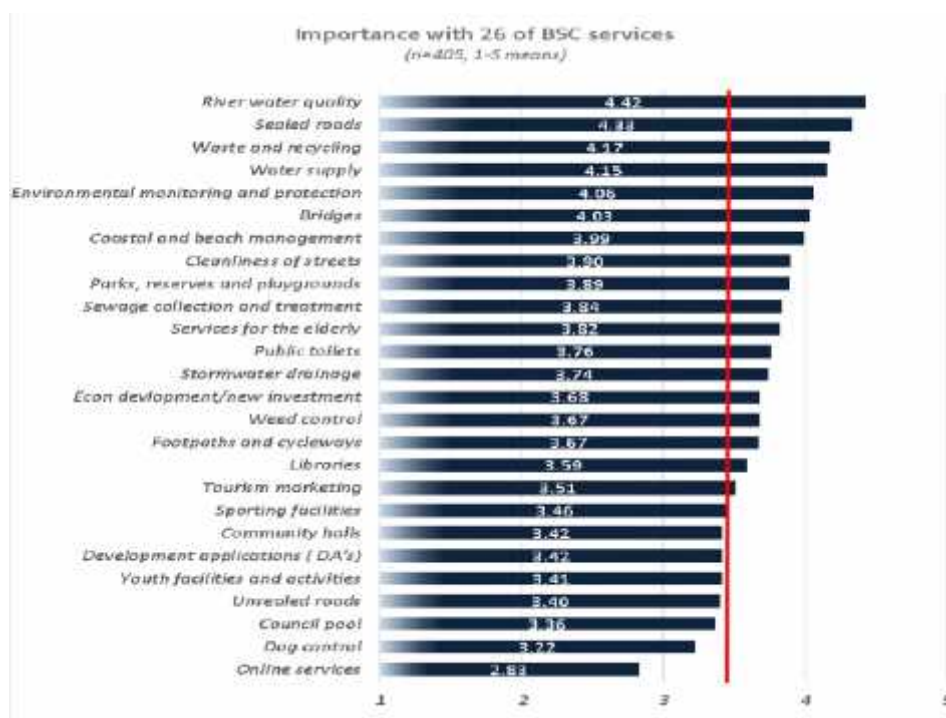


- In terms of their overall satisfaction with Council's performance, 26% of respondents declared themselves satisfied against 36% dissatisfied and the balance neutral
- Among the eight facilities and services scoring less than or equal to the neutral ranking both unsealed and sealed roads as well as weed control scored poorly and a fraction higher than development applications and business development/new investment.

The following figure which is extracted from the survey results highlights the position of sealed roads as high importance but low satisfaction.

Higher Importance, Lower Satisfaction	Higher Importance, Higher Satisfaction
Sealed roads Econ development/new investment Stormwater drainage Footpaths and cycleways Weed control	Water supply Cleanliness of streets Waste and recycling Parks, reserves and playgrounds River water quality Bridges Coastal and beach management Libraries Services for the elderly Sewage collection and treatment Public toilets Environmental monitoring and protection
Lower Importance, Lower Satisfaction	Lower Importance, Higher Satisfaction
Unsealed roads Development applications (DA's)	Tourism marketing Youth facilities and activities Online services Dog control Council pool Sporting facilities Community Halls

The following figure which is extracted from the survey results indicates that 'everything is considered important' based on the mean importance score of 2.83 (out of a possible 5).

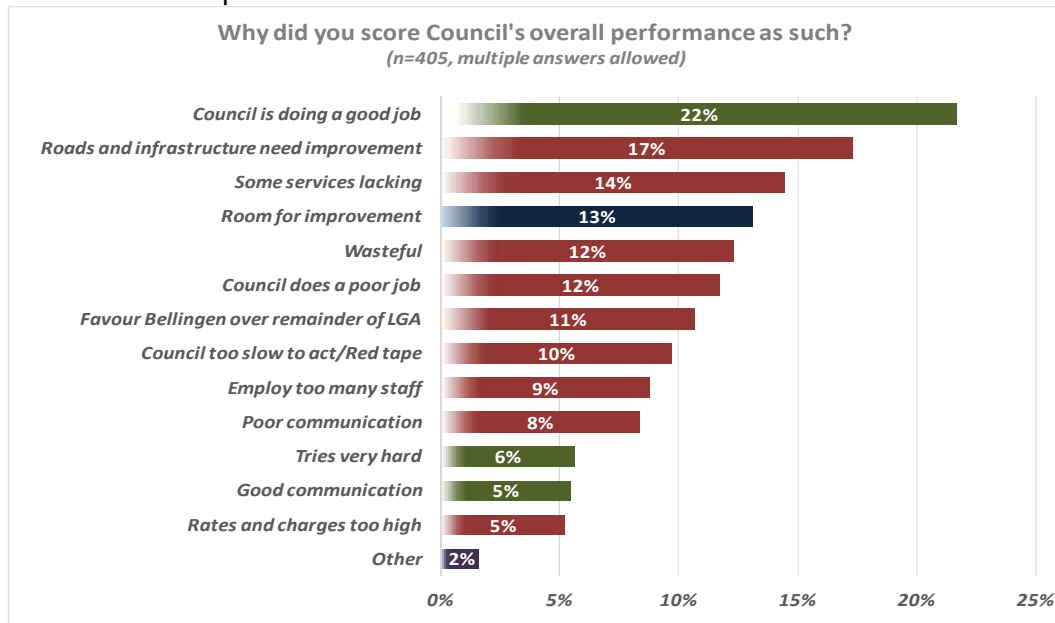




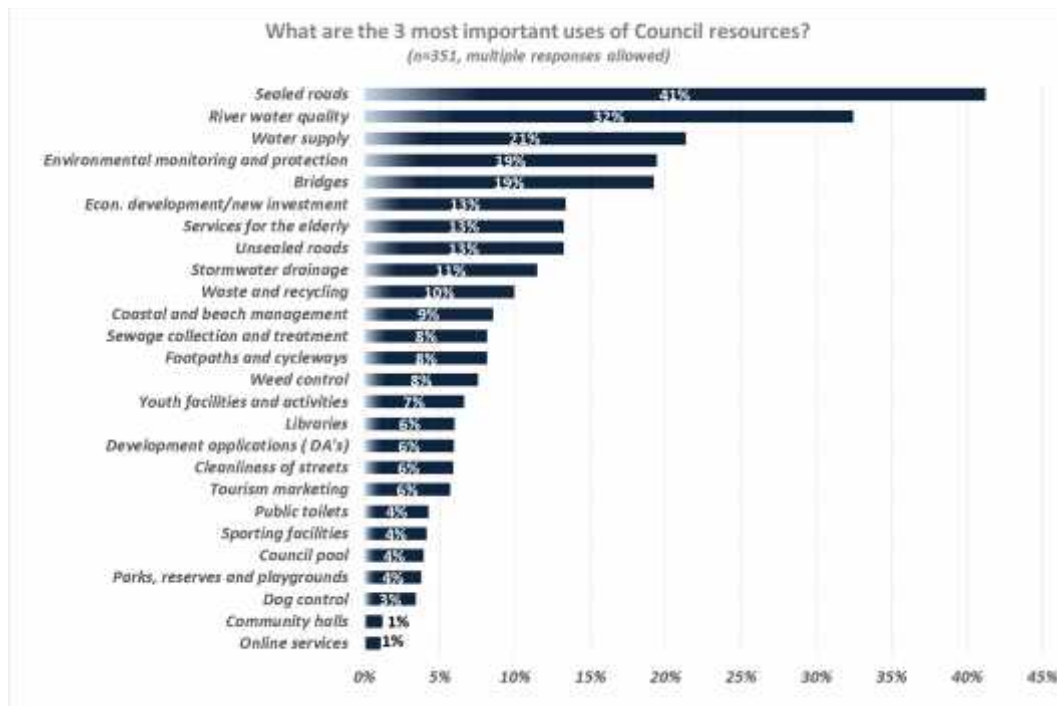
This demonstrates a community expectation that Council will continue to deliver a broad range of services to the community. This raises challenges around service delivery and the potential opportunity cost of the delivery of those services.

The following figure which is extracted from the survey results regarding rates and charges addresses the perceived cost to the community. 5% of respondents state that rates and charges are too high.

The following figure which is extracted from the survey results outlines satisfaction in terms of service provision.



The following figure which is extracted from the survey results outlines which three services are believed to be the most important in terms of allocating Council resources.



It is considered that the foregoing demonstrates the need for Council to continue to progress its plan to invest in its resurfacing program of work that a SRV will assist in realising. It also supports the need for Council and the community to consider a SRV as well as ongoing engagement around service provision priorities in the context of service cost and overall willingness to pay for such services.

As a component of the SRV engagement process and to further understand findings from the community survey, focus groups were carried out and an on line self-completion survey made available to residents. Summary outcomes of each of these processes is provided in section 7 of this report.

