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| Special Variation Application Form – Part BFor applications for 2014/15Issued October 2013 |
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# Introduction

Each council must complete this application form (Part B) in order to apply for a special variation to general income. The same Part B form is to be used for applications made either under section 508A or under section 508(2) of the *Local Government Act 1993*.

IPART assesses each application against the criteria set out in the Division of Local Government (DLG) *Guidelines for the preparation of an application for a special variation to general income for 2014/2015* (the Guidelines). Councils should refer to these guidelines before completing this application form. They are available at [www.dlg.nsw.gov.au](http://www.dlg.nsw.gov.au).

We also publish Fact Sheets on our role in local government rate setting and special variations and on the nature of community engagement for special variation applications. The latest Fact Sheets on these topics are dated September 2013. They are available on our website at [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au).

Councils must complete this Part B form with a relevant Part A form, also posted on our website. The relevant Part A form is either:

*Section 508(2) Special Variation Application Form 2014/15 – Part A* for a single percentage variation under section 508(2) or

*Section 508A Special Variation Application Form 2014/15 – Part A* for more than one percentage variation under section 508A.

The amount of information to be provided is a matter for judgement, but it should be sufficient for us to make an evidence-based assessment of the council’s application against each criterion. This form includes some questions that the application should address, and guidance on the information that we require. As a general rule, the higher the cumulative percentage increase requested, and the greater its complexity, the more detailed and extensive will be the information required.

## Completing the application form

To complete this Part B form, insert the council’s response in the boxes and the area which is highlighted, following each section or sub-section.

Councils may submit additional supporting documents as attachments to the application. The attachments should be clearly identified in Part B and cross-referenced. We prefer to receive relevant extracts rather than complete publications, unless the complete publication is relevant to the criteria. Please provide details of how we can access the complete publication should this be necessary.

We may ask for additional information to assist us in making our assessment. If this is necessary, we will contact the nominated council officer.

This application form consists of:

Section 2 - Focus on Integrated Planning and Reporting

Section 3 – Assessment criterion 1

Section 4 – Assessment criterion 2

Section 5 – Assessment criterion 3

Section 6 – Assessment criterion 4

Section 7 – Assessment criterion 5

Section 8 - Other information

Section 9 – Checklist of contents

Section 10 – Certification.

## Submitting the application

IPART asks that all councils intending to apply for a special variation use the Council Portal on our website to register as an applicant council and to submit their application.

The Portal is at <http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt>. A [User Guide](http://www.ipart.nsw.gov.au/files/948b8fb1-2e6e-4647-b9d3-a10000a2552a/Local_Government_-_Council_Portal_User_Guide_-_November_2012.pdf) for the Portal will assist you with the registration and online submission process.

Councils intending to submit an application should notify us of their intention to apply by **cob Friday 13 December 2013.**

Councils should also submit their applications, both Part A and Part B and supporting documents, via the Portal. File size limits apply to each part of the application. For Part B the limit is 10MB. The limit for the supporting documents is 120MB in total, or 70MB for public documents and 50MB for confidential documents. These file limits should be sufficient for your application. Please contact us if they are not.

We also ask that councils also submit their application to us in hard copy (with a table of contents and appropriate cross referencing of attachments). Our address is:

Local Government Team
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

Level 17, 1 Market Street, Sydney NSW 2000.

We must receive your application via the Council Portal and in hard copy no later than **cob Monday 24 February 2014.**

We will post all applications (excluding confidential documents) on our website. Councils should also post their application on their own website for the community to read.

# Focus on Integrated Planning and Reporting

How a council considers and consults and engages on a special variation as part of its Integrated Planning and Reporting (IP&R) processes is fundamental to our assessment of the application for a special rate variation. Such a focus is clear from DLG’s September 2013 *Guidelines*.

The key relevant IP&R documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and, where applicable, Asset Management Plan.

A council’s suite of IP&R documents may also include supplementary and/or background publications used within its IP&R processes. As appropriate, you should refer to these documents to support your application for a special variation.

Briefly outline how the council has incorporated the special variation into its IP&R processes. Include details of and dates for community consultation, key document revisions, exhibition period(s) and the date(s) that the council adopted the relevant IP&R documents.

Weddin Shire Council was a Group Three Council and as such first achieved all of the requirements under Integrated Planning and Reporting (IP&R) process by adoption of the final IP&R documents on 17 June 2012.

The IP&R documents arose out of an extensive community consultation process (conducted from April 2011 – April 2012) which allowed council to identify the community’s priorities and also ascertain the challenges faced in delivering these priorities.

Community priorities identified included the construction of a medical centre as the number one priority as well other major infrastructure renewal projects such as the upgrade of the Grenfell swimming pool which is at the end of its operational life.

During the development of the IP&R documentation there was recognition by council and indeed by the wider community of the need for a rate rise above the rate pegging amount as an important step towards delivering the desired community priorities and to assist council becoming financially sustainable in the long term.

As a consequence the LTFP included an increased operating position scenario (Scenario 3) as councils preferred funding option which incorporated a special rate variation. (Refer Attachment 1)

These initial IP&R documents were reviewed in early 2013 at which time it was determined the overall assumptions and direction were still valid. The 2013/2023 IP&R documents were put on public display for one month during May 2012 and the documents were formally adopted by council on 21 June 2013.

