

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

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

Local Government — Determination
May 2015



Independent Pricing and Regulatory Tribunal

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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 that allows them to increase their general income by more than the rate peg. These increases may be for either an increase in a single year (section 508(2)) or successive increases for up to seven years (section 508A).

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

Gloucester Shire Council (Gloucester Council) applied for a special variation of 13.0% each year for the three years 2015-16 to 2017-18, to remain permanently in the rate base.² We have assessed the council's application, and decided to allow the special variation as requested. We made this decision under section 508A of the Act.

Box 1.1 Special Variation Guidelines for 2015-16

IPART assesses applications for special variations using criteria in the *Guidelines for the preparation of an application for a special variation to general income for 2015/2016*, issued by the Office of Local Government.

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

Our decision enables the council to fund a program of expenditure on infrastructure maintenance and renewal. The council consulted its community to address these issues, both in reviewing its Integrated Planning and Reporting (IP&R) documents and in preparing its special variation application.

¹ Office of Local Government, *Guidelines for the preparation of an application for a special variation to general income for 2015/2016*, October 2014 (the Guidelines).

² Gloucester Shire Council, *Section 508A Special Variation Application – Part A, 2015-16*, (Gloucester Council, *Application Part A*) Worksheet 4.

1.1 Our decision

We determined that Gloucester Council may increase its general income from 2015-16 to 2017-18 by the annual percentages shown in Table 1.1. The annual increases incorporate the rate peg to which the council would otherwise be entitled (2.4% in 2015-16).³ The cumulative increase of 44.29% is 36.71% more than the council assumed rate peg increase over these years.

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

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

	2015-16	2016-17	2017-18
Percentage increase approved	13	13	13

Note: The rate peg in 2015-16 is 2.4%. In later years the council has assumed a rate peg of 2.5%.

Source: Gloucester Council, *Application Part A*, Worksheet 1, and IPART calculations.

We have attached conditions to this decision, including that the council uses the income raised from the special variation for purposes consistent with those set out in its application. Box 1.2 summarises these conditions.

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

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

- ▼ The council uses the additional income from the special variation to fund the program of capital expenditure outlined in its application and IP&R documents and listed in Appendix A.
- ▼ The council reports in its annual report for each year from 2015-16 to 2024-25 on:
 - expenditure consistent with the council's application and listed in Appendix A, and the reasons for any significant differences from the proposed expenditure, and
 - the outcomes achieved as a result of the actual program of expenditure.
- ▼ The council reports each year from 2015-16 to 2024-25 in its financial statements (currently in Special Schedule 9) on its compliance with the special variation and these conditions.

³ 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.

2 What did the council request and why?

Gloucester Council applied to increase its general income by a cumulative 44.29% over the 3-year period from 2015-16 to 2017-18, and to incorporate this increase permanently into its general income base.⁴

The council estimated that if the requested special variation is approved, its permissible general income would increase from \$3.94 million in 2014-15 to \$5.70 million in 2017-18. This would generate additional revenue of \$2.77 million above the rate peg increases over three years.⁵

The council intends to use the additional revenue from the special variation on maintenance and renewals of its key assets such as roads and bridges, and to reduce its asset backlog.

Over the 10 years of the Long Term Financial Plan (LTFP) the special variation would generate \$13.98 million above the rate peg. The council is proposing to spend all of the additional revenue on asset renewal and maintenance works.⁶ Over the long term, the additional revenue will also improve its financial sustainability ratios.⁷

The council's proposed program of expenditure to 2024-25 is provided in Appendix A.

3 How did we reach our decision?

We assessed Gloucester Council's application against the criteria in the Guidelines. In making our assessment we also considered the council's most recent IP&R documents as well as a range of comparative data about the council, set out in Appendix B.⁸

Gloucester Council has applied on the basis of its adopted IP&R documents, in particular the *Community Strategic Plan (CSP), Delivery Program, Long Term Financial Plan 2015- 2025 (LTFP)* and *Asset Management Plan*.