6.1 Industry Reviews

6.1.1 TCorp

In 2013, the NSW Government engaged NSW Treasury Corp (TCorp) to undertake a financial capacity and sustainability review of all NSW councils. The review considered the councils' financial performance against a range of benchmarks, looking at councils' borrowing capacity and their financial sustainability. To be considered financially sustainable, councils had to show that they had sufficient revenue to deliver the level of services that the communities expect. The outcome was that each council was provided with a Financial Sustainability Rating (FSR) and financial outlook.

Bellingen Shire Council received a FSR rating of moderate and an outlook of negative. This meant that Council has adequate capacity to meet its financial commitments in the short to medium term, and acceptable capacity in the longer term. However, the negative rating means that Council's financial position could deteriorate in the future unless it takes steps to improve its sustainability.

In its review, TCorp made the following observations of Bellingen Shire Council:



- Council's Unrestricted Current Ratio had been well above benchmark for the previous four years, indicating sufficient liquidity;
- BSC had operating deficits for the previous four years, and forecasted operating deficits into the future;
- High reliance on grants, not sustainable without grants;
- Forecast capital expenditure was insufficient to cover the cost of forecast asset renewals;
- No additional borrowing capacity in the short to medium term;
- A high number of flood events had negatively affected BSC's operating expenses and ability to renew its assets;
- High infrastructure backlog with an increasing trend.

For councils assigned with a negative outlook, TCorp provided some recommendations and areas of investigations to assist in improving the sustainability position. The recommendations include:

- The need to source additional revenue, such as by a Special Rate Variation (SRV);
- For councils with sufficient borrowing capacity, to consider using debt funding to reduce infrastructure backlogs;
- Devising programs and strategies to contain costs and improve efficiencies;
- Further improvements in Asset Management Plans and integration into the Long Term Financial Plan;
- Increasing spending on maintenance and infrastructure renewal while balancing this with the need for capital expenditure on new assets.

In response to the TCorp Review, Council has already undertaken a broad range of initiatives to address the issues, including:

- Successfully secured a Special Rate Variation in 2014 of which achievements include:
 - Contribution to road maintenance - \$400,000
 - 1 major bridge and 1 culvert renewal - \$660,000
 - 16km of shape correction/bitumen sealing - \$630,000
 - 61km gravel resheeting/heavy formation grading - \$300,000
 - Total investment - \$1,990,000
- Reviewed user fees and charges
- Conducted several organisational reviews to improve organisational efficiency
- Ongoing review of assets and depreciation



- Ongoing reviews of services
 - Established the Financial Sustainability Program Board (FSPB)
 - Commenced shared services reviews with Nambucca and Kempsey Shire councils
- These measures are variously factored into the IP&R documents and Fit for the Future initiatives.

6.1.2 Fit for the Future Assessment

Section 3 of this report provides an overview of the local government reform process and assessment of Bellingen Council against the Fit for the Future ratios. These ratios are underpinned by modelling which incorporates the generation of additional income above the rate peg. This was factored into the 2016/17 Long Term Financial Plan as well as the revised IP&R documents that were placed on exhibition during December 2016 and January 2017. The proposed SRV is based on commitments within the IP&R documents and Council's Fit for the Future reassessment.

6.1.3 Commentary

TCorp's financial assessment and the Fit for the Future analysis articulates Council's challenges in terms of having the required level of revenue to meet expenditure requirements into the future.

In order to be financially sustainable for the long term, Council continues to endeavour to balance its need to maximise its revenue with the principles of fairness and equity as outlined in the Community Strategic Plan, also known as the Community Vision.

The long term objective in terms of financial sustainability is for operating revenue to cover operating expenditure, including the cost of maintenance and renewal of its assets. This is the underlying premise of the Fit for the Future modelling as reflected in Council's LTFP.

Council continues to address its infrastructure priorities and applying for a 6% SRV in 2017/18 is one step within Council's overall financial strategy. The securing of a SRV will enable investment in transport infrastructure resulting in reduced whole of life costs by facilitating intervention in the asset lifecycle when necessary. This will have the effect over the medium to long term of moving expenditure from reactive maintenance to proactive preventative maintenance activities.

Council continues to make progress in improving its asset management processes and financial modelling, through the IP&R framework, to better understand future financial and infrastructure needs. Council will continue to engage with the community on service levels and acceptable infrastructure conditions.

7. COMMUNITY AWARENESS AND ENGAGEMENT

The Bellingen Shire Council Community Engagement Strategy (Strategy), as adopted by Council at its Meeting on 22 February 2012, outlines the approach Council takes towards engaging with our community. The SRV engagement plan identifies specific community consultation activities as well as other communication initiatives for key stakeholders with the following objectives:

- To inform the community of Council's intention to apply for SRV



- To provide information regarding the impact on the community through the different rating categories
- To provide information regarding what the revenue generated by the special rate variation will be used for
- To provide information to the community regarding documentation on public exhibition
- To inform the community on how they can engage with Council during the period of consultation, including making a submission

The key activities undertaken regarding the proposed SRV are as follows:

- Community drop in forums in Dorrigo, Bellingen and Urunga
- Letterbox drops
- Newspaper ads
- Media releases
- Fact sheets
- Water rates inserts
- Council SRV Information centre
- Focus groups
- Stakeholder forums
- Online self-completion survey
- Documentation on public exhibition
- Question and Answer

7.1 Feedback

Engagement was undertaken in three phases. Phases one and two included engagement with the community through the various mediums as outlined above. Phase three consisted of internal and some external engagement and predominantly focussed on receiving and acknowledging the information and feedback from phases one and two.

The following table outlines the three phases and activities undertaken in each.

Engagement Activity	Phase 1 – Dec 2016	Phase 2 – Jan 2017	Phase 3 - Feb 2017
Inform			
Water rates pamphlet insert	x		
Mail out to all residents		x	
Notice/newspaper advertisement	x	x	x
Media Release/s	x	x	x
Community information sessions x 3		x	
Website SRV information page	x	x	x
Community newsletters			x
Mayor's letter to residents			x
Consult			
Community Survey		x	
Online self-completion survey		x	
Key stakeholder forums		x	
Invite submissions	x	x	
Public exhibition	x	x	

7.2 Community Surveys

Section 6.1 to this report provides a detailed overview of the community survey undertaken in 2016 which was a random and representative community survey.



7.3 Self Completion Survey

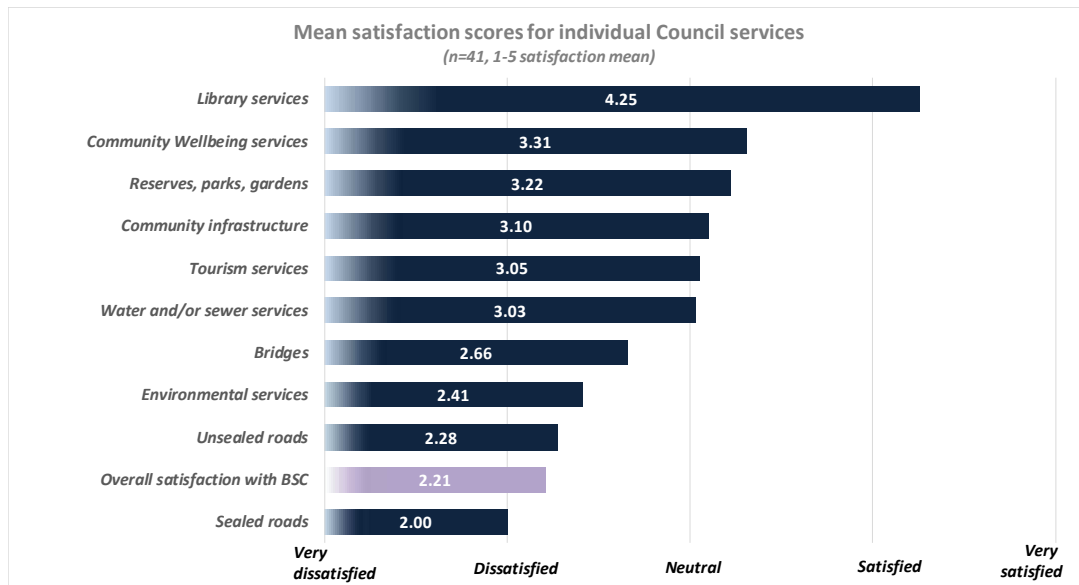
As a component of the engagement process, an online self-selecting survey was posted on the Council website and available for completion from the middle to the end of January 2017.