Please note all of Council’s IP&R documentation is available from its website:

<http://www.weddin.nsw.gov.au/>

# Assessment criterion 1: Need for the variation

In the DLG Guidelines, criterion 1 is:

*The need for and purpose of a different revenue path (as requested through the special variation) is clearly articulated and identified through the council’s IP&R documents, including its Delivery Program and Long Term Financial Plan. Evidence for this criterion could include evidence of community need/desire for service levels/project and limited council resourcing alternatives and the Council’s financial sustainability conducted by the NSW Treasury Corporation. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan applying the following two scenarios:*

* *Baseline scenario – revenue and expenditure forecasts which reflects the business as usual model, and exclude the special variation, and*
* *Special variation scenario – the result of approving the special variation in full is shown and reflected in the revenue forecast with the additional expenditure levels intended to be funded by the special variation.*

The response in this section should summarise the council’s case for the proposed special variation. It is necessary to show how the council has identified and considered its community’s needs, alternative funding options and the state of its financial sustainability.

The criterion states that all these aspects must be identified and articulated in the council’s IP&R documents.

At the highest level, please indicate the key purpose(s) of the special variation by marking one or more of the boxes below with an “x”.

Maintain existing services [ ]

Enhance financial sustainability [x]

Environmental works [ ]

Infrastructure maintenance / renewal [ ]

Reduce infrastructure backlogs [ ]

New infrastructure investment [x]

Other (specify) [ ]

Summarise below the council’s need for the special variation. Comment on how the need is captured in the IP&R documents, especially the Long Term Financial Plan (LTFP) and the Delivery Program, and, where appropriate, the Asset Management Plan (AMP). Note that the LTFP is to include both a ‘baseline scenario’ and an ‘SV scenario’ as defined in the *Guidelines*.

Although NSW councils set their own rates each year, increases in the total amount collected are determined by IPART either as the rate peg or as a special rate variation. Local Government has been subject to rate pegging for over 30 years and as a consequence the majority of councils in NSW are suffering from an infrastructure backlog.

Local Government is also significantly impacted by cost shifting from other levels of government, where responsibility for, or the costs of, providing a service is shifted from a higher level of government to a lower level of government without the provision of corresponding funding or adequate revenue raising capacity.

In this environment of restricted revenue and additional cost impositions Council is faced with real challenges in terms of maintaining and replacing infrastructure and maintaining existing levels of services. To build financial sustainability it is imperative that Councils address both cost containment/reduction measures as well as options for additional revenue.

The IP&R process provided Council with insights into some of the key challenges Council will face in the coming years including:

* The ability of Council to fund its existing asset management commitments to satisfactory standards
* The ability for Council to meet community expectations in relation to service delivery
* Impact of cost shifting to Local Government
* The impact of rising energy and waste management expenses
* An increasing challenge in relation to public liability and risk management along with rising insurance costs
* Implications of rate pegging and that Council’s operating income does not cover its operating expenses

The Base Scenario included in the LTFP (which represents council’s current position) identifies a need for change. This scenario shows continued operating deficits and a need to increase funding for building and infrastructure renewals. (Refer Attachment 1)

A special variation is proposed as a measure to improve council’s long term financial sustainability and to assist council to fund a Medical Centre in Grenfell. During the IP&R process the Grenfell Medical Centre was identified community priority number one. (Refer Attachment 2) Whilst the Weddin shire has the capacity to borrow as identified in the TCorp Financial Sustainability Report it is necessary for council to improve its operating position prior to undertaking any borrowings. (Refer Attachment 3)

## Community needs

Indicate how the council has identified and considered the community’s needs and desires in relation to matters such as levels of service delivery and asset maintenance and provision in deciding to apply for a special variation. The application should include extracts from, or references to, the IP&R document(s) that demonstrate how the council meets this criterion.

Considerable effort was deployed to determine community priorities during the IP&R process. The consultation that went into the formulation of the Community Strategic Plan (CSP) included asking the community to provide us with their opinion in relation to the strategic direction council should take in addressing one of the shires major challenges being rural population decline. The question was put to participants in the following manner:

Which of the options below best describe your preference for how we as the Weddin (Shire) community should plan for future population?

1. ‘Go with the flow’ by letting things tick along, and in the process accept the projected further 20% population decline and a deterioration in general service levels across the community.
2. Take a softly-softly approach and attempt to stabilise our population at present levels, recognising that in terms of ‘political voice’ by staying still we in fact go backwards.
3. Collectively as a community identify and focus on a small number of target areas that leverage our strengths, with an underlying goal of getting the population back to at least 1976 levels in the next 5 to 10 years.
4. It’s time we as a community in the Weddin Shire ‘took the bull by the horns’ and significantly ‘bucked the trend’ of rural population decline. We need a wide range of new initiatives developed, and in terms of Council operations are prepared to accept above base-line rate rises and borrowing funds for infrastructure.

The majority of respondents chose option 4 and by doing so accepted above-base line rate rises as necessary in achieving the overall strategic goals of the community. The responses also indicated that the community did not wish to see a decline in the level of service delivery and/or asset maintenance and provision from current levels. (Refer Attachment 4)

## Alternative funding options

Explain how the decision to seek higher revenues was made after other options such as changing expenditure priorities or using alternative modes of service delivery were examined. Also explain the range of alternative revenue/financing options you considered and why the special variation is the most appropriate option. For example, typically these options would include introducing new or higher user charges and increase council borrowing, but may include private public partnerships or joint ventures.

Provide extracts from, or references to, the IP&R document(s) which show how the council considered the alternatives.