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

⁵ Gloucester Council, *Application Part A*, Worksheet 1 and IPART calculations

⁶ Gloucester Shire Council, *Section 508A Special Variation Application – Part B, 2015-16*, (Gloucester Council, *Application Part B*), p 17, and LTFP, p 15.

⁷ Gloucester Council, *Application Part B*, p 17, and LTFP, p 18.

⁸ See Appendix B. Gloucester Shire Council is in OLG Group 10, which is classified as 'Rural Large Agricultural (pop. 5,001-10,000) or Remote (pop. 3,001-20,000)'. The group comprises 25 councils, including councils such as Dungog, Uralla, Liverpool Plains Severn, and Glen Innes Severn.

The rate increases for which the council has applied are significant, and we carefully considered, among other things, the council's need for the increase, its consideration of the community's priorities and capacity and willingness to pay, and the impact of the rate increase on ratepayers.

We note that the council's application is seeking lower percentage increases over a shorter term than it presented as its preferred option during the majority of its community consultation.

On balance, Gloucester 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 reflects community priorities, and is supported by TCorp's assessment of the council's financial sustainability.
2. The council provided evidence that the community is aware of the need for the rate increases, and that it had considered the community's capacity and willingness to pay the proposed increases. We consider that the council could have better communicated with the ratepayers on the extent of the rate increases it has applied for, and the impact the special variation would have on rate levels.
3. The impact of the proposed rate increases on ratepayers is significant, given the council's existing rate levels, and ability to pay within the community. The council has introduced a hardship policy.
4. The council provided evidence that the relevant IP&R documents have been exhibited and adopted.
5. The council reported productivity savings in past years, and it is proposing to realise, and continue to seek further savings during the period of the special variation.

Table 3.1 summarises our assessment against the criteria. Sections 3.1 and 3.2 discuss our findings against criteria 2 and 3 in more detail.

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

Criterion	IPART findings
<p>1. The need for and purpose of a different revenue path for the council's General Fund (as requested through the special variation) is clearly articulated and identified in the council's IP&R documents, including its Delivery Program, Long Term Financial Plan and Asset Management Plan where appropriate. In establishing need for the special variation, the relevant IP&R documents should canvas alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan by including scenarios both with and without the special variation.</p>	<p>The council's IP&R documents explain the need for and purpose of the special variation. The additional funds will be used for roads maintenance and to address a backlog of road works. Without the special variation, the council forecasts a \$74m backlog of works by 2024-25.</p> <p>In 2013, TCorp observed that the council's financial position was 'very weak' with a 'neutral' outlook. TCorp stated that the council:</p> <ul style="list-style-type: none"> ▼ needs extra revenue to achieve an operating surplus, fund maintenance and asset renewal and reduce the significant asset backlog ▼ should continue to explore the viability of a special variation application to assist its financial sustainability in the long term. <p>The income will allow the council to improve</p> <ul style="list-style-type: none"> ▼ its building and infrastructure asset renewal ratio to an average of 76% over the 9 years to 2024-25, compared to the base case average of 51.8% ▼ its operating performance ratio from -27.79% in 2014-15 to -9.96% in 2024-25. <p>The council considered alternatives to a rate increase such as grant funding, additional debt and cost reduction. It will continue to seek grant funding, and consider taking on additional debt if its special variation application is approved in order to fund works earlier and gain efficiencies by aligning projects. It has not included any new (not yet granted) grants or any additional debt in its LTFP.</p>
<p>2. Evidence that the community is aware of the need for and extent of a rate rise. The IP&R documentation should clearly set out the extent of the General Fund rate rise under the special variation. The council's community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure an opportunity for community awareness and input to occur</p>	<p>On balance, the council's consultation was adequate.</p> <ul style="list-style-type: none"> ▼ The council demonstrated that it used a variety of tools to engage all sectors of the community including 41 community meetings, newsletters and media releases. ▼ The council presented the community with four special variation options,^a with its preferred option being 18% annual increases for 5 years. ▼ Based on community feedback, the council re-evaluated its position and applied for a special variation of 13% for three years. ▼ It adequately consulted on the <i>need</i> for an increase and we note that the council could have better communicated the impact of the special variation to the ratepayers following its decision to apply for 13% for three years.