This opportunity for resident feedback was promoted as follows:

- Council's website
- Community drop in forums in Dorrig, Bellingen and Urunga
- Letterbox drops
- Newspaper ads
- Media releases
- Fact sheets
- Council SRV Information centre
- Stakeholder forums

43 responses were received (representing less than half of one percent of the adult population based on 2011 Census data) and the key findings are as follows:

1. Given the self-selecting (i.e. opt-in) nature of the online methodology and small sample size (n=43), the results of this survey are not considered to be representative of community opinion. Rather they should be viewed solely as the views of those who chose to take the time to complete the survey. Specifically, within these results, there is evidence of some disgruntled residents participating. This is highlighted by unusually high dissatisfaction ratings with Council overall, high levels of opposition to the proposed special rate variation, and comments questioning their general trust in Council.
2. All of the respondents were rate payers and represented a cross section of ages (63% were aged 50-69 years). The sample was over represented by rural property owners (42% rural, 29% urban and 26% mixed) and males (54% male against 8% female, with 18% preferring not to state gender).
3. Residents participating in the online survey claimed to be well informed regarding the SRV with 95% saying they had read the SRV fact sheet and/or other information supplied by Council.
4. Satisfaction ratings with council's services (mean rating):



- 5 Comparing these results to the equivalent results from the 400-person random sample survey conducted 2016, indicates similar average satisfaction scores for libraries (4.17 satisfaction mean in the 2016 survey), tourism services (3.07), and unsealed roads (2.38). However the online respondents were significantly less satisfied than the 2016 random sample in respect to the other equivalent services, and general satisfaction with Council
- 6 One in five (21%) of those completing the survey supported the proposed SRV, with 79% opposed.
- 7 Of those opposed to an SRV, 34 residents cited cost.
- 8 The remainder of those opposed cited other reasons which centered around their view of council and use of ratepayer funds around cost savings, prioritisation of current expenditure, staffing, leadership, cost containment etc
- 9 In terms of willingness to pay if funds were specifically allocated to ongoing improvements to the local sealed road network, three in five respondents stated *nothing*. Of the remaining residents 14% were willing to contribute an additional \$40 or less, and 12% said they would be prepared to pay between \$41 and \$80 per year.
- 10 Intention to attend the SRV drop-in sessions (running concurrently with the survey) were mixed, with two in five not planning to attend (38%), one in five unsure (19%) and the remaining two in five planning to attend one of the sessions.
- 11 Additional commentary included concerns regarding affordability, service delivery, guarantees regarding where the funds would be spent, staffing, work practices and dissatisfaction with management of road maintenance.



- 12 Other commentary included specific feedback regarding Darkwood road as follows:

'Very happy to pay more rates to get better roads. Our road (Darkwood Rd) is disgraceful beyond Chrysalis School. Summervilles Road should be sealed for its entire length and it would be great to see improvements to the roads between Glennifer and Bonville'.

7.4 Feedback to Documents on Exhibition

Council invited submissions to the IP&R documents on exhibition during December 2016 and January 2017 and proactively sought to engage with the community during the consultation process.

The engagement process is outlined in detail in section 7 of this report. The issue was broadly promoted and involved:

- Community drop in forums in Dorrig, Bellingen and Urunga
- Letterbox drops
- Newspaper ads
- Media releases
- Fact sheets
- Water rates inserts
- Council SRV Information centre
- Focus groups
- Stakeholder forums
- Online self-completion survey
- Documentation on public exhibition

The community drop in sessions played an integral role in the consultation strategy and saw 100 people attend. Council was particularly active in engaging with the community at the drop in sessions and was proactive in making sure as many community views, needs and expectations were recorded with feedback forms provided to, or completed for, participants. This was done in an endeavour to conduct genuine engagement with residents attending a session.

Council utilised a number of reference tools to ensure the community was provided with detailed information including:

- The proposed SRV
- How the revenue generated would be invested
- The cost relative to rating categories
- The specific program of work that would be undertaken including specific roads
- How the SRV would benefit the broader community.

The reference tools used included:

- Large banners
- Maps showing the road resurfacing program down to individual roads and priorities
- Factsheets
- Financial statements
- Feedback forms

Council also prepared key messages regarding comparisons with other and neighbouring councils that assisted in responding to questions raised at these sessions.



A register of submissions was developed and included feedback from all avenues of consultation including online, written, community drop in forums and Council's email address.

98 submissions were received across all mediums and are broken down as follows:

- 19 - Formal
- 6 - Generalised responses
- 73 - Drop in sessions

Of the 98 SRV submissions received and registered, 73 were proactively sought by Councillors and staff during the face to face consultation at the community drop in sessions. Copies of the feedback received is provided in Attachments I and J.

Other unrelated concerns and issues raised were also recorded and will be addressed and responded to in accordance with Council's Customer Service Management Policy and procedures.

It is considered that the submissions and feedback received whilst addressing issues affiliated with the proposed SRV do not warrant amendments to the IPR documents on exhibition. Further, it is also considered that the various issues raised have been addressed in the extensive documentation that has been produced and publicly available in the matter including previous reports to Council, SRV fact sheets, letterbox drops, newspaper ads, media releases, water rates inserts, Council SRV Information centre, detailed information provided at the drop in sessions, Council's annual report and annual statements.

In the context of the foregoing, feedback from all submissions provided a number of views with respect to the proposed SRV.

Of the opposition submissions that were made regarding the SRV, many reflected factors outside of Council's control, including:

- The need to rate National Parks and State Forests
- The NSW Government should support the cost for local roads and bridges
- Realistic (land) values set by Valuer General
- Historical issues from previous councils
- Financial assistance grants need to be increased
- Rate pegging

Comments were received regarding Council internal costs and administration including:

- The perception that there are too many staff compared to other councils
- Staff are paid too much
- Cutting Council jobs would free up more funds to go towards fixing roads and bridges
- The disparity between townships in terms of rate categories
- Mis-management of funds

Other comments generally included:

- The impact on pensioners as a result of the increase
- Too much money taken up in administration
- Other neighbouring council comparisons
- Council inefficiency



There were also neutral and positive responses for the proposed SRV including:

- Long term maintenance a priority for our roads
- Council's roads and bridges need work
- Not unopposed to a rate rise
- No opinion at this stage
- Extra money going to roads and not on administration

8. ASSET MANAGEMENT PLANS

Council is currently in the process of updating its core asset management plans. The next generation of asset management planning is currently being undertaken and will involve the full incorporation, analysis and modelling of the recently collected road and bridge condition data. This will better inform Council's future infrastructure renewal programs and improve the maturity of the Long Term Financial Plans through any revised asset renewal profiles. This information will also prove invaluable for future grant applications.

9. SPECIAL RATE VARIATION CRITERIA AND ASSESSMENT

9.1 OLG Requirements

The Office of Local Government releases a set of guidelines each year for the preparation of an application for a special variation to general income. The guidelines outline how IPART will assess council applications. IPART released the SRV Guidelines on 16 December 2016. This provided Council with 8 weeks to undertake community engagement, complete the application form for a SRV and provide the appropriate level of consultation and reporting to Council.

The need for additional funding through a SRV must be identified through the councils' IP&R processes. Based on this requirement, Council has updated its LTFP and Delivery Plan documents to reflect the SRV Council is proposing to apply for. These documents were publically exhibited from 15 December 2016 to 31 January 2017.

9.2 IPART Requirements

IPART requires councils to actively engage residents in discussions about any proposed increase above the rate peg. Councils can do this by using community engagement tools that suit their population. IPART will consider how effective each council's community engagement has been before determining its application to increase charges above the rate peg that has been established by the State Government.

This report, in Section 7, outlines a program of engagement with our residents that included:

- Community drop in forums in Dorrigo, Bellingen and Urunga
- Mail out to all residents
- Newspaper ads
- Media releases
- Fact sheets
- Water rates inserts
- Community newsletters
- Council SRV Information Centre
- Focus groups
- Stakeholder forums
- Documentation on public exhibition



- Questions and Answers

As part of the provision of information as outlined above, detailed information was provided around the proposed program of works and impact on rating categories in accordance with the provisions of Council's community engagement framework. This is detailed in section 5 of this report. The outcomes of the engagement and exhibition process are outlined in detail in section 7 of this report.

9.3 IMPACT OF PROPOSED SRV ON OUR COMMUNITY

Council is currently considering two options in terms of rating for 2017/18.

These options include:

- The 1.5% state government determined rate peg increase
- A 6% SRV increase (rate peg + 4.5%)

This report proposes that Council apply for a one-off permanent increase under the provisions of Section 508(2) of the NSW Local Government Act i.e. option two.

Option number	Percentage increase	Revenue Generated
One	1.5% (rate peg. - the statutory limit determined by IPART)	\$103,256 (general revenue)
Two	6% (rate peg + 4.5%)	\$413,023 \$103,256 (general revenue) \$309,767 (road resurfacing program)

The two possible increases in rate revenue have been apportioned to the different Council rate categories in the table below. This shows the average annual dollar increase in rates for each of our rating categories.

Rating Categories – Average Annual Dollar Increase

Rate Category	Weekly Increase 1.50%	Annual Increase 1.50%	Weekly Increase 6.00%	Annual Increase 6.00%
Business	\$0.28	\$14.36	\$1.10	\$57.45
Business - Bellingen	\$0.36	\$18.82	\$1.45	\$75.26
Business - Dorrigo	\$0.23	\$12.10	\$0.93	\$48.42
Business - Urunga	\$0.47	\$24.26	\$1.87	\$97.04
Farmland	\$0.69	\$35.91	\$2.76	\$143.62
Residential	\$0.29	\$15.08	\$1.16	\$60.31
Residential -	\$0.26	\$13.56	\$1.04	\$54.24
Residential - Dorrigo	\$0.23	\$11.77	\$0.91	\$47.06
Residential -	\$0.30	\$15.78	\$1.21	\$63.11
Residential - Rural	\$0.41	\$21.24	\$1.63	\$84.95
Residential -Urunga	\$0.29	\$14.91	\$1.15	\$59.63



In addition to the general rate, Council also applies water, sewer and domestic waste charges to properties that access those services. The table below provides an example of the projected pricing for 2017/18 for residential properties based on the net average increase for a typical residential rate.

