Mid-Coast Council's application for a special variation for 2017-18

Under section 508A of *Local Government Act 1993*

Determination

Local Government

July 2017

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The Tribunal members for this review are:

Dr Peter J Boxall AO, Chair

Mr Ed Willett

Ms Deborah Cope

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

Anthony Rush	(02) 9113 7790
Brendan Elliot	(02) 9290 8413

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1 Determination

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

Under the *Local Government Act 1993* (the Act) councils may apply to us for a special variation (SV) that allows them to increase their general income by more than the rate peg. These increases may be either for a single year (s508(2)) or for successive years up to seven years (s508A).

Legislative changes made by the NSW Parliament in March 2017 allowed the new Mid-Coast Council to apply for, and IPART to assess, an SV application for 2017-18. Mid-Coast Council decided to apply for an SV on 31 May 2017. IPART is required to assess this application against criteria in the Guidelines set by the Office of Local Government (OLG).[1] Box 1.1 explains the Guidelines for 2017-18, and how they apply to Mid-Coast Council.

Mid-Coast Council (Mid-Coast) applied for a multi-year special variation under section 508A of the Act. The council requested increases of 11% for 2017-18 and 5% for each of 2018-19, 2019-20 and 2020-21, a cumulative increase of 28.50% over the four years. It applied for the increase to remain permanently in the rate base.[2]

After assessing the council's application, we decided to allow the special variation, with a minor variation, approving a cumulative increase of 27.3% over four years. We have made this decision under section 508A of the Act.

1 Office of Local Government, *Guidelines for the preparation of an application for a special variation to general income for 2017/2018*, December 2016 (the Guidelines).

2 Mid-Coast Council, *Special Variation Application Form Part A 2017-18 (Application Part A)*, Worksheet 1.

Box 1.1 The Guidelines for 2017-18

IPART assesses applications for special variations using criteria in the *Guidelines for the preparation of an application for a special variation to general income for 2017/2018*, issued by the Office of Local Government (OLG).

Mid-Coast Council is a new council established on 12 May 2016 following the merger of the former Gloucester Shire, Great Lakes and Greater Taree City councils. Under the Guidelines, new councils created in 2016 were initially ineligible to receive a special variation for the 2017-18 rating year. In March 2017, legislative changes made by the NSW Parliament allowed Mid-Coast Council to apply for, and IPART to assess, a special variation application for 2017-18.[3] In April 2017, OLG issued an addendum to the Guidelines reflecting these changes.[4]

Mid-Coast formally applied to IPART for a special variation for 2017-18 on 31 May 2017. We have assessed the application against the amended Guidelines.

The Guidelines emphasise the importance of the council's Integrated Planning and Reporting (IP&R) processes and documents to the special variation process. Councils are expected to engage with the community about service levels and funding when preparing their strategic planning documents. The IP&R documents, in particular the Delivery Program and Long Term Financial Plan, must contain evidence that supports a council's application for a special variation. Refer to Table 3.1 for more details on the criteria in the Guidelines.

3 *Local Government Amendment (Rates—Merged Council Areas) Act 2017 No 8*, March 2017.

4 Office of Local Government, *Addendum Guidelines to the Guidelines for the preparation of an application for a special variation to general income for 2017/2018*, April 2017.

Our decision enables the council to fund asset maintenance and renewal for its road and bridge network and reduce its infrastructure backlog. It would also allow the council to expand ongoing environmental programs.

1.1 Our decision

We determined that Mid-Coast Council may increase its general income between 2017-18 and 2020-21 by the annual percentages shown in Table 1.1. The annual increases incorporate the rate peg to which the council would otherwise be entitled (1.5% in 2017-18).[5] The cumulative increase of 27.3% is 18.0% more than the assumed rate peg increase over these years.

The special variation can be retained in the council's general income base permanently, and replaces three previously approved special variations for the former council areas (see Table 2.1 in Chapter 2 for more details).

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

Table 1.1 sets out our decision and Box 1.2 summarises these conditions.

Table 1.1 IPART's decision on Mid-Coast Council's application for a special variation in 2017-18

	2017-18	2018-19	2019-20	2020-21
Percentage increase approved	10.0	5.0	5.0	5.0

Note: The rate peg in 2017-18 is 1.5%. In later years the council has assumed a rate peg of 2.5%.

Source: Mid-Coast Council, *Application Part A*, Worksheet 1 and IPART calculations.

We decided not to grant Mid-Coast Council the full requested increase for 2017-18. In community consultation, Mid-Coast Council consulted on an 11.0% increase for 2017-18, which included an 8.5% increase above an assumed rate peg of 2.5%. The 8.5% increase consisted of a 6% environmental levy and a 2.5% increase for asset renewal expenditure and to reduce of the accumulated infrastructure backlog.

However, IPART set the rate peg at 1.5% for 2017-18 in November 2016. While we consider the council clearly communicated the need for an 8.5% increase above the rate peg in 2017-18, there was no justification for an additional 1.0% increase representing the difference between the assumed and actual rate peg. As such, we have decided to approve an increase of 10.0% in 2017-18, which is 8.5% more than the 1.5% rate peg. The requested increases for 2018-19 to 2020-21 have been approved in full.

Before applying the approved increase of 10% in 2017-18, Mid-Coast Council must reduce its permissible general income by $3,114,809 (4.6%), the value of expiring special variations. As such, the net increase to the council's permissible general income from 2016-17 to 2017-18 will be approximately 5.0%.

5 The council has assumed a rate peg of 2.5% in future years. The special variation percentage approved will not change to reflect the actual rate peg in those years.

Box 1.2 Conditions attached to Mid-Coast Council's approved special variation

IPART's approval of Mid-Coast Council's application for a special variation over the period from 2017-18 to 2020-21 is subject to the following conditions:

- The council uses the additional income from the special variation for the purposes of funding asset maintenance and renewal for its road and bridge network to reduce its infrastructure backlog, and to expand its environmental programs, as outlined in the council's application and listed in Appendix A.
- The council reports in its annual report for each year from 2017-18 to 2026-27 on:
  - the actual revenues, expenses and operating balance against the projected revenues, expenses and operating balance, as outlined in the Long Term Financial Plan provided in the council's application, and summarised in Appendix B
  - any significant variations from its proposed expenditure as forecast in the current Long Term Financial Plan and any corrective action taken or to be taken to address any such variation
  - expenditure consistent with the council's application and listed in Appendix A, and the reasons for any significant differences from the proposed expenditure, and
  - the outcomes achieved as a result of the actual program of expenditure.