Council currently has an extremely low rate base in comparison to other similar Councils. Our challenging long term financial situation is heightened due to this and a number of strategies are being implemented which include efforts to achieve cost savings in all areas, the consideration of reduced levels of service and increasing user pay fees (where possible) towards cost recovery.

Council has explored the options for funding the proposed Medical Centre. Included in the options were the following;

* **Reserves** – Council does not have any externally or internally restricted reserves available to fund these specific infrastructure projects;
* **Grants** – a review of available grants is undertaken on a rolling basis however there is no grant funding available for the medical centre at this stage. The current external economic situation and the period of fiscal tightening we are currently experiencing is limiting grant funding options available and this is unlikely to change for the foreseeable future;
* **General fund** – a review of Council’s 2013 financial statements and LTFP reveals that Council does not have any available general funds;
* **Fees and charges** – fees and charges cannot be charged to fund the construction of the medical centre;
* **Loans** –The TCorp Financial Sustainability report acknowledged that council has the capacity to borrow in order to fund capital projects however council needs to establish the financial capacity to service any loans. (Refer Attachment 3)
* **Special rate variation** – Given the above and supported by the TCorp report Council’s only avenue is to apply for a SRV.

## State of financial sustainability

The special variation may be intended to improve the council’s underlying financial position, or to fund specific projects or programs of expenditure, or a combination of the two. We will consider evidence about the council’s current and future financial sustainability.

The application should set out the council’s understanding of its current state of financial sustainability, as well as long-term projections based on alternative scenarios and assumptions about revenue and expenditure. Such evidence can be drawn from the LTFP and from any external assessment, eg by auditors or TCorp.

Explain the council’s view of its financial sustainability as it relates to the application for a special variation.

Whilst council considers it has the capacity to meet its short-term financial commitments the IP&R process has identified medium to long term financial challenges.

Weaknesses identified in relation to council’s financial sustainability include:

• It is generating annual operating deficits of significance;

• It is largely generating annual cash surpluses and growing its cash reserves;

• It is not maintaining its infrastructure base, with renewal funding not appearing to be at expected levels;

• Council has the financial capacity available to support an enhanced renewal program and can reasonably fund additional new /upgrade capital; and

• It has the capacity to borrow to fund capital expenditure as needed.

On this basis whilst Council’s current financial sustainability has a negative outlook it is clear that Council has the capacity to implement change to alter its forecasts and improve its financial outlook.

Explain how TCorp’s recent Report on the council’s financial sustainability is relevant in supporting the decision to apply for a special variation.

It is financial sustainability report TCorp expressed the opinion that based on historical performance Weddin Shire Council is moderately sustainable in the sort to medium term. However over the past four years, Council consistently recorded operating deficits and in addition did not spend the required amounts on maintenance, renewal and addition of assets.

In order to address these concerns the TCorp report also expressed the view that council has the capacity to undertake additional borrowings but it would be prudent for council to develop strategies to improve it operating position prior to undertaking any borrowings. The TCorp report thus clearly supports council’s decision to apply for a SRV in order to improve its operating position and to assist to establish the ability to service borrowing costs. (Refer Attachment 3)

How will the special variation affect the council’s key financial indicators over the 10-year planning period? Key indicators may include:

Operating balance ratio excluding capital items (ie, net operating result before capital as percentage of operating revenue before capital grants and contributions)

Unrestricted current ratio (the unrestricted current assets divided by unrestricted current liabilities)

Rates and annual charges ratio (rates and annual charges divided by operating revenue)

Debt service ratio (net debt service cost divided by revenue from continuing operations)

Broad liabilities ratio (total debt plus cost to clear infrastructure backlogs (Special Schedule 7) divided by operating revenue)

Asset renewal ratio (asset renewals expenditure divided by depreciation, amortisation and impairment expenses).

Set out below is the impact of the SRV as included in Scenario 3 of the current LTFP on Council’s key performance indicators:

**Unrestricted Current Ratio**

The unrestricted current ratio is 9.3 in 2013-14 and falls to 4.5 in 2022-23 as a result of the increase in current liabilities associated with loan borrowings.

**Debt Service Ratio**

The debt service ratio remains negligible despite the $3 M in proposed loan borrowings.

**Rates & Annual Charges Coverage Ratio**

The rates & annual charges coverage ratio is 21% throughout the forecast period.

**Rates and Annual Charges Outstanding**

This ratio is forecast to remain consistent with current levels.

**Net Financial Liabilities Ratio**

The net financial liabilities ratio remains healthy and indicates that Council retains the ability to borrow if needed. As in Scenario 2, this is mitigated by Council’s operating deficits.

**Building & Infrastructure Renewals Ratio**

The asset sustainability ratio is 82% in 2013-14 and is relatively constant at 71% throughout the forecast. The exception is 2016-17 where a further $ 1 M in renewals is planned. This represents a substantial increase on the base scenario during which the asset sustainability ratio is 19% for the majority of the forecast.

**Operating Surplus Ratio**

This scenario sees a return to a positive operating surplus ratio with a projected cumulative operating surplus of $749,000 over the forecast period.