Note: Water pricing comprises an availability charge and a user charge.

Average Typical Residential Rate	Estimate 2017/18 1.50% Increase	Weekly Increase 1.50%	Annual Increase 1.50%	Estimate 2017/18 6.00% Increase	Weekly Increase 6.00%	Annual Increase 6.00%
Residential Ordinary	\$917.54	\$0.26	\$13.56	\$958.22	\$1.04	\$54.24
Water & Sewer - Annual Charge	\$1,056.00	\$0.60	\$31.00	\$1,056.00	\$0.60	\$31.00
Domestic Waste	\$658.00	\$0.37	\$19.00	\$658.00	\$0.37	\$19.00
Total	\$2,631.54	\$1.23	\$63.56	\$2,672.22	\$2.01	\$104.24

***Disclaimer:** The above information is based on the current rating structure. Future financial years may be subject to changes in the rating categories and 3 yearly land revaluations. **Please also note:** These figures do not include the emergency services estimates forecast to be introduced by the State Government on 1 July 2017.

9.4 IMPACT ON THE RATING STRUCTURE

The proposed special rate variation is to be applied equally to all categories of the ordinary rate. Council considers that, as the variation is intended to be utilised for transport infrastructure across the whole Local Government Area and will benefit all road users, the cost should be distributed proportionately to all ratepayers.

As outlined to Councillors at a briefing session on 24 January 2017, Bellingen has received a general re-valuation for the coming 2017/2018 financial year and has based revenue forecasts for the proposed special rate variation on the land values to take effect from 1 July 2017. The re-valuation resulted in an overall average increase to rateable land values of 13%. The re-valuation has resulted in significant variations across the Shire with average increases of up to 34% in some segments to as low as 1% in other segments.

As these figures came to hand during the public exhibition period, in adopting the most equitable structure that minimises the impact of these large fluctuations in land values and fairly attributing the 6% SRV across the Shire, Council will model a number of scenarios for consideration along with a formal public exhibition period prior to the adoption of the Operational Plan and Revenue Policy for 2017/18.

Council's current rate structure comprises an ad valorem amount together with base amount in order to achieve an equitable distribution of rates and minimise excessive fluctuations.



9.5 COMMUNITY'S CAPACITY TO PAY

In consideration of making an application for a SRV, Council has considered the community's capacity to pay based on the SEIFA Index of Advantage and Disadvantage, level of proposed increase and other cost indices. Given that many comparisons were made with neighbouring councils by respondents to the engagement process, the following information is provided.

Bellingen Shire's SEIFA index, in comparison with some neighbouring councils, states Bellingen (950.1) has a higher capacity to pay compared to other like councils, e.g. Nambucca (900.0) that ranked higher in terms of their level of disadvantage. Kempsey also ranks higher with an Index of 879.7.

When comparing residential rates across neighbouring councils, Bellingen Shire ratepayers pay less on average. While each council uses different multiple rate categories, the following information outlines comparative differences across Bellingen, Nambucca, Coffs Harbour and Port Macquarie local government areas:

	BELLINGEN	NAMBUCCA	COFFS HARBOUR	PORT MACQUARIE
Average Residential Rate	\$903 (Bellingen township)	\$912 (town)	\$1,173	\$1,142 (defined as urban)
Average Business Rate	\$1,254 (Bellingen CBD)	\$2,265 (CBD)	\$4,090 (non CBD)	\$2,803 (defined urban)

The above table also highlights that the comparative councils have higher business rates than Bellingen with Nambucca nearly twice as high and Coffs Harbour non CBD more than 3 times higher.

Further comparisons between the four councils indicate that farmland and sewer rates are higher but water is lower.

When comparing Bellingen Shire residential rates to Coffs Harbour, including 7 years of a 6% SRV, it should be noted that Bellingen Shire rates remain lower than that may occur on average. It should be noted that this also does not include any future rate rises from Coffs Harbour.

The following table outlines the **average general rates** for both councils across a 10 year period inclusive of a 7 year 6% SRV for Bellingen.

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Rates										
Bellingen (Residential)										
Average General Rates	\$ 963.31	\$ 1,021.11	\$ 1,082.38	\$ 1,147.32	\$ 1,216.16	\$ 1,289.13	\$ 1,366.47	\$ 1,400.64	\$ 1,435.65	\$ 1,471.54
Percentage Increase	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	2.50%	2.50%	2.50%
\$ Increase per year	\$ 60.31	\$ 57.80	\$ 61.27	\$ 64.94	\$ 68.84	\$ 72.97	\$ 77.35	\$ 34.16	\$ 35.02	\$ 35.89
\$ Increase per week	\$ 1.16	\$ 1.11	\$ 1.18	\$ 1.25	\$ 1.32	\$ 1.40	\$ 1.49	\$ 0.66	\$ 0.67	\$ 0.69
Coffs Harbour (Residential)										
Average General Rates	\$ 1,190.60	\$ 1,220.36	\$ 1,250.87	\$ 1,282.14	\$ 1,314.19	\$ 1,347.05	\$ 1,380.73	\$ 1,415.24	\$ 1,450.62	\$ 1,486.89
Percentage Increase	1.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
\$ Increase per year	\$ 17.59	\$ 29.76	\$ 30.51	\$ 31.27	\$ 32.05	\$ 32.85	\$ 33.68	\$ 34.52	\$ 35.38	\$ 36.27
\$ Increase per week	\$ 0.34	\$ 0.57	\$ 0.59	\$ 0.60	\$ 0.62	\$ 0.63	\$ 0.65	\$ 0.66	\$ 0.68	\$ 0.70



Council also considered the Bellingen Shire average weekly household income. The 2011 ABS Census Data states that 31.5% of Shire residents earn between \$600 - \$1,249 a week compared to the NSW Regional average of 27.1% and the Mid North Coast average of 30.8%.

9.6 ADDRESSING HARDSHIP

Bellingen Council recognises that ratepayers may at times experience difficulty in paying rates and charges. Council has a Hardship Policy in place to provide assistance to ratepayers who are experiencing genuine difficulties with the payment of their rates and charges. The Hardship Policy was most recently adopted on 25 September 2013 and is reflected in Council's IP&R Revenue Policy.

The NSW Local Government Act 1993 (LGA) gives Council the authority necessary to provide assistance to those ratepayers under the following sections of the LGA:

- A. Section 564 of the LGA provides Council with the option to accept payment of rates and charges due and payable in accordance with an agreement made with BELLINGEN SHIRE COUNCIL – MINUTES – ORDINARY MEETING OF COUNCIL 25 SEPTEMBER, 2013 Page 14 of 75 the ratepayer and to write off or reduce interest accrued on rates and charges if the ratepayer complies with the agreement.
- B. Section 567 of the LGA provides for Council to write off accrued interest on rates and charges payable by a ratepayer if, in Council's opinion the reasons that the ratepayer was unable to pay the rates and charges when they became payable were beyond the ratepayer's control, or that the ratepayer is unable to pay the accrued interest for reasons beyond that ratepayer's control, or that the payment of the accrued interest would cause the ratepayer hardship.
- C. Section 575 of the LGA provides for the granting of concession on rates and charges for eligible pensioners.
- D. Section 601 of the LGA provides for ratepayers who incur a rate increase as a result of a revaluation of land to apply to Council for financial relief if the increase in the amount of rates payable will cause them substantial financial hardship.

The Hardship Policy requires ratepayers to be means tested and make an application for a formal payment arrangement. Once the payment arrangement has been finalised, Council may also remove any interest accrued should this contribute to any additional hardship.

As stated above, Council also provides concession on rates and charges for eligible pensioners. Bellingen Council has 24% of ratepayers that receive a pensioner concession on their rates. The following is an extract from Council's Revenue Policy (page 5) that outlines the level of concession available to pensioners.



Pensioner Rebates (Sec 575 NSW Local Government Act 1993)

Rebates are available to eligible pensioners who are solely or jointly liable for the payment of rates and charges. The pensioner must occupy the dwelling as their sole or principal place of living. The rebates are as follows:

- 50% of the combined ordinary rates and domestic waste management charge up to a maximum rebate of \$250.00.*
- 50% of water charges up to a maximum rebate of \$87.50.*
- 50% of sewerage charges up to a maximum rebate of \$87.50.*

The pensioner rebate must be applied against the rate assessment or water billing account in the name of the ratepayer and not a Body Corporate or a Company, except where it is allowed by special agreement. The special agreement would cover circumstances such as where an applicant is the sole shareholder of the company that owns the property and the property is used as the applicants' principal place of residence. The application must be approved by the General Manager.