The council is to reduce its general income for 2017-18 by $3,114,809 (the value of two expiring special variations). This reduction must take place before the council's general income is increased in 2017-18 in accordance with IPART's determination.

2 What did the council request and why?

Mid-Coast Council applied to increase its general income by a cumulative 28.50% over the four-year period from 2017-18 to 2020-21, and to permanently incorporate this increase into its general income base.[6]

The requested increase includes the replacement of existing special variations in 2017-18, which are due to end during the proposed special variation period of 2017-18 to 2020-21. As a result of our decision, the special variations would be replaced on 1 July 2017 by the approved special variation outlined in Section 1. Table 2.1 outlines the percentage increases of the existing levies that were originally approved for the former Mid-Coast councils.

Table 2.1 Existing SV Levies

Council	Increase Approved (%)	Type	First Year	Final Year
Gloucester Shire	13%	Permanent	2017-18	2017-18
Great Lakes	6%	Temporary	2013-14	2019-20
Greater Taree City	5%	Temporary	2014-15	2018-19

Note: Increase approved includes the rate peg. The Great Lakes and Greater Taree City increases relate to temporary environmental levies. The Gloucester Shire increase relates to the final year of a three-year 44.3% cumulative SV approved for the period of 2015-16 to 2017-18.

Source: Mid-Coast Council, *Long Term Financial Plan 2017-2027*, p 7.

The council estimated that if the requested special variation is approved, its permissible general income would increase from $68.2 million in 2016-17 to $83.7 million in 2020-21. This would generate additional revenue of around $26.5 million above the assumed rate peg increases over four years.[7]

The council intends to use the additional revenue from the special variation to fund asset renewals expenditure, to reduce the accumulated infrastructure backlog, and to fund ongoing environmental programs. Over the medium to longer term, the additional revenue will also improve its financial sustainability.[8]

However, we have decided to approve a smaller cumulative increase of 27.3% over the four-year period to 2020-21. This increase would generate additional revenue of $23.7 million compared to rate increases at the existing rate path over the next four years.[9] This figure would increase to $96.6 million over a 10-year period, as the special variation remains permanently in the council's rate base.

6 Mid-Coast Council, *Application Part A*, Worksheet 1.

7 IPART calculations.

8 Mid-Coast Council, *Special Variation Application Form Part B for 2017-19 (Application Part B)*, pp 4-7.

9 Mid-Coast Council currently maintains the existing rate paths of the former councils, which include the expiring SV's outlined in Table 2.1. Given the expiring SV's, these increases are greater than the assumed increases attributable to the assumed rate peg over this period.

The council indicated that over the Long Term Financial Plan (LTFP) 2017 to 2027 it proposes to spend:

- $70.8 million on roads and bridges capital works, and
- $33.0 million on environmental programs.[10]

More detail on the council's proposed program of expenditure to 2026-27 is provided in Appendices A and B.

The special variation increase is broadly consistent with Fit for the Future (FFTF) proposals made by each of the three former council areas, which individually proposed SVs of between 20-65% (Box 2.1).

10 Mid-Coast Council, *Application Part A*, Worksheet 6.

Box 2.1 Fit for the Future (FFTF) Assessment

IPART's Fit for the Future assessment found that two of the three former Mid-Coast councils were **not** fit. Whilst the former Great Lakes Council was assessed as fit, both Gloucester Shire Council and Greater Taree City Council were assessed to be unfit based on the FFTF criteria. A summary of the council assessments against FFTF criteria are outlined in Table 2.2.

Table 2.2 Assessment of the former Mid-Coast Council's FFTF proposals

Criteria	Gloucester Shire	Great Lakes	Greater Taree City
Assessment	Not Fit	Fit	Not Fit
Scale and capacity	Did not satisfy	Satisfied	Satisfied
Financial criteria overall	Did not satisfy overall	Satisfied overall	Did not satisfy overall
• Sustainability	Did not satisfy	Satisfied	Did not satisfy
• Infrastructure and service management	Satisfied	Satisfied	Did not satisfy
• Efficiency	Satisfied	Satisfied	Satisfied

Source: IPART, *Assessment of Council Fit for the Future Proposals*, October 2015, pp 204, 211, and 215.

The council improvement proposals (CIPs) submitted to IPART as part of the FFTF process included councils' forecast SV applications. Table 2.3 outlines the SV proposals of the former Mid-Coast councils.

Table 2.3 Former Mid-Coast Council's FFTF SV forecasts

Council	Cumulative increase (%)	First year of SV	Last year of SV
Gloucester Shire	44.3%	2015-16	2017-18
Gloucester Shire	44.3%	2018-19	2020-21
Great Lakes	20.7%	2016-17	2019-20
Greater Taree City	63.2%	2016-17	2021-22

Source: IPART, *Assessment of Council Fit for the Future Proposals*, October 2015, pp 204, 211, and 215.

Gloucester Shire Council applied to IPART for an SV from 2015-16, and was approved to increase its permissible general income (PGI) by a cumulative 44.3% for three years, an increase of 13% per year.[11] This application was consistent with the council's FFTF proposal, being the first of two planned 44.3% cumulative SVs.

Both Great Lakes Council and Greater Taree City Council submitted SV applications to IPART for 2016-17, requesting cumulative increases of 20.7% over four years and 49.2% over six years, respectively.[12] The Great Lakes application was consistent with the council's FFTF proposal, whilst the Greater Taree application was for a lower amount than forecast in its FFTF proposal. No decisions could be made for either the Great Lakes or Greater Taree applications, as the councils were dissolved on 12 May 2016.[13]

11 IPART, *Gloucester Shire Council's application for a special variation for 2015-16*, May 2015, p 2.

12 See Great Lakes Council, *Special Variation Application Form Part A 2016-17,* Worksheet 1 and Greater Taree City Council, *Special Variation Application Form Part A 2016-17,* Worksheet 1

13 IPART, *Fact Sheet – Decisions on councils' requests for special variations for 2016-17*, May 2016, p 1.

3 How did we reach our decision?

We assessed Mid-Coast Council's application against the criteria in the Guidelines. In making our assessment we also considered the council's most recent IP&R documents, which support its application, as well as the former councils' FFTF proposals and a range of comparative data about the council, set out in Appendix C.