Criterion	IPART findings
<p>3. The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. The IP&R processes should:</p> <ul style="list-style-type: none"> ▼ 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 local community's capacity to pay. 	<p>The impact on ratepayers will be significant but reasonable.</p> <ul style="list-style-type: none"> ▼ the council's outstanding rates ratio is comparatively low compared to the Group 10 average ▼ the council has introduced a hardship policy ▼ the council has never applied for a special variation ▼ the council's SEIFA rating is 47 ▼ existing rate levels are high compared to OLG Group 10 councils, and mid-range compared with surrounding councils ▼ its average residential rate as a proportion of total income excluding pensions and allowances of 1.7% is higher than Group 10 average and most neighbouring councils.
<p>4. The relevant IP&R documents must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation to its general revenue.</p>	<p>The Community Strategic Plan and the Delivery Program were exhibited from May to June 2012, and adopted on June 26, 2012.</p> <p>The Delivery Program was amended in October 2014 to reflect the council's special variation application and the changes were adopted on October 15 2014.</p> <p>The Asset Management plan was adopted on 14 January 2015.</p>
<p>5. The IP&R documents or the council's application must explain the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation period.</p>	<p>The council is proposing efficiencies, that include:</p> <ul style="list-style-type: none"> ▼ a staffing restructure to create a flatter structure and introducing an open ended moratorium on the replacement of staff ▼ engaging in resource sharing with MidROC^b councils <p>Although not always quantified, the council has in past years realised cost savings by:</p> <ul style="list-style-type: none"> ▼ internally designing and constructing replacement bridges at approximately half the cost of the private sector ▼ completing bitumen sealing in-house ▼ reducing the pool opening hours ▼ revising the Waste Management Strategy to minimise the State imposed waste levy.

a The options were annual increase over five years of 5.5%, 13%, 15% and 18%.

b MidROC is the Mid North Coast Regional Organisation of Councils, representing seven Local Government areas.

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

Sources: Gloucester Council, *Application Part A*, and *Application Part B*; OLG, Unpublished data; NSW Treasury Corporation (TCorp); *Gloucester Shire Council Financial Assessment, Sustainability and Benchmarking Report*, 19 March 2013; TCorp, *Financial Sustainability of New South Wales Local Government Sector*, April 2013, p 18; Gloucester Council, *Delivery Program 2012-2016*, Gloucester Council, *Long Term Financial Plan 2015-25*.

3.1 Community engagement and awareness

We consider that, on balance, the council adequately conveyed the need for and impact of the special variation to its ratepayers. In making our decision, we gave consideration to the variety of engagement methods, the extent of the population reached, clarity of information and the size and resources of the council. We found that the council engaged widely, but could have been clearer in presenting the impact of the special variation application on rates to its ratepayers.

The council used a variety of methods to engage with its community including community meetings, letters and media releases. The council presented the community with four special variation options during the consultation.⁹ Based on community feedback, the council re-evaluated its position and applied for a smaller percentage increase and shorter term special variation than its preferred option, with the view to reassess the situation in three years and the possibility of making another special variation application.¹⁰

The council received community feedback as a response to:

- ▼ Community meetings, with a total attendance of 836.¹¹ At the meetings ratepayers indicated that they understood the need for an increase in rates to fund capital expenditure on roads. They also indicated that the council's proposed preferred increase (initially 18% annual increases for five years) was unacceptable and unaffordable.¹²
- ▼ A letter it sent to all ratepayers which included a matrix of various rating categories and land values, comparing the current rates (2014-15) with indicative rates ratepayers would be paying in 2023-24, as well as the percentage and dollar increases after 10 years for all four original options.¹³

The council received 128 written submissions of which 69 opposed a rate rise, on account of the preferred rate increase being too high and unaffordable, and stating a preference that the council find efficiency improvements and funds from elsewhere. In response, the council reduced the magnitude and duration of the special variation.¹⁴

⁹ The options were annual increase over five years of 5.5%, 13%, 15% and 18%.

