

Gundagai Shire Council's application for a special variation and to increase the minimum special rate for 2014/15

under sections 508(2) and 548(3) of
Local Government Act 1993

Local Government — Determination
June 2014

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ISBN 978-1-925032-96-3

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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 rates income. Each year, we determine a standard increase that applies to all NSW councils, based on our assessment of the annual change in their costs and other factors. This increase is known as the rate peg.

Councils may apply to us for a special variation that allows them to increase their general income by more than the rate peg. We are required to assess these applications against criteria in the Guidelines set by the Office of Local Government (OLG),¹ and may allow special variations under either section 508A or 508(2) of the *Local Government Act 1993* (the Act).

Gundagai Shire Council originally applied for a special variation in 2014/15 of 16.60%, to remain in the rate base on a temporary basis for 10 years. Subsequently, the council submitted a correction to its application to reflect that 16.6% only applied to the ordinary rates. The adjusted application is for an increase of 15.12%. After assessing the council's application, we decided to allow the special variation of 15.12% in 2014/15. We have made this decision under section 508(2) of the Act.

Gundagai Shire Council also applied to increase the minimum amount of the Town Improvement District (TID) special rate by 2.3% or \$4.55 in 2014/15, which is consistent with the approved rate peg. After assessing the council's application, we decided to allow the increase as requested. We made this determination under section 548(3) of the Act.

Box 1.1 The Guidelines for 2014/15

We assess applications for special variations using criteria in the *Guidelines for the preparation of an application for a special variation to general income*, issued by the Office of Local Government.

The Guidelines adopt the same criteria for applications for a special variation under either section 508A or 508(2) of the *Local Government Act 1993*.

The Guidelines emphasise the importance of the council's Integrated Planning and Reporting (IP&R) 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. As a result, for most criteria, 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.

¹ Division of Local Government, Department of Premier and Cabinet, *Guidelines for the preparation of an application for a special variation to general income*, September 2013 (the Guidelines). Effective 24 February 2014, the Division of Local Government became the Office of Local Government.

1.1 Our decision

We determined that Gundagai Shire Council may increase its general income by 15.12% in 2014/15, including the rate peg of 2.3% that is available to all councils (see Table 1.1). The increase above the rate peg can be retained in the council's general income base for 10 years.

We have attached conditions to this decision, including that the council uses the income raised from the special variation for the purposes set out in its application and that, on 1 July 2024, the council reduces its general income to what it would have been without the levy.

Table 1.1 sets out our decision and Box 1.2 summarises the conditions attached to it.

Table 1.1 IPART's decision on Gundagai Shire Council's application for a special variation in 2014/15

Component	%
Increase to fund main street upgrade	12.82
Rate peg	2.30
Total increase	15.12

Source: Gundagai Shire Council Application Part A, Worksheet 4.

Box 1.2 Conditions attached to the approved special variation

IPART's approval of Gundagai Shire Council's application for a special variation in 2014/15 is subject to the following conditions:

- ▼ The council uses the additional income from the special variation for the purpose of financing the debt servicing cost of a \$3m bank loan to fund the main street upgrade project as outlined in the council's application and listed in Appendix A.
 - ▼ The council reports in its annual report for each year from 2014/15 to 2023/24 on:
 - expenditure consistent with the council's application, and the reasons for any significant differences from the proposed expenditure
 - the outcomes achieved as a result of the actual program of expenditure.
 - ▼ In 2024/25, the council is to reduce its general income to the level it would have been without the special variation.
 - ▼ The council reports to the Office of Local Government by 30 November each year on its compliance with these conditions.
-

2 What did the council request and why?

Gundagai Shire Council requested a special variation of 15.12% in 2014/15, comprising 2 components:

- ▼ a 12.82% increase for 10 years
- ▼ the rate peg of 2.3%.²

Table 1.1 shows the components of the requested special variation.