Mid-Coast Council has applied on the basis of its adopted IP&R documents, in particular the *Delivery Program* and *Long Term Financial Plan 2017-27*.

The rate increases for which the council has applied are substantial, and we considered, among other things, the council's need for the increase, its consideration of the community's priorities and capacity and willingness to pay, and the impact of the rate increase on ratepayers. The application is broadly consistent with the former councils' FFTF proposals submitted in June 2015.

Overall, we found that Mid-Coast Council's application met the criteria. In particular, we found that:

1. The **need for the proposed revenue** is demonstrated in the council's IP&R documents and community priorities. The application is also broadly consistent with FFTF proposals and 2016-17 SV applications made by the former Great Lakes and Greater Taree City councils.
2. Overall, the council demonstrated that **the community is aware** of the need for and extent of the rate increases. It used a variety of strategies to inform the community, discussed how the additional revenue would be spent, and provided sufficient opportunities for community feedback. However, the council only sufficiently engaged the community on the need for an 8.5% increase in rates above the rate peg for 2017-18.
3. The **impact of the proposed rate rises on ratepayers** is substantial, but reasonable given the council's existing rate levels, the purpose of the special variation, indicators of the community's capacity to pay, and the council's consideration of ratepayers' willingness and capacity to pay.
4. The council provided evidence that the relevant **IP&R documents have been exhibited and adopted**.
5. The council reported **productivity savings and cost containment strategies** in past years, and indicated its intention to realise further savings during the period of the special variation.

Table 3.1 summarises our assessment against the criteria. The sections following the table discuss some of our findings in more detail.

Table 3.1 Summary of IPART's assessment of Mid-Coast Council's application for a special variation against the criteria in the Guidelines

Criterion	IPART findings
1. The need for and purpose of a different revenue path for the council's General Fund (as requested through the special variation) is clearly articulated and identified in the council's IP&R documents, in particular its Delivery Program, Long Term Financial Plan and Asset Management Plan where appropriate. In establishing need for the special variation, the relevant IP&R documents should canvas alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan by including scenarios both with and without the special variation.	The council's IP&R documents explain the need for and purpose of the SV and show: ▼ it is consistent with community priorities ▼ it will fund the shortfall in ongoing asset renewals expenditure, and ▼ it will partially address the infrastructure backlog, estimated to be $188.2 million across the three former councils as at 12 May 2016. Without the special variation, the council forecasts operating deficits for the entirety of the LTFP. The Operating Performance Ratio (OPR) is forecast to be -12.9% in 2017-18 and only modestly improves to -10.7% over the next ten years, with cumulative operating deficits totalling $171.2 million over this period. The council also forecasts operating deficits if the special variation is approved, although the OPR deficits are much smaller, improving from -11.0% to -2.1% over the 10-year period. Further, with the SV the cumulative operating deficit is forecast to be lower, totalling $66.8 million over the same period. The former Mid-Coast councils reported an aggregate infrastructure backlog of $188.2 million as at 12 May 2016, and an infrastructure backlog ratio of 12.48%. Also, the council estimates annual asset depreciation is currently $5 million per year more than asset renewal expenditure. Without the SV, this backlog would increase due to insufficient renewal expenditure. On this basis, we consider the council has demonstrated a financial need for the additional revenue, to reduce the infrastructure backlog and increase expenditure on priorities as identified by the community.
2. Evidence that the community is aware of the need for and extent of a rate rise. The Delivery Program and Long Term Financial Plan should clearly set out the extent of the General Fund rate rise under the special variation. The council's community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occur.	Overall, this criterion is satisfied. The council demonstrated it has made the community aware of the need for and the extent of the rate increase, with a range of engagement methods, including: ▼ quarterly newsletters included in rate notices ▼ community presentations, and ▼ a survey on the proposed SV of 400 residents across the three former council areas. The council explained the purpose and impact of the SV, and how the extra revenue would be spent. ▼ Feedback from the community survey indicated some support for the increase. ▼ Community concerns were primarily that the increase was unaffordable and the council should not proceed with an SV as a new council. The council has noted that all three former councils highlighted the need for additional SV funding in the FFTF process. However, we consider the council did not adequately consult on the full 11.0% increase in rates for 2017-18. Engagement with the community focused on the need for an 8.5% increase in rates above the rate peg to fund asset maintenance and renewals of the road network and an environmental levy. With the rate peg for 2017-18 set at 1.5%, we have decided to approve a 10% increase in rates for 2017-18. IPART received 158 submissions during the submission period, with nearly all opposing the SV.
3. The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the	The impact on ratepayers will be substantial over four years. Over the past ten years, cumulative average rate increases over the former council areas are: ▼ in Gloucester, 107.8% for residential, 119.5% for business, and 35.1% for farmland

variation. The Delivery Program and Long Term Financial Plan should: ▼ clearly show the impact of any rises upon the community ▼ include the council's consideration of the community's capacity and willingness to pay rates, and ▼ establish that the proposed rate increases are affordable having regard to the community's capacity to pay.	▼ in Great Lakes, 75.9% for residential, 75.0% for business, and 66.7% for farmland, and ▼ in Greater Taree City, 82.7% for residential, 71.9% for business, and 83.1% for farmland. The council proposes to increase rates evenly across all ratepayer categories in each former council area. For Mid-Coast Council as a whole, the net impact of the SV during 2017-18 will be less than the approved increase of 10%, due to existing SV's expiring and being replaced. Due to the expiry of existing special variations, the 27.3% cumulative increase, if applied as proposed, would impact the former council areas as follows: ▼ in Gloucester, a cumulative 27.3% increase in residential rates, with similar increases for business and farmland ▼ in Great Lakes, a cumulative 20.4% increase in residential rates, with similar increases for business and farmland, and ▼ in Greater Taree City, a cumulative 21.6% increase in residential rates, with similar increases for business and farmland. The 2011 SEIFA index rankings of the former Mid-Coast councils were 47, 26, and 12 for Gloucester, Great Lakes, and Greater Taree, respectively. These rankings indicate that residents within the Mid-Coast area are relatively disadvantaged compared to the rest of NSW. The council considers that the community has the capacity and willingness to pay the higher rates based on community surveys undertaken, recent rates and annual charges outstanding ratios, and a three-year freeze in waste and other annual charges. Due to the expiring special variations, the aggregate change in permissible general income for Mid-Coast Council in 2017-18 will be approximately 5.0%.
4. The relevant IP&R documents must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation to its general income.	As a newly merged council, Mid-Coast Council is still developing an overarching Community Strategic Plan (CSP). However, the CSPs for each of the former councils clearly identified protection of the environment and maintenance of infrastructure as priority areas for the community. The council exhibited its amended Delivery Program between 1 May and 29 May 2017, adopting it on 31 May 2017.
5. The IP&R documents or the council's application must explain the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation period.	The council's application outlines productivity and efficiency savings related to the council merger, along with forecast future efficiency and improvement savings or strategies. Examples of merger savings and efficiencies already achieved include: ▼ salary savings of $1.75 million annually ▼ material contracts and other savings of $680,000 annually ▼ governance savings of $352,000 per annum from mayoral and councillor allowances and expenses, and ▼ one-off savings in the plant reserve fund of $1.8 million. Examples of forecast savings, efficiencies and improvement strategies include: ▼ further reductions in salary expenses from the consolidation and equalisation of pay arrangements across the former council areas ▼ a new group tender process for the provision of asphalt, forecast to save approximately $500,000-$600,000, and ▼ ongoing service reviews which aim to lower costs and more efficiently provide services at the level the community demands.