(Refer Attachment 1)

## Capital expenditure review

Councils undertaking major capital projects are required to comply with the DLG’s Capital Expenditure Guidelines, as outlined in DLG Circular 10-34. A capital expenditure review is required for projects that are not exempt and cost in excess of 10% of council’s annual ordinary rates revenue or $1 million (GST exclusive), whichever is the greater. A capital expenditure review is a necessary part of a council’s capital budgeting process and as such should have been undertaken as part of the Integrated Planning and Reporting requirements in the preparation of the Community Strategic Plan and Resourcing Strategy.

|  |  |
| --- | --- |
| Does the proposed special variation require you to do a capital expenditure review in accordance with DLG Circular to Councils, Circular No 10-34 dated 20 December 2010? |  Yes X No [ ]  |
| If *Yes*, has a review been done and submitted to DLG? | Yes X No [ ]  |

# Assessment criterion 2: Community awareness and engagement

In the DLG Guidelines, criterion 2 is:

*Evidence that the community is aware of the need for and extent of a rate rise. This must be clearly spelt out in IP&R documentation and the council must demonstrate an appropriate variety of engagement methods to ensure opportunity for community awareness/input. The IP&R documentation should canvas alternatives to a rate rise, the impact of any rises upon the community and the council’s consideration of the community’s capacity and willingness to pay rates. The relevant IP&R documents must be approved and adopted by the council before the council seeks IPART’s approval for a special variation to its general revenue.*

To meet this criterion, councils must provide evidence from the IP&R documents[[1]](#footnote-1) that the council has:

Consulted and engaged the community about the special variation using a variety of engagement methods and that the community is aware of the need for, and extent of, the requested rate increases

considered and canvassed alternatives to the special variation

provided opportunities for input and gathered input/feedback from the community about the proposal

considered the impact of rate rises on the community

considered the community’s capacity and willingness to pay.

In assessing the evidence, we will consider how transparent the engagement with the community has been, especially in relation to explaining:

the proposed cumulative rate increases including the rate peg (including in both percentage and dollar terms)

the annual increase in rates that will result if the special variation is approved in full (and not just the increase in daily or weekly terms)

the size of any expiring special variation (see Box 4.1 below)

alternative rate levels that would apply without the special variation

proposed increases in any other council charges (eg, waste management, water and sewer), especially if these are likely to exceed the increase in the CPI.

|  |
| --- |
| Box 4.1 Where a council is renewing or replacing an expiring special variation |
| The council should have explained to its community:that there is a special variation due to expire at the end of this financial year or during the period covered by the proposed special variationthat, if the special variation were not approved so that only the rate peg applied, the year-on-year change in rates would be lower, or that rates may fallif applicable, that the expiring special variation is being continued (in full or in part), in the sense that it is being replaced with another that may be either temporary or permanent, or that the value is included in the percentage increase being requested in the following year. |
|  |

More information about how community engagement might best be approached may be found in the DLG *Guidelines*, the IP&R manual, and our Fact Sheet *Community Awareness and Engagement*, September 2013.

## The consultation strategy

Provide details of the consultation strategy undertaken, including the range of methods used to inform the community about the proposed special variation and to engage with the community and obtain community input and feedback on it. The range of engagement activities could include media releases, mail outs, focus groups, random or opt-in surveys, online discussions, public meetings, newspaper advertisements and public exhibition of documents.

Please provide relevant extracts of the IP&R documents that explain the council’s engagement strategy and attach relevant samples of the council’s consultation material.

The community engagement approach was crafted in the context of the NSW Social Justice principles. What follows is detail of the range of actual activities that were undertaken in gathering community input to the IP&R process.

**Raising public awareness and inviting input**

Council were determined to structure the input gathering phase in such a way that all in the community were aware of what was happening and were provided the opportunity to have input into the process. In light of the Social Justice Principles we decided that the best way to achieve this end would be to firstly design our activities and options around making it as easy as possible for the vulnerable groups to contribute, and that if this was done it would also suit most other groups and individuals.

Three additional input avenues were also developed: visits to businesses in Grenfell, civic leadership discussion with Councillors and a survey of Weddin Shire Council staff.

## Vulnerable groups

## The following table lists each vulnerable group together with the input avenues put in place:

|  |  |
| --- | --- |
| Group | Awareness raising and input avenue |
| Elderly | Letters inviting community groups to have input Hard copy survey optionWorkshop optionLetters to all ratepayerNotices in our local paper, The Grenfell Record |
| Young | Survey of students at Henry Lawson High School Letters inviting community groups to have inputNotices in all School Newsletters |
| Isolated | Workshops in Grenfell, Greenethorpe, Quandialla & Caragabal Online survey via ‘Survey Monkey’ Notices in all School Newsletters Hard copy surveys available in Bimbi, Greenethorpe, Quandialla & Caragabal, as well as Council Administration building in Grenfell |
| Socio-economically disadvantaged | Workshops in Grenfell, Greenethorpe, Quandialla & Caragabal Letters inviting community groups to have input Access to online survey option via Grenfell Internet Centre |

## Notices in ‘The Grenfell Record’

## Fortunately we have a twice-weekly local paper, The Grenfell Record”, and it has one of the highest circulation rates per head of population of any paper in Australia. The Council funded two advertisements (run 27th April and 4th May 2011) inviting the community to attend the various workshops. The paper also generously ran a front page article in one edition as an additional promotion for the workshops.

## Notices in school newsletters

## All 6 schools in the Weddin Shire were approached to place notices of the consultation process in their newsletters: Caragabal Public School, Greenethorpe Public School, Grenfell Public School, Henry Lawson High School (Grenfell), Quandialla Central School and St. Joseph's Primary School (Grenfell). Being distant from Grenfell the reality is that people in and around the villages tend to go to larger towns in adjacent shires for most of their commercial needs. Their main regular communication mechanism is the school newsletters, which play a broader role than just communicating with parents of students.