9.7 PRODUCTIVITY IMPROVEMENTS AND COST CONTAINMENT STRATEGIES

Council has worked extensively over the past few years to deliver a significant improvement in its operating result. This was reported to Council in conjunction with its 2015-16 Annual Report and subsequent 2016/17 report. A summary extract is provided at Attachment G. The result is due to a focus over the past five years on organisational reform, asset management and financial sustainability as well as Council's Fit for the Future initiatives.

Council's overall operating result has improved from a deficit of \$9 million in 2014 to a deficit of \$0.9 million in 2016. Council will continue to look for productivity improvements, efficiencies and cost containment strategies to assist in improving Council's future financial sustainability.

9.7.1 Organisational Review

In accordance with the provisions of the NSW Local Government Act, Council must review their structure every 4 years and within 1 year of an election. Council undertook an extensive review of its structure in 2012. Work is again underway to review the organisational structure in the context of legislative requirements, but more importantly, to accommodate initiatives currently underway around financial sustainability, productivity and efficiency, service reviews, shared servicing allianceing, etc. This matter will be subject to briefings and reports to Council in quarters 2 and 3 of 2017.

9.7.2 Governance Framework

Community and Councillor engagement with regard to the 2014 Special Rate Variation resulted in the development of a works enablement plan and a program identifying cost savings. Within the context of an overall governance framework, two programs were created:



- A Transport (Road and Bridge) Infrastructure Sustainability Program to implement the SRV rolling works program
- A Financial Sustainability Program to realise benefits from efficiency, productivity, and cost containment initiatives across Council

Both programs adopted a formal program management methodology with key processes for:

- Management Control
- Benefits Management
- Financial Management
- Stakeholder Engagement
- Risk Management
- Organisational Governance
- Resource Management
-

Council adopted a portfolio management approach to overseeing these and other programs through integration with, and enhancement of, Council's existing Integrated Planning and Reporting Framework.

Currently all works emanating from the 2014 are reported monthly. Notwithstanding that Council will again put in place a governance arrangement to provide the necessary Council direction, oversight, and evaluation of the proposed 17/18 SRV works program. This will be subject to a future report to Council once the outcome of the SRV process is determined.

Noting the foregoing, the 10 year rolling LTFP in the Delivery Program will form the basis for the long term works program. The annual Operational Plan will incorporate detail on the shorter term works program.

The Delivery Program and Operational Plan have existing reporting periods and mechanisms that will facilitate reporting to Council and community without duplicating effort. The Operational Plan for works related to the proposed SRV will incorporate expanded data points for key performance indicators, goals (and progress), and milestones to satisfy the commitment to greater transparency and accountability.

Council is currently developing the next phase of the IP&R cycle, and this will encompass SRV related works. This will be presented to Council for consideration prior to the commencement of the 2017/18 financial year.

9.7.3 Financial Sustainability Program

In November 2014, Council established the Financial Sustainability Program Board (FSPB) to develop a culture of efficiency, productivity as well as facilitating savings across the organisation by:

- Managing the Service Delivery Reform projects and assessing future options for service delivery reviews
- Initiating a shared servicing and alliancing program in partnership with Kempsey and Nambucca Shire Councils
- Managing projects related to enhanced funding (other than transport infrastructure), e.g. grant submissions, fees and charges review, land release



- Managing general savings and cost containment projects, e.g. property rationalisation and overdue rates recovery, employee oncost review

Since its inception, the FSPB has identified ongoing savings of over \$400,000. These savings have enabled Council to redirect funds to transport infrastructure renewal projects.

In Council's Fit for the Future re-submission, an operational saving of \$300k was proposed in the Improvement Action Plan commencing in 2017/18. Council's original Fit for the Future submissions proposed a \$250k saving and this was realised through the implementation of:

- Review of print services
- Electricity review
- Ranger services – shared alliance with Nambucca Council resulting in annual savings of \$50,000
- Human resource initiatives:
 - Reduce Lost Time Injury (LTI) resulting in a reduction in Workers Compensation of 28% for the 14/15 financial year
 - Overtime management has seen a reduction of 23% in the last financial year
 - Leave Liability Reduction initiative resulting in an 8% reduction

9.7.4 Other Financial Sustainability and Cost Containment Strategies include:

Bellingh Emissions Reduction Program (BERP) – A recent investigation of the feasibility of installing Solar Photovoltaic (PV) systems on Council's largest electricity consuming facilities has been undertaken as part of the Bellingh Emissions Reduction Program (BERP).

A total of 14 sites were assessed. Completing all installations would result in a total net cash benefit during the minimum 25 year effective operating period of \$2,568,190. It is expected that installations will perform well beyond this period. The average annual net financial benefit over this time period is expected to be \$102,640.

The financial savings, together with the savings already implemented, are anticipated to realise savings of around \$200,000 per year, in addition to the environmental sustainability outcomes.

Identification of Additional Income Streams

A review of Council fees and charges was undertaken using best value principles of value for money, a consideration for community expectations and values, and a balance between affordability and accessibility of services. As part of the process, Council:

- Undertook training and workshops for managers and responsible officers in effective pricing
- Benchmarked fees and charges with other councils and service providers
- Improved the format of the Fees and Charges Policy to better align with the Community Vision
- Provided workshops and information packs for its Section 355 Committees

A further review of fees and charges with particular emphasis on understanding true costs and realising opportunities around facilities that are managed by Section 355 Committees is programmed for future years and on the back of work undertaken to date.



Council also undertook a review of the Section (S)355 committees and subsequent implementation of revised guidelines with committees taking on:

- More delegated responsibility for the direct costs of the facilities
- The care, control and management of the facilities under the legislation

Council has also been progressively increasing fees and charges within its control (i.e. those outside of the statutory fees and charges) to be more in line with the cost of providing the service.

In addition to this Council's FFF Action Plan outlines a range of additional initiatives around rating and land and property reviews. This work is underway and will be progressively report to Council.

Private Works

Council currently undertakes private works as a commercial interest. Income generated as a result of private works assists Council's overall financial performance. Private works undertaken by Council includes:

- Resident requests
- Road Maintenance Council Contract

Asset Management – Council is currently in the process of updating its core asset management plans. The next generation of asset management planning is currently being undertaken and will involve the full incorporation, analysis and modelling of the recently collected road and bridge condition data. This will better inform Council's future infrastructure renewal programs and improve the maturity of the Long Term Financial Plans through any revised asset renewal profiles. This information will also prove invaluable for future grant applications..

Cost containment programs – existing and ongoing cost containment programs are already delivering savings to the organisation. These have been reported to Council quarterly since 2014 through the Special Rate Variation Implementation Planning and Policy Committee (SRVIPP).

Service reviews – Council has, and will continue, to undertake reviews on its services. This has already delivered savings across the organisation including ranger services, finance, waste, water and waste water.

Shared service arrangements – Council has existing shared service arrangements in place including waste services, libraries, ranger services and online learning systems.

Council has committed to working with its neighbouring councils to evaluate the opportunities available from sharing services. Nambucca, Kempsey and Bellingen Shire councils have entered into a memorandum of understanding to guide the process and have agreed on a program of review that will operate over the next few years.

The initial focus is on putting in place a new corporate system designed to streamline and automate processes making customer service more efficient and effective. This process is significantly advanced and will be reported to Council in quarter 2 2017.

In addition, the three councils are actively reviewing their Information Technology and HR services to identify areas for process improvement, procedural gains and opportunities for sharing.



Moving into 2017-18, it is anticipated that the councils will review a broad range of services including procurement, financial management, human resource management, information technology etc.

Staffing initiatives

Over the past four years there has been considerable focus placed on addressing potential liability issues with the following outcomes being achieved:

- Reduce Lost Time Injury (LTI) resulting in a reduction in Workers Compensation of 28% for the 14/15 financial year
- Overtime management has seen a reduction of 23% in the last financial year
- Leave Liability Reduction initiative resulting in an 8% reduction

Review of accounting practices

In 2014, Council undertook a major review of its Finance Section. This review identified a range of initiatives which are progressively being implemented including appointment of a Chief Financial Officer in order that Council could adopt a strategic approach to financial management. As part of the implementation of this approach Council has implemented a review of its accounting practices including accounting treatments, management of grant funding etc.

Greater use of electronic communication channels

In 2015, Council implemented electronic rate notifications with the objective of improving productivity and customer service. To date this has realised a 17% take up rate and is anticipated to realise \$100 000 in savings over the time horizon in the Long Term Financial Plan.

The Mid North Coast Region of Councils (ROC), at a regional level, has undertaken extensive work to develop a strategic plan and establish sub-groups that work across councils around key focus areas such as roads and bridges, work health and safety, and information technology. It is envisaged that much of the work of the ROC will transition into the Joint Organisations.

Joint Organisations – Joint Organisations will be established in 2017 with objective of councils in the region working together around advocacy and collaboration.

Financial Planning Policy

Council's adopted Financial Planning Policy sets the cost containment framework for the prudent management of Council's finances and in particular incorporates the long term funding of Council's Asset Management obligations.