Note: SEIFA is the Socio-Economic Indexes for Areas.

Source: ABS, *Socio-Economic Indexes for Areas (SEIFA) 2011*, March 2013; Mid-Coast Council, *Application Part A*, and *Application Part B*; Mid-Coast Council, *Addendum to 2016-17 Delivery Program and Operational Plan*; Mid-Coast Council, Long Term Financial Plan 2017-2027; OLG, Unpublished data; IPART calculations.

3.1 Need for and purpose of the special variation

Mid-Coast Council's IP&R documents set out the need for, and purpose of, the requested special variation, which is to:

- fund asset maintenance and renewal costs
- reduce the infrastructure backlog, and
- fund environmental programs.

Through community consultation surveys, the council found large proportions of respondents were dissatisfied with the condition of sealed roads. The *Local Government Community Satisfaction Survey*, commissioned by the Department of Premier and Cabinet for each new council, found Mid-Coast Council residents were largely dissatisfied with streets and footpaths, with 50% of respondents rating council performance as either 'poor' or 'very poor'. This compares to 20% of respondents rating performance as 'good' or 'very good'.[14] Further, an SV-specific survey conducted in November 2016 identified maintenance of sealed and unsealed roads as the category of council facilities and services with the lowest satisfaction rating.[15]

The council's IP&R documents indicate the community is dissatisfied with the current condition of assets, and supports expenditure to improve service levels.[16] The community strategic plans of each of the former Mid-Coast councils indicate the environment is a community priority.[17]

In November 2016, the council engaged Jetty Research to conduct a community survey regarding the proposed SV and community attitudes towards council services. As part of the survey, 95% of 407 respondents agreed that the natural environment was an important asset across the Mid-Coast area, whilst 87% agreed that maintaining the natural environment was a priority for the council.[18]

Financial sustainability, including infrastructure backlogs

Without the special variation, the council is forecasting consistent operating deficits, as shown by the base case scenario[19] in Figure 3.1 and Table 3.2. The cumulative value of these forecast operating deficits (excluding capital items) is $171.2 million over the ten years to 2026-27.[20] In addition, the council forecast in May 2016 that it has a $188 million infrastructure backlog.[21]

14 JWS Research, *NSW Local Government Community Satisfaction Survey – Mid-Coast Council*, September 2016, p 24.

15 Mid-Coast Council, *Application Part B*, p 44.

16 Mid-Coast Council, *Addendum to 2016-17 Delivery Program & Operational Plan*, p 6.

17 Mid-Coast Council, *Application Part B*, p 12.

18 Jetty Research, *Mid-Coast Council Community Survey: Proposed Special Rate Variation and Environmental Levy*, January 2017, p 24.

19 This base case assumes the same expenditure occurs as under the special variation scenario.

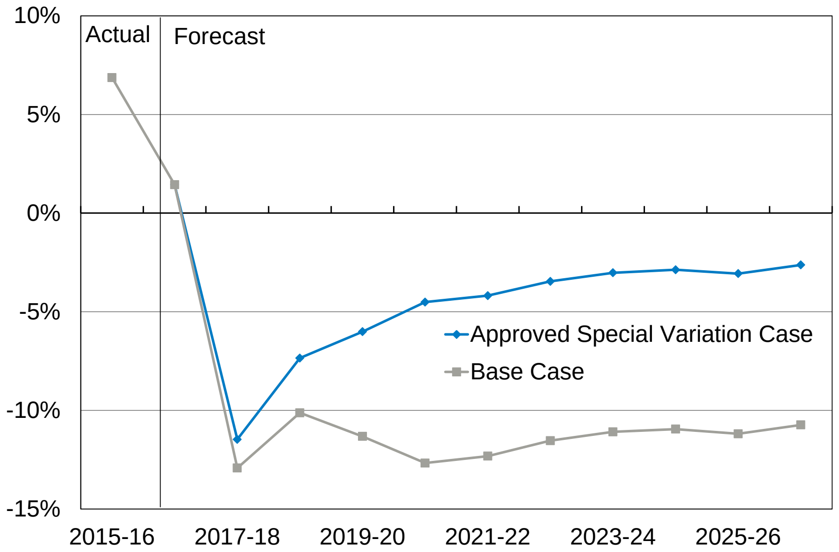
20 Email from Mid-Coast Council to IPART, 16 June 2017.

21 Gloucester Shire Council, Great Lakes Council, and Greater Taree City Council, *General Purpose Financial Statements*, 01 July 2015 to 12 May 2016, Special Schedule 7. The infrastructure backlog is the estimated cost to bring the council's assets to a satisfactory standard.

Hence, without the special variation, the council's sustainability would deteriorate, and it would not generate sufficient funds to address the infrastructure backlog and the funding gap related to asset renewals.