## Letters to ratepayers

## On 24 May 2011 letters were sent to all 1,850 of our ratepayers informing them of the CSP formulation process and inviting them to attend one of the up-coming workshops.

## Letters to community organisations

## On 24 May 2011 letters were sent to all 99 community organisations that operate within the Weddin Shire informing them of the CSP formulation process and inviting them to either send a representative to attend one of the up-coming workshops or complete an online survey accessible via Council’s website.

## Here is a small selection of community organisations that received letters:

## Grenfell Senior Citizens Welfare Committee, Grenfell Community Health, local churches and schools, Essential Energy, TAFE, NSW Rural Fire Service, Fire Brigade, police and ambulance services, sporting clubs, the NSW Farmers Association and local progress societies.

## Community survey

## A Community Engagement Questionnaire was developed. Residents were given two main options to complete their survey input:

## 1. via ‘Survey Monkey’ with a link accessible directly from the Council’s website

## 2. in hard copy, available at the Council’s Administration building in Grenfell as well as from the Post Offices in each of the villages. The content of the hard copy survey responses was typed to ‘Survey Monkey’ by Council staff enabling ready consolidation.

## A total of 79 survey responses were received.

**Student Survey**

Staff at The Henry Lawson High School were approached to see if it was possible for student input to be gained. This input was seen as particularly important given that many of the students will benefit from the outcome of the overall planning process. The approach was warmly received. It eventuated that staff reformatted the Community Survey into an abridged hard-copy more student-friendly format and allocated time for all students at the school on the nominated day to complete a survey. Each survey response was subsequently input to Survey Monkey by Council staff to enable consolidation.

170 students completed a survey form.

**Community consultation workshops**

In all, 5 community consultation workshops were conducted throughout the Shire as follows:

Location: Date:

Caragabal 31 May 2011, 7.30am

Greenethorpe 2 June 2011, 9.00am

Quandialla 7 June 2011, 10.00am

Grenfell 8 June 2011, 10.00am & 7.30 pm

The timing of the workshops at each of the villages was determined in close consultation with the local progress societies who also generously catered for the events, with costs reimbursed by Council. One outcome was that the workshops were community events rather than a compliance exercises. Catering at the Grenfell events was provided by the Bowling Club and funded by Council.

Each workshop was facilitated by the Council’s consultant strategic planner, assisted at each venue by a volunteer scribe. Where possible a Ward Councillor was also in attendance.

The primary objective of the workshops was to hear and record all suggestions and ideas from those in attendance, drawing on the questions in the Community Survey as a guide. Recording of the input was done on butcher’s paper at the village meetings and on a whiteboard at the Grenfell meetings. After each meeting the input was typed into documents by Council staff.

A total of 80 people attended the workshops

**Visits to businesses in Grenfell**

The majority of local businesses are small and owner-operated making it challenging for the proprietors to allocate time to contribute to community planning processes such as this. Their input, though, is important. Consequently it was decided that visits to a broad cross section of businesses were appropriate. Most of these were carried out during late June / early July 2011. The format was informal with no appointments made. The aim of the calls was to ascertain top-of-mind issues about the long term prospects of the local economy. The duration of each visit varied enormously and depended on how much time the proprietors had available and the breadth of issues they wanted to raise.

A total of 35 businesses in Grenfell were visited

**Civic leadership discussion**

On 21 July 2011 immediately prior to the regular Weddin Shire Council meeting an informal discussion was held with all Councillors on the general subject of civic leadership. 8 Councillors and all 4 senior staff were in attendance.

**Council staff survey**

On 3/8/2011 Council’s General Manager, Director Corporate Services and Consultant Strategic Planner attended an Integrated Planning and Reporting Regional Workshop at Dubbo arranged by the Division of Local Government, Department of Premier and Cabinet. One of the guest speakers was Alia Karaman, Manager - Strategy Planning and Environment, Auburn City Council. Alia shared with those in attendance the experiences of Auburn City Council in developing its CSP, with one especially valuable activity being surveying of Council staff which they titled ‘Back-Chat’. Part of the plan development process is for Councils to explore opportunities to improve their own activities. Off the back of these two factors it was decided to develop a survey that all Weddin Shire Council staff could contribute to.

A questionnaire for Council staff was developed in part from templates shared by Auburn City Council and our own Community Survey. Council Depot staff was briefed on the background to the questionnaire on 2/9/2011 and a similar session was run 8/9/2011 for staff based in the Administration building. Responses could be

either in hard copy or online via survey monkey. To further encourage contributions it was made clear that all responses would be treated on a confidential basis.

A total of 5 survey responses were received.