¹⁰ Gloucester Council, *Application Part B, Attachment 8, Resolution to apply for the special variation*, p 1.

¹¹ Gloucester Council, *Application Part B*, p 29.

¹² Gloucester Council, *Application Part B, Attachment 5, Community Engagement Materials*.

¹³ Gloucester Shire Council, *Community Consultation Newsletter July 2014*, downloaded from the website www.gloucester.nsw.gov.au on 25 February 2015.

¹⁴ Gloucester Council, *Application Part B, Attachment 6, Community Feedback*, and *Application Part B*, p 9.

In January 2015, the council posted, on its website, a table showing current rates and those proposed for the next financial year, for each rating category, if the proposed special variation (13% for three years) was approved. Hard copies were made available at the library and the council administration. Ratepayers were made aware of the document through a media release on 21 January.

We consider that the council's engagement with the community was adequate. We note though, some areas that could have been done better.

- ▼ We consider a clearer method to convey the impact is to present the annual dollar and percentage increases as well as the cumulative increase at the end of the special variation period, in this case three years. This informs the ratepayers of the short term financial impact they can expect, whereas providing the 10-year impact is less informative and can understate the short-term impact.
- ▼ The 21 January 2015 media release explained that the council was preparing its application to IPART and reported an indicative increase for each rating category. The percentage increases were the increases in total revenue per category that the council would collect if the special variation was approved, whereas we consider it more transparent to communicate the increases in the average rates for each category. Given that the council had previously consulted the community on the higher increases of 18% annually for five years, this doesn't prevent the council from meeting this criterion.
- ▼ The LTFP presented the average dollar increases for each of the three years per rating category in a table. However, the amounts for the farmland category do not match those of the council's application, and instead are represented at the base case level.

3.2 Reasonable impact on ratepayers

We consider that the impact of the special variation will be significant, but reasonable considering the council's special variation history, the need for and purpose of the special variation.

The special variation increase amounts to a cumulative increase of 44.29% (including the rate peg increases of 7.58%¹⁵) after three years. This represents average indicative increases of \$311 to \$470 for residential ratepayers after the third year.¹⁶

Table 3.2 shows average increases for each rating category.

¹⁵ Based on 2.4% rate peg for 2015-16 and assumed future rate pegs of 2.5%.

¹⁶ Gloucester Council, *Application Part A*, Worksheet 5a.

Table 3.2 Average rate increases with the proposed special variation (\$)

Rating category	Current average rate	First year increase	3-year Cumulative increase
Residential - rural	1,002	150	469
Residential - Gloucester	678	97	312
Residential - village	653	120	334
Business - Industrial/commercial	1,328	137	543
Business - other	975	112	412
Farmland	2,543	300	1,087
Mining	38,207	5,961	18,191

Note: 3-year cumulative increases are indicative only, and are based on the assumption of the council maintaining the same rating structure and applying even 13% increases in the following two years.

Source: Gloucester Council, *Application Part A*, Worksheet 5a – Impact on Rates.

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, as well as a range of socio-economic data.

We found that since 2004-05:

- ▼ The council has not applied for any special variations (rate peg increases were 41.8% cumulative).
- ▼ Average residential, business and farmland rates have increased by 63%, 93% and 15% respectively. Business rates increased substantially in the last two years.
- ▼ Current average residential rate levels are high compared with the Group 10 average, they land about mid-range when compared to those of neighbouring council areas.¹⁷
- ▼ Its average residential rate as a proportion of total income excluding pensions and allowances is 1.7%. This is a higher result than the average for Group 10 councils, and higher than most neighbouring councils, except for Greater Taree and Great Lakes (at 2.2% and 2.7% respectively).

¹⁷ Neighbouring councils considered were Walcha which is in OLG Group 9, Upper Hunter in OLG Group 11, Dungog in OLG Group 10, and Greater Taree and Great Lakes which are in OLG Group 4.