Measured as a percentage of the written down value[22] of infrastructure assets, the infrastructure backlog ratio for the combined former councils as at 12 May 2016 was 12.48%, which is substantially higher than the FFTF benchmark of 2%. Without the special variation, the council forecasts it will be unable to meet its asset renewal requirements, resulting in the infrastructure backlog increasing as its assets deteriorate.[23]

Figure 3.1 Mid-Coast Council's Operating Performance Ratio excluding Capital Grants and Contributions (2015-16 to 2026-27)



Data source: Gloucester Shire Council, Great Lakes Council, and Greater Taree City Council, *Annual Financial Statements*, various, Mid-Coast Council, *Application Part A*, *Worksheet 7* and IPART calculations.

Table 3.2 Projected operating performance ratio (%) for Mid-Coast Council's approved special variation application compared to the base case

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Approved SV	-11.5	-7.3	-6.0	-4.5	-4.2	-3.5	-3.0	-2.9	-3.1	-2.6
Base case	-12.9	-10.1	-11.3	-12.7	-12.3	-11.5	-11.1	-10.9	-11.2	-10.7

Source: IPART calculations.

Alternative funding options

The council has considered alternative revenue options for the planned SV expenditure, such as user fees and charges, borrowings, and grant funding:

- In the case of user fees and charges, the council determined it would be impractical to charge each user of infrastructure or community assets.

22 Historical cost less accumulated depreciation.
23 Mid-Coast Council, *Application Part B*, pp 23-24.

- Borrowing was ruled out as an alternative funding source on equity and affordability grounds. Given the nature of proposed expenditure, the council considers the current ratepayers should contribute to the costs of renewing the existing asset base. This argument built on the experience of the former Great Lakes Council, which states it encountered financial difficulties servicing debt that was used for capital renewal expenditure.
- Whilst grant funding is actively sought by Mid-Coast Council to assist with asset maintenance costs, the council notes the limited amount of grant funding available, along with eligibility criteria that may limit the ability of the council to use the funds for asset renewal and backlog reduction.[24]

In addition to the assessment of alternative funding options, the council has developed savings and efficiency goals to achieve the objectives of the SV.

The council has also developed a *Roadcare Program* to fund priority renewal works. The program is funded by state government grants ($14 million), prior year merger savings ($4 million), and ongoing savings and efficiencies from the council merger process (forecast to be $12 million over three years).[25]

3.2 Community engagement and awareness

Overall, we consider the council has met this criterion.

The council used a variety of methods to engage with the community, ensuring ratepayers were aware of the proposed special variation and had opportunities to provide feedback.

Table 3.3 outlines the main forms of community engagement, and when they occurred. The council also used a range of other forms of consultation throughout its consultation process, including posting information and allowing public submissions on its website, Facebook posts, radio interviews and newspaper advertisements.

24 Mid-Coast Council, *Application Part B*, pp 14-15.
25 Mid-Coast Council, *Application Part B*, p 5.

Table 3.3 Main forms of community engagement on SV application

Date	Method	Detail
June 2016	Community meetings	Proposed FFTF rate increases for the three former council areas and recent SV applications were presented. An SV was discussed as an option to address an expected shortfall in funding.
Sep 2016	Survey	An initial council community satisfaction survey coordinated by the Department of Premier and Cabinet identified the condition of street and footpaths as the top area for improvement.
Oct-Nov 2016	Newsletter	Information on a potential SV was presented, and community meetings that discussed the SV were advertised.
	Community meetings	The meetings had detailed discussions of the council's: ▼ asset and financial position, and ▼ SV proposal including year-by-year rate paths for each former council area under the SV and the base case.
	Survey	A survey commissioned by the council was conducted by Jetty Research, to assess community knowledge of, support for and ability to pay for the proposed SV.
May 2017	IP&R	An Addendum to the 2016-17 Delivery Program and Operational Plan was publically exhibited for 28 days. The document outlined the SV proposal, how the additional revenue will be spent and its impact on the council's financial position.

Source: Mid-Coast Council, *Application Part B*, pp 31-32.

The council communicated the extent of the rate increases under the SV compared to the base case. In community meetings over October and November 2016 and the survey conducted in November 2016, yearly and cumulative rate increases in both percentage and dollar terms were communicated for each former council area, under the SV scenario and the base case.

In these meetings, the council consulted on a total increase of 11% in 2017-18. Specifically, the council communicated its preference for a four-year special variation of:

- A 6%increase in 2017-18 to fund environmental works.
- A 2.5% increase per year over 2017-18 to 2020-21 to fund asset maintenance and renewals for its road and bridge assets.
- A 2.5% increase in each year for the assumed rate peg. A 2.5% rate peg for 2017-18 was assumed because this consultation occurred before the rate peg was announced for 2017-18.

In November 2016, IPART set the rate peg for 2017-18 at 1.5%.

In subsequent community engagement, the council did not adjust the 11% total rate increase in 2017-18 to reflect that the rate peg was lower than forecast. In effect, the rate increase became a 9.5% rise above the rate peg. However, the council did not engage the community on this larger increase above the rate peg for 2017-18:

- In the May 2017 Addendum to the 2016-17 Delivery Program and Operational Plan, the council instead requested a 3.5% increase in 2017-18 to fund asset renewals, retaining 2.5% increases for 2018-19 to 2020-21. There was no discussion of the impact of the additional expenditure on the council's financial or asset position.

- In Part A and Part B of its application to IPART, the council requested a 2.5% rate increase to fund asset renewals, and also requested an additional 1% increase above the rate peg for "maintenance of current service levels". In this case, there was no discussion with the community on this additional 1% increase above the rate peg.

We consider the council only clearly communicated a need for an 8.5% increase above the rate peg in 2017-18.

Otherwise, we consider the council explained the need for and purpose of the proposed special variation, and provided opportunities for community feedback. We consider the community was adequately informed of the extent of the rate increases.

Outcome of consultation on rate increases

Although this criterion does not require councils to demonstrate community support for the special variation, we require that councils consider the results of their community consultation in preparing their application.

In consultation, the council compared the four-year special variation of 28.5% including the assumed rate peg compared to the base case scenario. Responses to the November 2016 survey indicated:

- Around one-third of respondents supported the SV to fund road asset maintenance and renewals in full, with an additional 44% supporting a smaller increase.
- Around 38% supported the 6% environmental levy, with 45% supporting a smaller environmental levy.[26]

Based on these outcomes the council decided to apply for a four-year special variation of 28.5%.

Submissions

The council received 40 written submissions to the public exhibition of its Addendum to the 2016-17 Delivery Program and Operational Plan, with nearly all opposing the rate increase. The main reasons for opposition were:

- the council should not proceed with an SV as a new council under administration
- a perceived lack of community engagement
- the increase was unaffordable, and
- the varying levels of average rates across the three former council areas.