**Total Contributions**

In total some 380 locals contributed directly to the IP&R which is slightly in excess of 10 % of the Shire population. (Refer Attachment 4)

In addition to the above community consultation activities which were undertaken as part of the IP&R process which included a Special Rate Variation scenario council has regularly communicated with the community regarding the special rate variation via it’s weekly “Council News” column which is included in the local paper The Grenfell Record. The Council News on 28th August 2013 specifically addressed the special rate variation application and advised the community that council had resolved to apply for a special rate variation. Indicative figures were also given as to the impact of this rate rise at this time. (Refer Attachment 5)

A community engagement session was also undertaken on the 29th October 2013 at the Grenfell Bowling Club in relation to the proposed Medical Centre and associated funding options. A comparison of the average rates of surrounding councils was presented to this meeting in the context of the special rate variation with the comparison presented as follows:

|  |  |
| --- | --- |
| Residential  | Cowra $402 Forbes $626 Young $484 Weddin $363  |
| Business  | Cowra $2408 Forbes $2341 Young $2348 Weddin $917  |
| Farmland  | Cowra $1344 Forbes $1966 Young $1753 Weddin $1106  |

The community was nearly unanimous in support of council applying for a special rate variation. (Refer Attachment 6)

## 4.2 Alternatives to the special variation

Indicate the range of alternatives to the requested special variation that the council considered and how you engaged your community about the various options.

**Reserves**

Council does not have any externally or internally restricted reserves available to fund the proposed Medical Centre and or improve long-term financial sustainability;

**Grants**

A review of available grants is undertaken on a rolling basis however there is no grant funding available at this stage for the proposed Medical Centre;

**General fund**

A review of Council’s 2013 financial statements and 2015 to 2024 LTFP reveals that Council does not have any available general funds;

**Fees and charges**

Fees and charges cannot be charged to fund infrastructure projects such as the proposed medical centre;

**Loans**

Council can borrow to fund the medical centre projects, however as supported by the TCorp report council needs to take steps to improves its operating position to enhance its ability to service any borrowings

**Interest Rate Subsidy**

Approval of an interest rate subsidy has been sought. In conjunction with the SRV this will assist with the servicing of loans used to fund the capital medical centre project

**Special rate variation**

Given the above and supported by the TCorp report Council’s only avenue is to apply for a SRV.

## Feedback from the community consultations

 Summarise the outcomes of, and feedback from, your community engagement activities. Such outcomes could include the number of attendees at events and participants in online forums, as well as evidence of media reports and other indicators of public awareness of the council’s intentions. Where applicable, provide evidence of responses to surveys, particularly the level of support for specific programs or projects, levels and types of services, investment in assets, as well as the options proposed for funding them by rate increases.

Where the council has received submissions from the community relevant to the special variation during the engagement process, the application should set out the views expressed in those submissions. It should also identify and document any action the council has taken, or will take, to address issues of common concern.

The following table summarises the outcomes of the council’s community engagement strategy.

|  |  |
| --- | --- |
| **Activity** | **Participation/Response** |
| Community Survey | 79 responses received |
| Student Survey | 170 responses received |
| Community Consulting Workshops | 80 people attended |
| Visits to Businesses | 35 businesses visited |
| Council Staff Survey | 5 responses received |
| Medical Centre Community Engagement Session | 40 people attended |

Throughout the IP&R process the community has acknowledged and agreed with the need for the Weddin Shire to increase rates in order to be able to deliver on community expectations and also provide for long term financial sustainability.

More specifically the majority of the community acknowledged the need and in fact indicated a desire for a rate increase through selection of ‘option 4’ in response to the question of how Weddin Shire Council should plan for future population in the community and student surveys and also during the community engagement sessions held when preparing the Community Strategic Plan. ‘Option 4’ included the understanding that in terms of Council operations the community are prepared to accept above base-line rate rises. (Refer Attachment 4)

The response to the proposal of a special rate variation during the community engagement session regarding Grenfell Medical Centre held 29 October 2013 was even more marked with nearly unanimous support of Council applying for a special rate variation. (Refer Attachment 6)

The community has also expressed a level of concern over potential forced amalgamations that may result if steps to improve council’s long term financial sustainability (such as a rate increase) are not undertaken. Given such an event the view is rates are likely to increase substantially without any associated increase in service levels given Weddin Shire’s relatively low rates in comparison with our neighbouring shires.

## Considering the impact on ratepayers

Indicate how the council assessed the impact of the special variation on ratepayers, and where this was addressed within the community awareness and engagement processes. Where the impact will vary across different categories and/or sub-categories of ratepayers, the council should consider the circumstances of the various different groups.

Council has chosen not to apply the increase differentially among the different categories of ratepayers but rather the proposed rating structure would remain unchanged from the current structure and the burden of the special rate variation would be spread relatively evenly across all categories.

The following information sets out the approximate annual increases attributable to the special rate variation across the various rating categories over the period 2014/15 – 2017/18 :



Given the relatively low level of councils current rates in comparison to our neighbouring shires the above increases are considered reasonable. This has been evidenced by the fact that council has previously received requests from ratepayers who own farmland in both Weddin and neighbouring shires to transfer their land into Weddin Shire for rating purposes given the relatively low level of our rates.

## Considering the community’s capacity and willingness to pay

Indicate how the council has assessed the community’s capacity to pay for the rate increases being proposed, and also assessed its willingness to pay.

Evidence on capacity to pay could include a discussion of such indicators as SEIFA rankings, land values, average rates, disposable incomes, the outstanding rates ratio and rates as a proportion of household/business/farmland income and expenditure, and how these measures relate to those in comparable council areas. As many of these measures are highly aggregated, it may also be useful to discuss other factors that could better explain the impact on ratepayers affected by the proposed rate increases, particularly if the impact varies across different categories of ratepayers.

The capacity of the community to pay an increase in rates has always been of great concern to Council and is why the Council have maintained a low rate base. Council is also concerned in relation to the rising cost of living and how this is impacting the residents of the Shire, in particular energy costs and the impact on pensioners. Given this council does not take the decision to apply for a rate increase lightly but has only taken this decision in response to a recognised need.