After the special variation, average rates will be high compared to neighbouring councils. In particular:

- ▼ The average residential town and village rates, (62% of the rating assessments) will be around \$990 and \$987 compared to our estimates of \$1,069 and \$1,075 in Great Lakes and similar in Greater Taree, and ranging between \$516 and \$648 in Walcha, Uralla and Dungog.
- ▼ Average rural rates will be \$1,471 compared to our estimates of \$994 to \$1,266 in Uralla, Dungog, Great Lakes and Greater Taree, and \$483 in Walcha.
- ▼ Average farmland rates will be about mid-range at \$3,629 compared to surrounding council areas ranging from \$1,768 in Greater Taree to \$3,865 in Walcha.¹⁸

Gloucester Council has a SEIFA rating of 47, of 152 councils. This is lower than three surrounding councils, indicating less capacity to pay increases, but higher than neighbouring Greater Taree and about mid-range compared to other Group 10 councils.

We have received five submissions from ratepayers and one on behalf of the NSW Farmers, Gloucester Branch, all of which object to the council's application on account of farmers and residents' inability to pay the proposed increases, citing a recent drought in the area and depressed cattle prices and economy generally. Additionally we received a submission from the Australian Hoteliers Association on behalf of its members in the LGA, in opposition to the increase.

The council's consideration of impact on ratepayers

In its assessment of the affordability of the special variation increase the council:

- ▼ sought community feedback on four proposed special variation options, and
- ▼ engaged Hunter Research to conduct an affordability study for the area, and compare average income and rates to surrounding LGAs.

Based on community feedback, the council re-evaluated its position and applied for a smaller percentage increase and a shorter term special variation than its preferred option, with the view to reassess the situation in three years and the possibility of making another special variation application.¹⁹

¹⁸ Gloucester Council, *Application Part B*, p 49, Gloucester Council, *Application Part A*, Worksheet 5a and IPART calculations. These figures are indicative only. We have made these calculations assuming a rate peg of 3% applied to all rating categories in the surrounding council areas evenly across rating categories, and have included a previously approved special variation to Upper Hunter's rates. We note that the other councils might apply for special variation in the future.

¹⁹ Gloucester Council, *Application Part B, Attachment, Resolution to apply for the special variation*, p 1.

Using the information provided by Hunter Research, the council concluded that the rate increases are affordable, having calculated that the maximum annual rate increases represent between 0.3% and 1.5% of gross household income for most households (based on ABS results from 2011 showing that 59% of households had a gross income from \$20,000 to \$100,000pa).²⁰ We note that another 10.5% of households are in the \$15,600 to \$20,748 income bracket.²¹

The council acknowledges that there will be a significant impact of the special variation on rates and has taken measures to share the impact, by:

- ▼ Introducing a hardship policy. The policy offers payment plans and waives interest accrued on unpaid rates. There is additional assistance to pensioners including the statutory pensioner rebate and an option for council to extend the pensioner concession to a person not otherwise eligible for pensioner status.²²
- ▼ Increasing the base rate from \$230 to \$350 across all categories, to reduce the burden of an increased ad valorem rate on the more valuable (larger) properties.
- ▼ Applying an average 11.8% increase on farmers rather than 13%, to reduce the burden.
- ▼ Applying an average 10.4% increase on business rates to counter previous year increases and reduce the burden.²³
- ▼ Applying a higher increase of 18.3% to average residential village rates, to bring them in line with town rates, taking account of access to services such as the library and pool.

4 What does our decision mean for the council?

Our decision means that Gloucester Council may increase its general income over the 3-year special variation period from \$3.94 million in 2014-15 to \$5.70 million in 2017-18. Table 4.1 shows the annual increases in the dollar amounts to the council's general income. These amounts reflect the percentage increases we have approved and, in 2015-16, adjustments that occur as a result of various catch-up and valuation adjustments.

²⁰ Gloucester Council, *Application Part B*, p 38.

²¹ Gloucester Council, *Application Part B*, p 38 and IPART calculations.