The council estimates that the 12.82% increase above the rate peg will generate \$339,607 in additional revenue in 2014/15, and \$3.89m over 10 years.³ The increase is to fund its Main Street Redevelopment project, which would contribute to reducing its infrastructure backlog.⁴ The council has indicated that over the 10 years to 2023/24, it would use all of its additional revenue to repay the debt of a \$3m bank loan plus interest. Another \$1m will be drawn from the council's Water/Sewer/Town Improvement District funds.⁵ The council's full program of expenditure and its funding are set out in Appendix A.

3 How did we reach our decision?

We assessed Gundagai Shire Council's application against the criteria in the Guidelines. In making our assessment we also considered a range of comparative data about the council.

Gundagai Shire Council has applied on the basis of its adopted Integrated Planning and Reporting (IP&R) documents, in particular its *Gundagai Shire Community Strategic Plan, Delivery Plan 2014-2018, Long Term Financial Plan 2014/15-2024/25 (LTFP)* and *Transport Asset Management Plan (TAMP)*.

On balance, we found that the 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 a degree of community support.
2. The council provided evidence that the community is aware of the need for, and extent of, the rate rise and that it has considered the community's capacity and willingness to pay the proposed rate rises.

² Gundagai Shire Council, *Section 508(2) Special Variation Application - Part A* (Gundagai Shire Council Application Part A), Worksheet 1.

³ Gundagai Shire Council Application Part A, Worksheets 4 and 6.

⁴ Gundagai Shire Council, *Special Variation Application Form - Part B* (Gundagai Shire Council Application Part B), pp 8, 10 & 11.

⁵ Gundagai Shire Council Application Part B, p 9.

3. The impact of the proposed rate rises on ratepayers is significant, but reasonable given the purpose of the special variation. The council has taken account of ratepayers' willingness and capacity to pay by proportionately redistributing the rate increase across its ratepayer categories.
4. The council made realistic assumptions concerning its projected capital expenditure and financing costs.
5. The council indicated its intention to realise further savings through possible asset sale during the period of the special variation.

Table 3.1 summarises our assessment against the criteria.

Table 3.1 IPART's assessment against the criteria in the Guidelines

Criterion	IPART findings
<p>1. Need for and purpose of the special variation must be clearly articulated in the council's IP&R documents. Evidence could include community need/desire for service levels/projects and limited council resourcing alternatives, and the assessment of the council's financial sustainability made by the NSW Treasury Corporation (TCorp).LTFP must include scenarios both with and without the special variation.</p>	<ul style="list-style-type: none"> ▼ The IP&R documents identified the main street upgrade as a community objective.^a There was limited discussion of the special variation in the LTFP. ▼ The upgrade makes up the majority of the council's infrastructure backlog. ▼ The special variation is intended to repay a \$3m bank loan plus the debt servicing costs over the next 10 years.^b ▼ Currently, the council has minimal debt and sufficient liquidity to undertake the loan. The council also applied to the Local Infrastructure Renewal Scheme (LIRS) for an interest rate subsidy of up to 3%.^c ▼ Without the special variation, the council will not be able to fund the upgrade and balance its operating budget at the same time.^d ▼ We note TCorp's finding that additional revenue is needed to improve the council's asset base, which may otherwise deteriorate over the long term.