The LTFP and Quarterly Budget Review Statement Guidelines released by the Division of Local Government (DLG) require councils to establish a suite of key performance indicators (KPIs) that monitor their financial performance and also measure their long term financial sustainability.

The LTFP Guidelines specifically state that "the indicators or measures will tie back to Council's financial strategies and provide a framework against which to benchmark Council's performance."

The Guidelines also state "Performance measures need to be simple, measurable and understandable. To be effective, indicators need to:

- Measure those factors which define financial sustainability
- Be relatively few in number



- Be based on information that is readily available and reliable”

These KPIs are focused on Council's short term financial position and include benchmarks which not only measure Council's financial position but also Council's financial performance, asset management performance and long term financial sustainability.

While the majority of the above listed financial sustainability and cost containment strategies have been recognised as possible alternative revenue opportunities or efficiencies, they have not been included in the LTFP financial indicators.

BUDGET IMPLICATIONS

Funds have been allocated for the preparation and formalisation of a SRV application. Costs relate primarily to community engagement and project management.

Project resourcing has been provided using existing staff.

The proposed SRV has been based on the modelling undertaken in relation to the Fit for the Future submission in 2016 which has enabled the Council to be classified as 'Fit'.

This modelling was in turn reflected in Council's Long Term Financial Plan and adopted by the 2012-2016 Council. The IP&R documents placed on exhibition during this SRV engagement process were consistent with Council's adopted position.

In the event that the additional funds anticipated by the proposed SRV are not realised, this will impact the ratios within the Fit for the Future projections negatively and the long term implications for this need to be considered in terms of Council's long term financial sustainability and the ability to appropriately maintain its asset base.

Apart from the impact on the ratios this may place council in a vulnerable position in terms of loan borrowings as with the current 'Fit' status, Council is able to access borrowings through TCorp.

Notwithstanding the foregoing, the revenue generated from the proposed SRV of 6% for 2017-18 is to undertake a targeted 10 year road resurfacing program of works representing an investment of \$310,000 within an annualised \$800,000 per year. The funds will be spent specifically on addressing the rural and urban priority bitumen roads with a condition rating of 3, 4 or 5, commencing with condition 5 assets.

Should the proposed SRV not be approved then it would be necessary for the Council to address the following:

1. Reduce the proposed resurfacing program by the amount of \$310,000 per annum in recognition of the unavailability of funds.
2. Should the Council wish to complete the proposed resurfacing program reallocate \$310,000 from another budget item to the resurfacing program.
3. Revise its Fit for the Future ratios.

**SUSTAINABILITY ASSESSMENT**

This report recommends that Council apply for a SRV for 2017-18. The proposed SRV for 2017/18 is focused on a program of infrastructure investment with the overall objective of improving the road network, allowing intervention at a point where the network does not suffer further decline and contributing to Council's ongoing focus on financial sustainability as well as satisfying the Fit for the Future modelling and undertakings.

This report outlines ongoing governance arrangements with regard to the proposed SRV. This will be subject to a separate report to Council once the outcomes of the SRV process are known.

ENGAGEMENT

The Bellingen Shire Council Community Engagement Strategy was adopted by Council at its meeting on 22 February 2012. This strategy is designed to outline the approach Bellingen Shire takes towards engaging with our community.

Having regards to the Community Engagement Strategy, it is considered that the actions/initiatives contained within this report are appropriately categorised as having a LEVEL 1 impact (high impact – Shire wide). To address the requirements of Council's Community Engagement Strategy and the *NSW Local Government Act 1993*, Council carried out the actions as outlined in the December 2016 Council report in this matter. These initiatives and the outcomes are outlined in Sections 6 and 7 of this report.

In summary however:

- There are 6028 rateable properties within the Bellingen Local Government Area
- Council received 98 responses to the exhibition and engagement process. Of these, 19 were submissions and 6 were generalised comments. The balance was actively solicited by Council at the Drop in Sessions held in January in Dorrigo, Bellingen and Urunga.
- There were 43 responses to the online survey.
- There were 84 hits on Council's website in response to an article relating to the Drop in Sessions
- There were 142 hits on the Council's website on the IP&R documents on exhibition
- There were 207 hits on the online SRV Information Centre
- There were 11 media articles published
- There were 13 advertisements including a letter from the Mayor to residents. Refer to Attachment F
- There were 7 letters to the editor



ATTACHMENTS

- 4.1.A LTFP
- 4.1.B Delivery Program
- 4.1.C Ministerial Announcement
- 4.1.D LG NSW - Rate Pegging
- 4.1.E FFF Improvement Action Plan
- 4.1.F Open Letter from the Mayor to Residents
- 4.1.G 2015/16 Annual Report Part C Financial Summary
- 4.1.H BSC Reseal Priority Roads Map
- 4.1.I Community Drop In Sessions Submissions
- 4.1.J SRV 17/18 Submissions



Item: 10.16

Subject: SPECIAL RATE VARIATION - NOTICE OF INTENTION

File/Index: Special Rate Variation notice of intention to nominat for 2017/18

Presented by: Maxine Compton, Grants & Business Development Officer
Matt Fanning, Deputy General Manager Operations
Liz Jeremy, General Manager
Michelle McFadyen, Deputy General Manager

ALIGNMENT WITH DELIVERY PROGRAM

(CL) CIVIC LEADERSHIP

(CL.2) Our community is informed and engaged with a strong sense of civic leadership.

(CL.2.1) The community is engaged in decision making and implementation.

(CL.2.1.0) The community is engaged in decision making and implementation - Other Activities.

RECOMMENDATION

That Council:

1. Notify the NSW Independent Regulatory and Pricing Tribunal of its intention to lodge an application for a Special Rate Variation for the 2017/18 Financial Year.
2. Undertake the community engagement initiatives outlined within this report inclusive of amendments to Council's Integrated Planning & Reporting documentation (Delivery Program and Long Term Financial Plan) to support the Special Rate Variation application
3. Place on public exhibition the Integrated Planning & Reporting documents that articulate the special rate variation for a minimum period of six (6) weeks from 15 December

EXECUTIVE SUMMARY

This report provides information regarding Council's Notice of Intention to IPART to apply for a Special Rate Variation (SRV) 2017-18. This report demonstrates the delivery of one of the required strategies as outlined in Council's Fit for the Future approved submission and is a platform of the Bellingen Shire's infrastructure renewal program.

REPORT DETAIL

Roads and bridges are vital transport infrastructure that connect and support our communities. Local government has been subject to rate pegging for 39 years and, as a consequence, the majority of councils in NSW are suffering from an infrastructure backlog, meaning that they have not been in a position to generate sufficient income to renew their infrastructure in a timely fashion.

THE 2017-18 RATE PEG

Rate pegging has been in place since 1977. The rate peg determines the maximum percentage amount by which a council may increase its general income for the year. For 2017-18, the rate peg has been set but the NSW Government at 1.5% based on the



change in the Local Government Cost Index (LGCI) and consideration of a productivity factor. IPART's assessment on this year's productivity factor is that it did not have a material impact on the LGCI.

IPART calculated the rate peg by:

- Taking the increase in the LGCI for the year to September 2016 of 1.47%
- Deducting a productivity factor of 0.001%

This results in a rate peg of 1.47% which IPART rounded to 1.5% for 2017-18.

Local Government NSW (LGNSW) released commentary regarding the rate peg percentage applied by the NSW Government expressing their concern that it simply does not meet the needs of local councils. In a media release dated 2 December 2017, LGNSW President Keith Rhodes (who is also a councillor on Coffs Harbour City Council), states, "The rate pegging limit of 1.5 per cent is down from 1.8 per cent for the financial year 2016/17. The increase is slightly smaller than the consumer price index. It needs to be noted that the LGCI only reflects movements in underlying costs. The index does not reflect increased costs arising from the need to expand services to meet growing demands or the need to increase infrastructure spending to address backlogs or growth. These needs are to be met by way of special rate variations".

Keith Rhodes goes on to further state, "The rate pegging limit of 1.5 per cent is unrealistically low and does not reflect the real cost pressures facing NSW councils. Without seeking and securing rate variations over the rate pegging limit, councils will need to cut services and reduce expenditure on community infrastructure and facilities. The outcome further highlights the failure of the rate pegging system - no general index can reflect the individual needs and circumstances of a wide range of councils and communities".

Bellingen Council, like its neighbouring councils, has a significant infrastructure renewal program which has been identified in its Long term Financial Plan (LTFP). One of the key areas of renewal requirement is the resurfacing of its bitumen road network. On average the Council needs to invest \$800,000 each year to renew the surface of its bitumen roads network. These works form the basis of the proposed 2017/18 special rate variation (SRV) proposal.

The proposed SRV will allow Council to attend to urgent road resurfacing works that has been both assessed and prioritised. This will also allow a greater focus on the strategic management of its infrastructure while putting steps in place to ensure that any renewal requirements are addressed.

LOCAL GOVERNMENT REFORM

Four years of discussion with the State Government has resulted in the local government reform process. This encapsulates a number of different undertakings including a series of reviews and, in particular, the Fit for the Future program.