²² Gloucester Council, *Application Part B*, p 56, and Gloucester Council, *Application Part B, Attachment 7 Hardship Policy*, pp 1-5.

²³ Gloucester Council, *Application Part B*, p 55.

These increases will be permanently incorporated into the council's revenue base. After 2017-18, the council's permissible general income will increase by the annual rate peg unless we approve a further special variation.²⁴

Table 4.1 Permissible general income of Gloucester Shire Council from 2015-16 to 2017-18 arising from the special variation approved by IPART

Year	Increase approved (%)	Cumulative increase approved (%)	Annual increase in general income (\$)	Permissible general income (\$)
Adjusted notional income 30 June 2015 ^a				3,944,826
2015-16	13	13.00	520,233	4,465,059
2016-17	13	27.69	580,458	5,045,517
2017-18	13	44.29	655,917	5,701,434

^a A prior catch-up of \$7,406 that had not been recouped by the time of the application was submitted to IPART is to be recouped in 2015-16.

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

The council estimates that over these three years, the additional rates revenue will accumulate to \$2.77 million above the council assumed rate peg.

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

5 What does our decision mean for ratepayers?

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

In its application, Gloucester Council indicated that it intended to apply different increases across the rating categories in the first year, then uniformly in the following year, although this remains subject to change.

²⁴ General income in future years cannot be determined with precision, as it will be influenced by several factors apart from the rate peg. These factors include changes in the number of rateable properties and adjustments for previous under- or over-collection of rates. The Office of Local Government is responsible for monitoring and ensuring compliance.

The council has calculated that:

- ▼ the average residential rate will increase by a cumulative 46.75%, with increases of 14.93% or \$119 in the first year
- ▼ the average business rate will increase by a cumulative 40.97%, with increases of 10.40% or by \$136 in the first year, and
- ▼ the average farmland rate will increase by a cumulative 42.74%, with increases of 11.78% or \$300 in the first year.²⁵

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

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

Year	2015-16	2016-17	2017-18	Cumulative increase
Residential rates				
Gloucester-\$ increase	97	101	114	312
% increase	14.33	13	13	45.98
Village - \$ increase	120	100	114	334
% increase	18.33	13	13	51.10
Rural - \$ increase	150	150	169	469
% increase	14.99	13	13	46.83
Farmland rate				
\$ increase	300	370	418	1,087
% increase	11.78	13	13	42.74
Business rates				
Industrial/Commercial - \$ increase	137	191	215	543
% increase	10.34	13	13	40.90
Other - \$ increase	112	141	160	412
% increase	11.45	13	13	42.31
Mining rate^a				
\$ increase	5,961	5,742	6,488	18,191
% increase	15.6	13	13	47.61

^a The mining rate includes one large gold mining assessment, one coal mining assessment, and two small assessments classified as 'other'.

Note: Council has applied an indicative increase of 13% to each rating category in the years 2016-17 and 2017-18. These increases are subject to change.

Source: Gloucester Council, *Application Part A*, Worksheet 5a.

²⁵ Gloucester Council, *Application Part A*, Worksheet 5a.



Appendices

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

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

The council will use the special variation revenue above the rate peg of \$13.8 million over 10 years to fund capital infrastructure renewal.²⁶

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.

²⁶ Gloucester Council, *Application Part A*, Worksheet 6.

Table A.1 Gloucester Shire Council – Income and proposed expenditure over 10 years related to the special variation (\$000)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Special variation income above rate peg	418	877	1,408	1,450	1,494	1,539	1,585	1,632	1,681	1,732	13,816
Funding for capital expenditure	412	889	1,438	1,474	1,510	1,548	1,587	1,626	1,667	1,709	13,860
Capital Expenditure											
Footpath Replacement	110	25	48		96	58	52	49	44	151	633
Refurbish Buildings				11	228	377	140			76	832
Renew Bridges/Causeways	30	18	822	18	450	119	98	89		294	1,938
Replace Safety Fencing	83			9	22	265	62				441
Replace Signs	5	9	4			2	11	17	51	93	192
Road Reconstruction	164	792	193	1,705	1,573	1,462	2,118	2,344	1,444	1,126	12,921
Road Resealing			297	221	284	437	306	359	1,389	1,262	4,555
Roadside Furniture											0
SDS&A	20	44	72	104	140	143	147	150	154	158	1,132
Total	412	888	1,436	2,068	2,793	2,863	2,934	3,008	3,082	3,160	22,644