Weddin Shire’s Socio-Economic Indexes for Areas (SEIFA) in terms of economic resources and socio-economic advantage/disadvantage sees the Weddin Shire ranked in decile 5 and 4 respectively amongst the state. This means the Weddin Shire sits on average or just below average amongst the state. Examining this in the context of Weddin Shire’s comparatively low level of rates in comparison to other shires indicates the community has the capacity to pay the rate rise. (Refer Attachment 7)

The median weekly household income for Weddin Shire was $720, compared with $1,234 in Australia. Based on the median weekly household income of $720 and an average proposed 2014/15 annual Grenfell residential rate value (with the special variation) of $559, this would equate to approximately 1.5% of the average annual household income for residents of Grenfell. The increase in 2014/15 attributable to the special variation equates to approximately 0.06% of the average annual household income for residents of Grenfell again indicating the capacity of the community to pay the rate increase. (Refer Attachment 8)

The outstanding rates percentage as at 30 June 2013 was 9.5% (2012: 9.1%) which is within accepted levels as confirmed by council’s auditors. This also compares favourably with other rural Agricultural & Remote (Medium – 1,000 to 5,000 population) whose outstanding rates percentage for the same period was 10.49%. (Refer Attachment 9)

# Assessment criterion 3: Impact on ratepayers

In the DLG Guidelines, criterion 3 is:

*The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. Council’s IP&R process should also establish that the proposed rate increases are affordable having regard to the local community’s capacity to pay.*

We are required to assess whether the impact on ratepayers of the council’s proposed special variation is reasonable. To do this, we are required to take into account current rate levels, the existing ratepayer base and the purpose of the special variation. We must also assess whether the council’s IP&R process established that the community could afford the proposed rate rises.

## Impact on rates

Much of the quantitative information we need on the impact of the special variation on rate levels will already be contained in Worksheet 5 of Part A of the application.

To assist us further, the application should set out the rating structure under the proposed special variation, and how this differs from the current rating structure, which would apply if the special variation is not approved.

We recognise that a council may choose to apply an increase differentially among categories of ratepayers. However, you should explain the rationale for applying the increase differentially among different categories and/or subcategories of ratepayers, particularly in light of the purpose of the special variation. This will be relevant to our assessment of the reasonableness of the impact on ratepayers.

Council has chosen not to apply the increase differentially among the different categories of ratepayers but rather the proposed rating structure would remain unchanged from the current structure and the burden of the special rate variation would be spread relatively evenly across all categories.

### Minimum Rates

The special variation may affect ordinary rates, special rates and minimum rates.

Does the council have minimum rates? Yes [ ]  No [x]

If *Yes*, explain how the proposed special variation will apply to the minimum rate of any ordinary and special rate, and any change to the proportion of ratepayers on the minimum rate for all relevant categories that will occur as a result.

So that we can assess the reasonableness of the impact on minimum ratepayers, briefly explain the types of ratepayers that are on minimum rates, and the rationale for the proposed impact of the special variation on minimum rate levels.

N/A

## Affordability and community capacity to pay

Show how your IP&R processes have established that the proposed rate rises are affordable for your community, and that affected ratepayers have the capacity to pay the higher rate levels. (Indicators considered in this context may be similar to those cited under criterion 2.)

General community support for the rate increase as displayed throughout the IP&R process indicates a capacity to pay the rate rise.

A comparison of Weddin Shire rates with our neighbouring shires as shown in the community engagement session for the Medical Centre on 29th October 2013 follows:

|  |  |
| --- | --- |
| Residential  | Cowra $402 Forbes $626 Young $484 Weddin $363  |
| Business  | Cowra $2408 Forbes $2341 Young $2348 Weddin $917  |
| Farmland  | Cowra $1344 Forbes $1966 Young $1753 Weddin $1106  |

The above comparison clearly shows the Weddin Shire Rates are low in comparison to neighbouring shires which again indicates capacity to pay the rate increase. (Refer Attachment 6)

## Other factors in considering reasonable impact

In assessing whether the overall impact of the rate increases is reasonable we may use some of the same indicators that you cite in section 5.2 above. In general, we will consider indicators such as the local government area’s SEIFA index rankings, average income, and current rate levels as they relate to those in comparable councils. We may also consider how the council’s hardship policy might reduce the impact on ratepayers.

### Addressing hardship

In addition to the statutory requirement for pensioner rebates, most councils have a policy, formal or otherwise.

|  |  |
| --- | --- |
| Doe the council have a Hardship Policy? | Yes [ ]  No [x]  |
| If Yes, is it identified in the council’s IP&R documents? |  Yes [ ]  No [ ]  |
| Please attach a copy of the Policy and explain who the potential beneficiaries are and how they are addressed. |  |
| Does the council propose to introduce any measures to limit the impact of the proposed special variation on various groups?  |  Yes [ ]  No [x]  |

Provide details of the measures to be adopted, or alternatively, explain why no measures are proposed.

Council does not have a formal hardship policy but rather maintains a flexible approach in engaging with those experiencing hardship and renders assistance on a case by case basis.