The council responded to community concerns by replying to submissions, and providing responses to relevant posts on its Facebook page.

IPART received 158 submissions during the submission period, as well as six early submissions. Included in the submissions was an online petition with 460 signatures

26 Jetty Research, *Mid-Coast Council Community Survey: Proposed Special Rate Variation and Environmental Levy*, January 2017, pp 20-21, 28.

opposing the application. Almost all submissions opposed the application, with the main reasons for opposition being that the council should not proceed with an SV as a new council under administration and that the increase was unaffordable.

Legislative changes made by the NSW Parliament in March 2017 allowed Mid-Coast Council to apply for, and IPART to assess, an SV application for 2017-18. Mid-Coast Council decided to apply for an SV on 31 May 2017, and IPART assessed this application against the criteria in the Guidelines set by OLG.

3.3 Reasonable impact on ratepayers

We consider the council has met this criterion.

The impact of the special variation will be substantial but reasonable given:

- current average rate levels
- the community's capacity to pay
- the council's financial sustainability, and
- the estimated infrastructure backlog.

In reaching our decision, we considered socio-economic indicators for Mid-Coast compared to similar and neighbouring councils, and the council's consideration of affordability.

Magnitude of increase

The council requested a four-year cumulative increase of 28.50% that will remain permanently in the rate base (11% in 2017-18, and 5% per annum for each of 2018-19, 2019-20 and 2020-21, respectively). This increase comes after substantial cumulative rises in average residential rates over the 10 years from 2006-07 across the former Mid-Coast councils:

- 107.8% for Gloucester Shire
- 75.9% for Great Lakes, and
- 82.7% for Greater Taree City.

These increases compare to cumulative rate peg increases of 33.1% during this period.

The council's consideration of the impact on ratepayers

The council considers the existing community has the capacity and willingness to pay. As outlined in Section 3.1, through multiple surveys the community has identified dissatisfaction with the condition of key infrastructure assets and the protection of the environment as a priority area for the council.

In terms of affordability, the rates and annual charges outstanding ratio, which measures the proportion of rates and annual charges unpaid at the end of the financial year, was within regional council benchmarks for the former council areas in both 2013-14 and 2014-15. In 2013-14, the ratio was 8.05%, 5.77%, and 7.21% for Gloucester Shire, Great Lakes, and

Greater Taree City, respectively. In 2014-15, these ratios fell to 4.75%, 5.63%, and 5.53%. This compares to benchmarks set by OLG of 5% for city and coastal councils and 10% for rural councils. As of 21 June 2017, the council estimates that the rates and annual charges outstanding ratio is approximately 6.72%.[27] Whilst this is higher than the historical values for the former council areas, it is still within the OLG benchmarks, and does not indicate that Mid-Coast residents as a whole are finding the current rating structure unaffordable. Further, Mid-Coast Council has frozen waste management charges at 2016-17 levels for three years from 2017-18, to partially offset the impact of the SV increase.[28]

As part of the community consultation process, there is evidence of some support for a special variation in rates to improve asset quality. Of 407 respondents to a community survey conducted in November 2016, 60% indicated they could afford to pay the additional SV rate increase, whilst 38% would struggle to afford it. The remainder preferred not to answer the question.[29]

In assessing the reasonableness of the impact of the special variation on ratepayers, we examined the council's special variation history and the average annual growth of rates in various rating categories. We found that since 2006-07, the cumulative increase in rates across the Mid-Coast area has been substantial, as reported in Table 3.4.

Table 3.4 Cumulative increases in rates from 2006-07 to 2016-17

Former Council	Residential	Business	Farmland
Gloucester Shire	107.8%	119.5%	35.1%
Great Lakes	75.9%	75.0%	66.7%
Greater Taree City	82.7%	71.9%	83.1%
Rate Peg Only	33.1%		

Note: The increases presented in this table include the financial year 2016-17. Whilst each former council dissolved on 12 May 2016, Mid-Coast Council currently maintains three separate rate structures for the former areas, and as such the figures above recognise this disaggregation for 2016-17.

Source: OLG unpublished data and IPART calculations.

Over the 10-year period from 2006-07 to 2016-17, all three former councils had special variation applications approved:

- Gloucester Shire received a three-year cumulative increase of 44.3% in 2015-16 to fund expenditure on infrastructure maintenance and renewal of its roads and bridges and to reduce its asset backlog.
- Great Lakes received a special variation on five occasions, with no decision made on its application in 2015-16 as the council was dissolved. The special variations received were to maintain service levels and infrastructure, finance infrastructure renewals, and for an environmental levy.
- Greater Taree City received a special variation on three occasions, with no decision made on its application in 2015-16 as the council was dissolved. The special variations received were to fund road infrastructure and an environmental levy.

27 E-mail from Mid-Coast Council, 21 June 2017.
28 Mid-Coast Council, *Application Part B*, p 19.
29 Jetty Research, *Mid-Coast Council Community Survey: Proposed Special Rate Variation and Environmental Levy*, January 2017, p 36.

We also compared 2014-15 rates and socio-economic indicators for Mid-Coast Council to neighbouring councils, as shown in Table 3.5.

Table 3.5 Mid-Coast Council - comparison of rates and socio-economic indicators with surrounding councils (2014-15)

Council	Average residential rate ($)[a]	Average business rate ($)[b]	Average taxable income	Ratio of average residential rates to average income (%)	Outstanding rates ratio (%)[c]	SEIFA Index NSW Rank[d]
Neighbouring Councils						
Dungog Shire	768	855	50,845	1.5	4.24	97
Port Macquarie-Hastings	1,043	3,397	47,521	2.2	6.33	75
Port Stephens	925	3,940	52,417	1.8	4.27	89
Upper Hunter Shire	675	963	67,341	1.0	5.80	86
Walcha	425	721	42,329	1.0	3.29	84
Mid-Coast	**1,036**	**3,277**	**42,791**	**2.4**	**5.53**	
Gloucester	823	916			4.76	47
Great Lakes	1,123	3,070			5.63	26
Greater Taree City	972	3,997			5.53	12

a The average residential rate is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category.

b The average business rate is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category.

c The outstanding rates ratio includes water and sewer.

d Rankings are for 2011. The highest possible ranking is 153 which denotes the council where residents are the least financially disadvantaged in NSW.