Note: Numbers may not add due to rounding. The proposed total expenditure in Table A.1 may be greater than the additional income from the special variation because the council may be drawing on its reserves or funding from other sources for the program of expenditure.

Source: Gloucester Council, *Application Part A*, Worksheet 6 and *Application Part B*, p 15.

B 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 B.1 shows how selected performance indicators for Gloucester Council have changed over the four years to 2012-13.

Table B.1 Trends in selected performance indicators for Gloucester Shire Council, 2009-10 to 2012-13

Performance indicator	2009-10	2010-11	2011-12	2012-13	Average change (%)
FTE staff (number)	86	91	86	88	0.8
Ratio of population to FTE	59	56	58	57	-1.5
Average cost per FTE (\$)	59,395	61,912	64,221	70,000	5.6
Employee costs as % operating expenditure (General Fund only) (%)	39.2	38.7	36.8	36.9	
Consultancy/contractor expenses (\$'000)	1,175	1,081	1,108	1,011	-4.9
Consultancy/contractor expenses as % operating expenditure (%)	9.0	7.1	7.4	6.1	

Note: Except as noted, data is based upon total council operations that include General Fund, Water & Sewer and other funds, if applicable. Gloucester Council had water and sewer operations until 2012 when they were transferred to Midcoast Water.

Source: OLG, unpublished data.

General comparative indicators

Table B.2 compares selected published and unpublished data about Gloucester Council with the averages for the councils in its OLG Group and for NSW councils as a whole.

As indicated in section 3, Gloucester Council is in OLG Group 10. Unless specified otherwise, the data refers to the 2012-13 financial year.

Table B.2 Select comparative indicators for Gloucester Shire Council, 2012-13

	Gloucester Shire Council	OLG Group 10 average	NSW average
General profile			
Area (km ²)	2,996	-	-
Population	5,016	-	-
General Fund operating expenditure (\$m)	16.7	-	-
General Fund operating revenue per capita (\$)	2,527	2,561	2,026
Rates revenue as % General Fund income (%)	29.2	26.3	46.8
Own-source revenue ratio (%)	36.9	49.5	71.1
Average rate indicators^a			
Average rate – residential (\$)	616	515	712
Average rate – business (\$)	483	1,141	2,688
Average rate – farmland (\$)	2,650	2,248	2,194
Socio-economic/capacity to pay indicators^b			
Average annual income for individuals, 2011 (\$)	36,708	41,325	49,070
Growth in average annual income, 2006-2011 (% pa)	3.4	6.0	5.2
Average residential rates 2012-13 to average annual income, 2011 (%)	1.7	1.3	1.5
SEIFA, 2011 (NSW rank: 153 is least disadvantaged)	47		
Outstanding rates and annual charges ratio (General Fund only) (%)	4.9	7.5	6.0
Productivity (labour input) indicators^c			
FTE staff (number)	88	105	294
Ratio of population to FTE	57	71	127
Average cost per FTE (\$)	70,000	66,915	75,736
Employee costs as % operating expenditure (General Fund only) (%)	36.9	35.1	37.1
Consultancy/contractor expenses (\$m)	1.0	2.3	7.8
Consultancy/contractor expenses as % operating expenditure (%)	6.1	9.3	10.3

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

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

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

Source: OLG, unpublished data; ABS, *Regional Population Growth, Australia*, August 2013; ABS, *Estimates of Personal Income for Small Areas, 2005-06 to 2010-11*, October 2013; ABS, *Socio-Economic Indexes for Areas (SEIFA) 2011*, March 2013 and IPART calculations.