# Assessment criterion 4: Assumptions in Delivery Program and LTFP

The DLG Guidelines state this criterion as follows:

*The proposed Delivery Program and Long Term Financial Plan must show evidence of realistic assumptions.*

Summarise below the key assumptions adopted by the council and indicate where they are set out in your Delivery Plan and LTFP. We will need to assess whether the assumptions are realistic. For your information, we will consider such matters as:

the proposed scope and level of service delivery given the council’s financial outlook and the community’s priorities

estimates of specific program or project costs

projections of the various revenue and cost components.

To also assist us, identify any in-house feasibility work, industry benchmarks or independent reviews that have been used to develop assumptions in the Delivery Program and LTFP if these are not stated in those documents.

Assumption percentages have been applied to all projections contained within the LTFP. The percentages are an indication of the change in value on average over the ten year period, including CPI, and have been determined based on historical trends and external indicators. Assumptions are as follows:

Rates 3.6% in 2013-14, 3% thereafter

Annual Charges 3.5%

Waste 3.5%

Regulatory Fees 0.0%

The best estimate is for regulatory fee income to remain stable for the projection years.

Discretionary Fees 3.5%

Financial Assistance 2% Grant

Special Purpose 2% Grants

Contributions 2%

Other Revenues 2.5%

Investment Revenues 2.5%

Profit from Disposal of Assets - Nil expected

Salaries, Wages & Employee Leave Entitlements - 3.25%

Superannuation 7.3% to 9.5% Increases in superannuation are tied to increases in salaries and wages.

Workers Compensation 3.5%

Other Employee Costs 5%

Materials and Contracts 3%

Other expenses 3%

Depreciation is based on the depreciable value of assets after allowing for acquisitions and disposals

(Refer Attachment 1)

# Assessment criterion 5: Productivity improvements and cost containment strategies

The DLG Guidelines state this criterion as follows:

*An explanation of the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation period.*

In this section, provide details of any productivity improvements and cost containment strategies that you have implemented in the last 2 years (or longer) and any plans for productivity improvements and cost containment during the period of the special variation. These plans, capital or recurrent in nature, must be aimed at reducing costs. Please also indicate any initiatives to increase revenue eg, user charges. Identify how and where the proposed initiatives have been factored into the council’s resourcing strategy (eg, LTFP and AMP).

Where possible, quantify in dollar terms the past and future productivity improvements and savings.

You may also use indicators of efficiency, either over time or in comparison to other relevant councils. We will make similar comparisons using various indicators and the DLG Group data provided to us.

Council continues to participate in regional procurement initiatives through Centroc & Local Government procurement. A recent example includes Small Tariff sites electricity contract

Council continues to participate in cost reduction strategies for example the Community Energy Efficiency Program (CEEP) which upgraded inefficient lighting assets and is expected to result in significant cost savings for council over the projects lifecycle.

The implementation of effective OH&S policies and public liability minimisation measures have resulted in insurance cost savings as evidenced by insurance policy rebates received by council.

Council conducts regular budgets reviews in order to monitor it financial position. This review process allows ongoing identification of cost reduction and productivity measures with all departments working towards achieving greater efficiency.

# Other information

## Previous Instruments of Approval

If you have a special variation which is due to expire at the end of this financial year or during the period of the proposed special variation, when was it approved and what was its purpose?

Please attach a copy of the Instrument of Approval that has been signed by the Minister or IPART Chairman.

N/A

## Reporting to your community

The *Guidelines* set out reporting mechanisms that show your accountability to your community. Please tell us how you will go about transparently reporting to the community on the proposed special variation, should it be approved. Also indicate the performance measures you will use to demonstrate how you have used the additional funds (above the rate peg) generated by the special variation.

Council uses its weekly ‘Council News’ newspaper article to report to the community and will include news in relation to the Special Rate variation. Council is already reporting to the community in relation to the progress of the Medical Centre and will continue to do so.

As the application is also being made in relation to sustainability the continued monthly reporting of income and expenditure as well as the quarterly budget reporting will allow council to report to the community on its financial position and the use of the SRV in improving its financial sustainability.

## Council resolution to apply to IPART

The Guidelines require the council to have resolved to apply for a special variation. Please attach a copy of the council’s resolution to make a special variation application. Our assessment of the application cannot commence without it.

#  (Refer Attachment 10)

# Checklist of contents

The following is a checklist of the supporting documents to include with your Part B application:

|  |  |
| --- | --- |
| **Item** | **Included?** |
| Relevant extracts from the Community Strategic Plan | [x]  |
| Delivery Program | [x]  |
| Long Term Financial Plan | [x]  |
| Relevant extracts from the Asset Management Plan  | [ ]  |
| TCorp report on financial sustainability | [x]  |
| Contributions Plan documents (if applicable) | [ ]  |
| Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and special variation | [x]  |
| Community feedback (including surveys and results if applicable) | [ ]  |
| Hardship Policy | [ ]  |
| Past Instruments of Approval (if applicable) | [ ]  |
| Resolution to apply for the special variation | [x]  |
| Resolution to adopt the Delivery Program | [ ]  |

# Certification

**APPLICATION FOR A SPECIAL RATE VARIATION**

**To be completed by General Manager and Responsible Accounting Officer**

Name of council: Weddin Shire Council

We certify that to the best of our knowledge the information provided in this application is correct and complete.

General Manager (name): Glenn Carroll

Signature and Date:

Responsible Accounting Officer (name): Lachlan Gibson

Signature and Date:

Once completed, please scan the signed certification and attach it to the Part B form before submitting your application online via the Council Portal on our website.

1. The relevant documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and, where applicable, Asset Management Plan [↑](#footnote-ref-1)