Source: OLG, unpublished data; ABS, *Regional Population Growth, Australia,* August 2013; ABS, *Estimates of Personal Income for Small Areas, 2010/11 to 2014/15*, April 2017; ABS, *Socio-Economic Indexes for Areas (SEIFA) 2011*, March 2013 and IPART calculations.

Based on this data, we found in the three former Mid-Coast Council areas:

- average taxable incomes were generally lower than in neighbouring councils
- rates were generally a higher proportion of average income compared to surrounding areas, and
- SEIFA indices were lower than in surrounding areas, indicating a relatively higher degree of socio-economic disadvantage.

Against this, we note that the outstanding rates ratio for 2014-15 was comparable with neighbouring councils.

Taking all these factors into account, along with the financial sustainability of the council and the condition of current infrastructure, we consider the impact of the increases to be substantial but reasonable.

3.4 Productivity and cost savings

As a new council, there has been a focus on improving efficiencies and identifying cost savings. For example, Mid-Coast Council is required to report ongoing benefits and costs associated with the merger process, and these costs and benefits are subject to review by the Government. The council estimates the merger delivered efficiencies and savings totalling $4.83 million in 2016-17.[30] In terms of specific savings attributable to the merger, the council has estimated the following:

- wage and salary efficiencies of $1.75 million per annum, with the possibility of further savings following the removal of protections for staff of merged councils
- consolidation of material contracts and other savings (such as phone bills, insurance, and recruitment costs) totalling $680,000 per year
- governance savings relating to mayoral and councillor allowances and expenses, totalling $352,000 per year
- a reduction in asphalt costs, estimated to be $500,000-$600,000 per year
- plant hire fee savings of $75,000 per year, and
- a one-off saving in the plant reserve fund, estimated to be $1.8 million.[31]

Mid-Coast Council has allocated merger savings for the next four years to a *Roadcare program*, designed to focus on urgent renewal works required across the council's road network. The $30 million program is being funded as follows:

- the NSW Government's Stronger Communities – Major Projects Fund ($14 million)
- a re-allocation of expenditure from the reserves of the former councils ($4 million), and
- identified ongoing merger efficiencies and savings ($12 million over three years).

As outlined in Section 3.1, the council estimates an asset renewal shortfall of $5 million per year. Whilst the above savings and *Roadcare program* will help address the shortfall and part of the infrastructure backlog, it will not completely remove the backlog, nor fund the planned environmental programs.

30 Mid-Coast Council, *Application Part B*, p 48.
31 Mid-Coast Council, *Application Part B*, pp 60-61.

4 What does our decision mean for the council?

Our decision means Mid-Coast Council may increase its general income over the four-year special variation period from $68.2 million in 2016-17 to $82.9 million in 2020-21. Table 4.1 shows the annual increases in the dollar amounts to the council's general income. These amounts reflect the percentage increases we have approved and, in 2017-18, adjustments that occur as a result of the replacement of previously approved SVs.

These increases will be permanently incorporated into the council's revenue base. After 2020-21, the council's permissible general income will increase by the annual rate peg unless we approve a further special variation.[32]

Table 4.1 Permissible general income of Mid-Coast Council from 2017-18 to 2020-21 arising from the special variation approved by IPART

Year	Increase approved (%)	Cumulative increase approved (%)	Annual increase in general income ($)	Permissible general income ($)
2016-17 permissible general income				68,247,096
Adjusted notional income 1 July 2017[a]				65,132,287
2017-18	10.0	10.0	6,513,229	71,645,516
2018-19	5.0	15.5	3,582,276	75,227,791
2019-20	5.0	21.3	3,761,390	78,989,181
2020-21	5.0	27.3	3,949,459	82,938,640
Total increase approved			**17,806,353**	

a Includes adjustment of –$3,114,809 for two temporary special variations.

Note: The above information is correct at the time of the council's application (May 2017).

Source: Mid-Coast Council, *Application Part A*, Worksheets 1 and 4 and IPART calculations.

IPART estimates that over these four years, the SV will generate additional revenue of $23.7 million more than rate increases at the existing rate path.

This extra income from the special variation will allow the council to fund asset renewals expenditure, reduce the accumulated infrastructure backlog, and fund ongoing environmental programs.

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

5 What does our decision mean for ratepayers?

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

In its application, Mid-Coast Council indicated that it intended to increase rates uniformly for each category over the four years of the special variation.[33] However, because rates are first decreased by the value of expiring SVs in Gloucester Shire and Great Lakes councils, the rate increases in 2017-18 would be different across the three former council areas.

We have calculated, after accounting for expiring SVs:

- the average residential rate will increase by $67 in the first year and by $243 over four years, a cumulative increase of 21.24%
- the average business rate will increase by $193 in the first year and by $695 over four years , a cumulative increase of 21.37%, and
- the average farmland rate will increase by $80 in the first year and $275 over four years, a cumulative increase of 22.60%.

Table 5.1 outlines the average increase in residential, business, and farmland rating categories by former council area that are estimated to occur under our approved increase. Additionally, for individual ratepayers the actual impact will vary from the averages reported above due to Mid-Coast Council maintaining separate rating structures for each of the former councils, and differences in land values.

33 Mid-Coast Council, *Application Part B*, p 51.

Table 5.1 Estimated average increases in rates by category and former council area

Council	2016-17	2017-18	2018-19	2019-20	2020-21	Cumulative increase 2017-2021
Residential						
Gloucester Shire ($)	1,085	1,194	1,253	1,316	1,382	297
Gloucester Shire (%)		10.0	5.0	5.0	5.0	27.34
Great Lakes ($)	1,234	1,283	1,347	1,415	1,485	252
Great Lakes (%)		4.0	5.0	5.0	5.0	20.39
Greater Taree City ($)	1,066	1,119	1,175	1,234	1,295	230
Greater Taree City (%)		5.0	5.0	5.0	5.0	21.55
Business						
Gloucester Shire ($)	1,540	1,694	1,779	1,868	1,961	421
Gloucester Shire (%)		10.0	5.0	5.0	5.0	27.34
Great Lakes ($)	3,249	3,379	3,548	3,725	3,911	663
Great Lakes (%)		4.0	5.0	5.0	5.0	20.39
Greater Taree City ($)	3,593	3,773	3,961	4,160	4,368	774
Greater Taree City (%)		5.0	5.0	5.0	5.0	21.55
Farmland						
Gloucester Shire ($)	3,060	3,366	3,535	3,711	3,896	837
Gloucester Shire (%)		10.0	5.0	5.0	5.0	27.34
Great Lakes ($)	731	760	798	838	880	149
Great Lakes (%)		4.0	5.0	5.0	5.0	20.39
Greater Taree City ($)	1,747	1,835	1,926	2,023	2,124	377
Greater Taree City (%)		5.0	5.0	5.0	5.0	21.55

Source: IPART calculations and Mid-Coast Council, *Application Part A*, Worksheets 2 and 3.