The Government released its Fit for the Future package in September 2014, in response to the findings of the three-year Independent Review of Local Government. As part of the local government reform process, councils were asked to consider new ways of working and new structural arrangements. A strong focus of the Fit for the Future program was financial sustainability and addressing the issues around the long term maintenance and improvement of councils' infrastructure.



Bellingham Council was asked to submit a proposal by 30 June 2015 outlining its strategy to remain 'Fit for the Future' based against a specific set of criteria. IPART assessed all council submissions and Bellingham was determined as 'not fit' due to not fully meeting two of seven financial criteria – one of which was the infrastructure and asset renewals ratio.

IPART's assessment of Council's original 2015 submission provided the following key findings:

- *The council does not satisfy the sustainability criterion based on its forecast for a negative operating performance ratio'.*
- *'....does not meet the criterion for sustainability based on its continuing operating deficits and relatively low building and infrastructure asset renewal ratio'.*
- *'We consider a council's operating performance ratio is a key measure of financial sustainability that all Fit for the Future (FTFF) councils must meet, therefore the council is not fit'.*
- *'.....demonstrates good regional collaboration'.*
- *'.....analysis has not identified evidence for a better alternative to the council's proposal to stand alone'.*
- *'....has limited options to improve its financial position and relies on the successful application for and adoption of a special variation'.*

Council has carried out a significant body of work in addressing the feedback from IPART particularly regarding the operating result. A steady improvement over the past few years is due to a range of initiatives that have been underway for some years, as well as holding to the commitments made in Council's Fit for the Future submission and resubmission.

Council's overall operating result has improved from a deficit of \$9M in 2014 to a deficit of \$0.9M in 2016, which was subject to a report to the November 2016 Ordinary Meeting of Council.

Significant achievements contributing to the turnaround in results include:

- Special rate variation in 2014/15
- Revaluation of roads, bridges, footpaths and drainage
- The option to no longer recognise Rural Fire Service assets
- Review of fees and charges
- Achievement of the Fit for the Future expenditure reduction commitments
- Staffing initiatives – review and reduction in staff overtime and leave liabilities
- Increase in Roads and Maritime Services (RMS) State road works
- Shift in operational works to capital works
- Energy efficiency initiatives
- Shared service and alliancing initiatives
- Service reviews
- Regional advocacy, programs and support through MIDROC
- General cost containment strategies as previously reported through Council's Special Rate Variation Implementation Planning and Policy Committee

Council, along with a number of other councils across the State, was provided with an opportunity to make a resubmission to the Office of Local Government (OLG) for reassessment against the Fit for the Future criteria and this was completed in July 2016 following extensive consultation with and endorsement by the 2012-16 Council.



Council was advised on 6 December 2016 that it has been deemed fit on the basis of the strategies outlined in its reassessment submission. The OLG determination in the matter is provided at Attachment B.

Whilst the various initiatives outlined above (which formed part of Council's reassessment submission) have delivered significant improvement in Council's overall operating result, there remains a major financial commitment that needs to be made, as outlined in previous reports to Council and the reassessment documentation endorsed by Council and submitted to government, in order to address infrastructure renewal.

Council has outlined seven (7) years of rate increases in its Fit for the Future resubmission and is taking an incremental approach.

That is overtime, Council, in consideration of its community, will only apply for future special rate variations if the other financial sustainability strategies to increase savings and efficiencies (some of which are outlined above) do not provide the appropriate level of funding to assist in delivery of its LTFP and required infrastructure renewal.

Within that, a strategy for 2017/18 is the application of a 6 per cent SRV focused on infrastructure. The rationale is outlined in the section of this report entitled Asset Management.

IPART recognise that councils, like Bellingen, are restricted in their ability to generate additional revenue. This is evidenced in IPART's 2015 findings that state, *'the council has limited options to improve its financial position and relies on the successful application for and adoption of a special variation'*.

On this basis, this report presents two options in terms of rating for 2017/18. These options include:

- A 1.5% rate peg increase
- A 6% SRV increase (rate peg + 4.5%)

Should an application for a SRV be made, and approved, it would be a permanent one-off variation to the general rate income.

The following summary outlines what each option will generate in additional revenue.

Option number	Percentage increase	Revenue Generated
One	1.5% (rate peg – the statutory limit determined by IPART)	\$103,256 (general revenue)
Two	6% (rate peg + 4.5%)	\$413,023 \$103,256 (general revenue) \$309,767 (road resurfacing program)

LONG TERM FINANCIAL PLAN (LTFP)

Council's adopted LTFP balances revenue and expense over a ten year period in the knowledge that asset renewal is under-funded. It also indicated that a SRV report would be submitted to Council proposing options for two scenarios. These scenarios were modelled as required under the Integrated Planning & Reporting (IP&R) & SRV Guidelines. The models focus on Fit for the Future benchmarks not previously met around financial sustainability.

The two financial models are:



Model 1 – Service Levels Maintained

This is the base model used throughout the LTFP and assumes a permanent 6% per year special rate variation (incl. rate peg) across all categories in years 2017/18 – 2023/24 (7 years). The scenario also models a \$300K (2017/18) operational cost reductions/savings continued throughout the LTFP in order to improve Council's infrastructure.

Model 2 – Service Levels Reduced

The purpose of the 'Model 2' is to model the impact on Council's financial position if Council was not to include any new special variation over the life of the LTFP. The scenario models a \$1.5M operational cost reductions/savings in 2016/17 continued throughout the LTFP in order to improve Council's infrastructure.

Financial Model 1 was adopted as part of the LTFP and Council's Fit for the Future reassessment proposal. Application of SRV income would enable Council to bring forward or implement essential asset renewal projects.

The recommendation to this report, ie application for a 4.5% SRV for 2017/18, accords with Council's adopted LTFP.

While Council has outlined seven (7) years of rate increases in its Fit for the Future resubmission, Council is taking an incremental approach. That is, Council, in consideration of its community, will only apply for future special rate variations if the other financial sustainability strategies to increase savings and efficiencies (some of which are outlined above) do not provide the appropriate level of funding to assist in delivery of its LTFP and required infrastructure renewal.

ASSET MANAGEMENT

Belling Shire manages over \$0.5 Billion in assets of which its transport infrastructure forms a significant component.

Council has embarked on the implementation of advanced asset management practices including a risk based maintenance management system and full technical analysis of its timber bridges and road pavements. These systems will drive modern best value for money decision making processes. This information has been used to develop the current LTFP.

The condition assessment of the sealed road network has just been completed. One of the most significant findings from these assessments is that the condition of the rural sealed road network is well below satisfactory. It has identified that \$6.07M is required to be spent over the next 10 years to renew the rural roads sealed pavement surface and that an additional \$1.96M is required for the same period for urban streets. This represents a total sealed pavement resurfacing renewal investment of \$8.03M. (refer to LTFP Attachment 19)

The intention for the revenue generated from a proposed SRV of 6 per cent for 2017/18 is to undertake a targeted road resurfacing program of works. This is based on the following:

- Limited grant funding available for road renewal projects
- While extremely competitive, funding to support timber bridge works is available
- If work is not undertaken to reseal the road network as a priority, it is at risk of needing a full reconstruction exponentially increasing the cost of works



- The proposed SRV for 2017/18 will enable the resurfacing program of works to be completed sooner than later minimising the risk of accelerated deterioration of the sealed road network

The 2016/17 resurfacing program outlined below is an example of the targeted program of work to be undertaken from 2017/18 with assistance from the proposed SRV.

2016/17 Reseal Program of Works

Promised Land Loop road	\$ 13,500.00
Gordonville road	\$ 27,000.00
Summervilles road	\$ 20,250.00
Gleniffer road	\$ 18,000.00
Kalang road	\$ 245,250.00
Summervilles road	\$ 31,000.00
Valery road	\$ 84,000.00
Martells road	\$ 160,500.00
Whiskey Creek road	\$ 60,500.00
North Bank road	\$ 140,000.00
	\$ 800,000.00

As a requirement of the application and assessment process, Council will need to identify the proposed program of works that will be undertaken as a result of an approved SRV.

A full list of all condition 5 bitumen seal surfaces will form part of the consultation process to be undertaken and as outlined in the engagement section of this report. These sections of pavement will be the first areas targeted in the resurfacing program.

COMMUNITY ENGAGEMENT AND OPINION

A community satisfaction survey was undertaken in September 2016, the results of which have been subject to briefings to both the 2012-16 and 2016-20 Councils. A consequent series of focus groups was undertaken which saw local asset infrastructure discussed as a focal point and in particular:

- The condition of local roads
- The perceived lack of a well-publicised, long term infrastructure repair plan
- Themes of discontent regarding the state of local roads
- A perception of reactivity rather than proactivity around asset management
- Many participants felt that improved roads and bridges were a huge priority



When the focus group was asked about a SRV of *3.5% above the rate peg (2.5%) to fund improvements to roads and bridges, some of the following responses were provided:

- "I'm all in favour of it, actually, if it gets the roads fixed."
- "I think they should do that before, at the start of the year that they're going to use this extra 3.5%. They should say this is what we're going to do to the roads, which roads we're going to fix."
- "I think the concept of a special rate variation is a good one, provided you do all the consultation and have it for a specific agreed task."
- "If you're getting value for money you'd wear it, but there's no value for money in any of the work the council does."

**It should be noted that initial modelling and information gathering/briefings were based on previous advice from IPART of an anticipated rate peg of 2.5%. On 1 December, IPART announced that the rate peg was set at 1.5%.*

ASSET MANAGEMENT PLANS

Council is currently reviewing its asset management plans. Initial core asset management plans have only limited condition-based analysis. The next generation of asset management planning is currently being undertaken and will involve the full incorporation, analysis and modelling of the recently collected road and bridge condition data. This will better inform Council's future infrastructure renewal programs. This information will also prove invaluable for future grant applications.

SPECIAL RATE VARIATION CRITERIA AND ASSESSMENT

The Office of Local Government releases a set of guidelines each year for the preparation of an application for a special variation to general income. The guidelines outline how IPART will assess council applications. IPART have advised that the guidelines are expected to be released early January 2017. This provides Council one month to formalise its responses against the criteria for the 2017/18 SRV should it decide to do so.

The need for additional funding through a SRV must be identified through the councils' IP&R processes. Based on this requirement, Council has updated its LTTP and Delivery Plan documents to reflect the SRV Council is proposing to apply for. These documents need to be publically exhibited for a minimum of six (6) weeks from 15 December 2016.

IPART requires councils to actively engage residents in discussions about any proposed increase above the rate peg. Councils can do this by using community engagement tools that suit their population. IPART will consider how effective each council's community engagement has been before determining its application to increase charges above the rate peg that has been established by the state government.rate.

This report outlines a program of engagement with our residents to include:

- Community drop in forums in Dorrigo, Bellingen and Urunga
- Mail out to all residents
- Newspaper ads
- Media releases
- Fact sheets
- Water notification inserts
- Community newsletters
- Council SRV Information Centre
- Focus groups
- Stakeholder forums
- Documentation on public exhibition



- Questions and Answers

As part of the provision of information as outlined above, detailed information will be provided around the proposed program of works and impact on rating categories.

Council has an adopted Community Engagement Strategy and Framework that forms the basis of the development of a specific community engagement plan for the SRV. In order to meet the IPART criteria for a SRV, Council must demonstrate that it has consulted broadly with the community. The SRV engagement plan identifies specific community engagement as well as other communication activities for additional key stakeholders.

Engagement will be undertaken in three phases. Phases one and two include engagement with the community through the various mediums as outlined above. Phase three will consist of internal and some external engagement and be predominantly about receiving and acknowledging the information and feedback from phases one and two.

The community engagement schedule is as follows:

Engagement Activity	Phase 1 - Dec 2016	Phase 2 – January 2017	Phase - 3 February 2017
Inform			
Water notification pamphlet insert	x		
Mail out to all residents		x	
Notice/newspaper advertisement	x	x	x
Media Release/s	x	x	x
Community information sessions x 3		x	
Website SRV information page	x	x	x
Community newsletters	x	x	
Consult			
Community Survey		x	
Key stakeholder forums		x	
Invite submissions	x	x	
Public exhibition	x	x	

As a component of IPART's assessment, councils need to demonstrate:

- Community awareness of their plans
- The need for higher increases to charges
- A reasonable impact on ratepayers
- A sustainable financing strategy
- A history of well-documented council productivity improvements

In addition to Council's evidence, IPART will assess any other information they consider relevant. IPART can wholly or partially approve or reject Council's application.



IMPACT OF PROPOSED SRV ON OUR COMMUNITY

Council is currently considering two options in terms of rating for 2017/18.

These options include:

- The 1.5% state government determined rate peg increase
- A 6% SRV increase (rate peg + 4.5%)

This report proposes that Council apply for a one-off permanent increase under the provisions of Section 508(2) of the NSW Local Government Act i.e. option two.

Option number	Percentage increase	Revenue Generated
One	1.5% (rate peg. - the statutory limit determined by IPART)	\$103,256 (general revenue)
Two	6% (rate peg + 4.5%)	\$413,023 \$103,256 (general revenue) \$309,767 (road resurfacing program)

The two possible increases in rate revenue have been apportioned to the different Council rate categories in the table below. This shows the average annual dollar increase in rates for each of our rating categories.

Rating Categories – Average Annual Dollar Increase

Rate Category	Weekly Increase 1.50%	Annual Increase 1.50%	Weekly Increase 6.00%	Annual Increase 6.00%
Business	\$0.28	\$14.36	\$1.10	\$57.45
Business - Bellingen	\$0.36	\$18.82	\$1.45	\$75.26
Business - Dorrigo	\$0.23	\$12.10	\$0.93	\$48.42
Business - Urunga	\$0.47	\$24.26	\$1.87	\$97.04
Farmland	\$0.69	\$35.91	\$2.76	\$143.62
Residential	\$0.29	\$15.08	\$1.16	\$60.31
Residential -	\$0.26	\$13.56	\$1.04	\$54.24
Residential - Dorrigo	\$0.23	\$11.77	\$0.91	\$47.06
Residential -	\$0.30	\$15.78	\$1.21	\$63.11
Residential - Rural	\$0.41	\$21.24	\$1.63	\$84.95
Residential -Urunga	\$0.29	\$14.91	\$1.15	\$59.63

In addition to the general rate, Council also applies water, sewer and domestic waste charges to properties that access those services. The table below provides an example of the projected pricing for 2017/18 for residential properties based on the net average increase for a typical residential rate.



Note: Water pricing comprises an availability charge and a user charge.

Average Typical Residential Rate	Estimate 2017/18 1.50% Increase	Weekly Increase 1.50%	Annual Increase 1.50%	Estimate 2017/18 6.00% Increase	Weekly Increase 6.00%	Annual Increase 6.00%
Residential Ordinary	\$917.54	\$0.26	\$13.56	\$958.22	\$1.04	\$54.24
Water & Sewer - Annual Charge	\$1,056.00	\$0.60	\$31.00	\$1,056.00	\$0.60	\$31.00
Domestic Waste	\$658.00	\$0.37	\$19.00	\$658.00	\$0.37	\$19.00
Total	\$2,631.54	\$1.23	\$63.56	\$2,672.22	\$2.01	\$104.24

**Disclaimer: The above information is based on the current rating structure. Future financial years may be subject to changes in the rating categories and 3 yearly land revaluations. Please also note: These figures do not include the emergency services estimates forecast to be introduced by the State Government on 1 July 2017.*

SRV TIMELINE

The timeframe for nomination and application to IPART for a SRV is established by the NSW Office of Local Government not Council.

Applications for a SRV close mid February, 2017. In order for Council to consider feedback from the community as well as meet the criteria under IPART's assessment, consultation, feedback and engagement needs to occur now.

At the time this report was prepared, the guidelines for applying for a SRV had still not been released by the OLG. IPART advised that they expect the guidelines to be released in January 2017. Should this be the case, timeframes may extend to the end of February, however, Council in its preparadeness is working to the timeframes outlined in the 2016/17 guidelines that point to mid February as the application deadline. Based on this and verbal discussions with IPART, an outline of the key activities and timelines is as follows:

Activity	Timeframe
Council resolution notifying intent to apply	14 December 2016
Community engagement	15 December – 31 January 2017
Council notification of intent to apply for a SRV to IPART	15 December
IP&R document exhibition period	15 December – 31 January 2017
Council resolution - application to IPART	Early February 2017
SRV application	Mid February 2017

BUDGET IMPLICATIONS

A budget amount has been allocated for the preparation and formalisation of a SRV application. Costs relate primarily to community engagement and project management.

Project resourcing will be provided using existing staff and will require a focus on the SRV project through until early 2017.



The revenue generated from the proposed SRV of 6 per cent for 2017-18 is to undertake a targeted road resurfacing program of works representing an investment of \$310 000 within an annualised \$800 000 per year 10 year resurfacing program.

SUSTAINABILITY ASSESSMENT

The project will result in rate increases over and above the rate peg limit if the SVR application is successful. The proposed SRV for 2017/18 is focused on a program of infrastructure investment with the overall objective of improving the road network, allowing intervention at a point where the network does not suffer further decline and contributing to Council's ongoing focus on financial sustainability.

ENGAGEMENT

The Bellingen Shire Council Community Engagement Strategy was adopted by Council at its meeting on 22 February 2012. This strategy is designed to outline the approach Bellingen Shire takes towards engaging with our community.

Having regards to the Community Engagement Strategy, it is considered that the actions/initiatives contained within this report are appropriately categorised as having a LEVEL 1 impact (high impact – Shire wide). To address the requirements of Council's Community Engagement Strategy and the *NSW Local Government Act 1993*, Council will carry out the actions as outlined in the section of the report entitled special rate variation criteria and assessment.

ATTACHMENTS

- 10.16.A Long Term Financial Plan (LTFP) - UPDATED
- 10.16.B Ministerial Announcement FFF
- 10.16.C LGNSW Rate Pegging
- 10.16.D Delivery Plan - UPDATED