The increase in average rates in 2017-18 is less than the approved rise in general income of 10.0%. This is because rates are first decreased by $3,114,809 (4.6%), the value of expiring SVs, and then increased by 10.0%. The net increase in permissible income for 2017-18 is approximately 5.0% for Mid-Coast Council.

Appendices

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

Table A.1 shows Mid-Coast Council's proposed expenditure of the special variation funds over the next 10 years.

The council will use the additional special variation revenue, above the current rate path, of $96.5 million over 10 years to fund:

- asset renewals expenditure and a reduction of the accumulated infrastructure backlog, and
- ongoing environmental programs.[34]

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

34 Mid-Coast Council, *Application Part A*, Worksheet 6, and Mid-Coast Council, *Application Part B*, pp 4-7.

Table A.1 Mid-Coast Council – Income and proposed expenditure over 10 years related to the special variation ($000)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	Total
Special variation income above existing rate path	**1,807**	**3,644**	**7,111**	**11,136**	**11,411**	**11,692**	**11,984**	**12,284**	**12,591**	**12,905**	**96,564**
Transfers from reserves											
Funding for increased operating expenditures	746	667	2,082	3,908	4,006	4,106	4,208	4,314	4,421	4,532	32,991
Funding to reduce operating deficits (or increase surpluses)											
Funding for capital expenditure	1,628	3,590	5,692	7,941	8,139	8,343	8,551	8,765	8,984	9,209	70,844
Total expenditure	**2,375**	**4,258**	**7,774**	**11,849**	**12,145**	**12,449**	**12,760**	**13,079**	**13,406**	**13,741**	**103,835**

Note: Numbers may not add due to rounding. Total special variation expenditure equals funding for increased operating expenditures plus funding for capital expenditure. Funding for improving the operating balance generates cash flow that is available for funding capital expenditure.

Source: Mid-Coast Council, *Application Part A,* Worksheet 6 and IPART calculations.

B Mid-Coast Council's projected revenue, expenses and operating balance

As a condition of IPART's approval, Mid-Coast Council is to report annually against its projected revenue, expenses and operating result as set out in its LTFP (shown in Table B.1).

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

Table B.1 Summary of projected operating statement for Mid-Coast Council, 2017-18 to 2026-27 ($000)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-2024	2024-25	2025-26	2026-27
Total revenue	145,090	147,924	152,436	157,153	161,036	165,043	168,667	172,397	176,220	180,136
Total expenses	156,682	155,381	158,145	160,755	164,216	167,131	170,070	173,568	177,747	180,916
Operating result from continuing operations	-11,593	-7,457	-5,708	-3,602	-3,179	-2,088	-1,404	-1,171	-1,527	-780
Net operating result before capital grants and contributions	-16,120	-10,637	-8,965	-6,939	-6,597	-5,589	-4,989	-4,843	-5,289	-4,633

Note: Numbers may not add due to rounding.

Source: Mid-Coast Council, *Application Part A,* Worksheet 7 and IPART calculations.

C Comparative indicators

Performance indicators

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

Table C.1 shows how selected performance indicators for the aggregated former Mid-Coast councils have changed over the four years to 2014-15.

Table C.1 Trends in selected performance indicators for Mid-Coast Council, 2011-12 to 2014-15

Performance indicator	2011-12	2012-13	2013-114	2014-15	Average change (%)
FTE staff (number)	624	615	613	612	-0.65
Ratio of population to FTE	142	145	147	148	1.26
Average cost per FTE ($)	71,058	75,779	74,083	75,273	1.94
Employee costs as % operating expenditure (General Fund only) (%)	29	30	30	31	2.43
Consultancy/contractor expenses ($m)	30	41	37	33	3.08
Consultancy/contractor expenses as % operating expenditure (%)	20	27	25	23	4.25

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

Source: OLG, unpublished data and IPART calculations.

General comparative indicators

Table C.2 compares selected published and unpublished data about Mid-Coast Council with the averages for NSW councils as a whole.

Table C.2 Select comparative indicators for Mid-Coast Council (2014-15)

	Mid-Coast Council	NSW average
Key capacity to pay indicators[a]		
Average annual income for individuals ($)	42,791	62,798
Growth in average annual income over 2010-11 to 2014-15 (% pa)	3.5	3.6
Average residential rates to average annual income (%)	2.4	1.2
Outstanding rates and annual charges ratio (General Fund only) (%)	5.53	4.64
Other indicators		
General		
Area (km^2)	10,053	
Population (2016)	90,303	
General Fund operating expenditure ($m)	146.4	
General Fund operating revenue per capita ($)	1,973	2,029
Rates revenue as % General Fund income (%)	45.7	45.1
Own-source revenue ratio (%)	59.2	69.0
Average rate indicators[b]		
Average rate – residential ($)	1,036	769
Average rate – business ($)	3,277	2,865
Average rate – farmland ($)	1,103	2,441
Productivity (labour input) indicators[c]		
FTE staff (number)	612	295
Ratio of population to FTE	148	127
Average cost per FTE ($)	75,273	80,173
Employee costs as % operating expenditure (General Fund only) (%)	31.5	38.6
Consultancy/contractor expenses ($m)	33.0	8.8
Consultancy/contractor expenses as % operating expenditure (%)	22.5	10.9

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

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

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

Note: Unless otherwise indicated, data are for 2014-15, and are constructed as a weighted average of the data for each former council area. They do not reflect any changes that have occurred since the merger.

Source: OLG, unpublished data; ABS, *2016 Census QuickStats*, ABS, *Regional Population Growth, Australia,* March 2017; ABS, *Estimates of Personal Income for Small Areas, 2010/11 to 2014/15*, April 2017 and IPART calculations.