Criterion	IPART findings
<p>2. Evidence that the community is aware of need for, and extent of, the proposed rate rises. The IP&R documents should clearly explain the rate rise, canvas alternatives to the rate rise, the impact of any rises on the community, and the council's consideration of community capacity and willingness to pay higher rates. The council should demonstrate use of an appropriate variety of engagement methods to raise community awareness and provide opportunities for input.</p>	<p>Community awareness is demonstrated.</p> <ul style="list-style-type: none"> ▼ The main street upgrade project has been well promoted for a number of years. Since 2011, the council has consulted the community on a re-development plan and communicated through factsheets, mail-out, surveys, community forum and local media reports.^e ▼ The dollar impact of the originally proposed special variation of 14.3% above the rate peg was well publicised and discussed in the media.^f The council subsequently amended the increase to 12.82% above the rate peg. ▼ Results of a self-select survey and public forums indicated a majority of the residential and business ratepayers supported the Main Street redevelopment.^g But there was much debate over how the project should be funded. ▼ Farmland ratepayers contribute 77% of the ordinary rate revenue under existing arrangements.^h They expressed concerns related to willingness and capacity to pay. In response to community feedback, the council redistributed the impact of the proposed special variation increase.ⁱ
<p>3. Impact on affected ratepayers must be reasonable, having regard to current rate levels, existing ratepayer base and proposed purpose of the variation.</p> <p>The council's IP&R process should establish that proposed rate rises are affordable, having regard to the community's capacity to pay.</p>	<p>The impact of the special variation is significant for residential and business ratepayers, but reasonable given the historically low rate base. We note that the council considered a range of indicators of capacity to pay, in particular:</p> <ul style="list-style-type: none"> ▼ The council's average residential rates are much lower than neighbouring council areas and the OLG Group 9 average (see Table B.2 for comparison). Further, its average household income levels are slightly above that of neighbouring councils.^j ▼ A SEIFA index of 64 indicates a medium to low socio-economic ranking for Gundagai Shire. We consider that there is a reasonable capacity to pay when compared with neighbouring councils of similar size with higher rates.^k ▼ The council has a financial hardship policy in place.^l
<p>4. Delivery Program and LTFP must show evidence of realistic assumptions.</p>	<ul style="list-style-type: none"> ▼ The assumptions in the Delivery Program and LTFP are reasonable and realistic. Revenue projections rely on realistic assumptions about growth and CPI. ▼ The \$4m costing of the main street upgrade project was completed by qualified engineers.^m ▼ Five scenarios – with and without the special variation, with varying levels of borrowing - were compared. ▼ The scenario with a special variation of 14.3% and a bank loan of \$3m over the next 10 years was selected based on the council's asset renewal requirements relating to the Main Street upgrade.ⁿ

Criterion	IPART findings
5. Productivity improvements and cost containment strategies realised in past years must be explained, as well as plans to realise savings over the proposed special variation period.	<ul style="list-style-type: none"> ▼ The council reported various cost saving initiatives, including possible sale of redundant assets and introducing a performance based salary system.^o ▼ The council's employee costs as a percentage of operating expenditure is comparable to its peers.^p ▼ Consultancy expenses were substantially higher than the OLG Group 9 average. But this is partially attributable to a series of flood events that had necessitated extra spending on remediation and RMS-related contracts.^q ▼ We consider that the council could further articulate and quantify future cost containment and productivity initiatives, particularly in relation to its performance based salary system.
6. IPART's assessment of the size and resources of the council, the size of the increase, current rate levels and previous increases, the purpose of the special variation and other relevant matters.	<ul style="list-style-type: none"> ▼ Since 2010, the council has been affected by 5 natural disasters which have negatively impacted on its ability to maintain and improve its asset base.

^a Gundagai Shire Council Part B, p 5. See also *Extract from the Community Strategic Plan*, p 19; Attachment 7, *Gundagai Shire Community Strategic Plan; Delivery Plan 2014-2018*, and Attachment 6, *Transport Asset Management Plan (TAMP)*.

^b Gundagai Shire Council Application Part B, p 9.

^c Gundagai Shire Council Application Part B, Attachment 8, *Special Variation Rate Increase Factsheet & Survey – Sheridan Street Redevelopment FAQ*, p 2.

^d NSW Treasury Corporation, *Gundagai Shire Council Financial Assessment, Sustainability and Benchmarking Report*, 5 April 2013 (TCorp Report), p 5.

^e Gundagai Shire Council Application Part B, Attachment 9, *Gundagai Shire Community Plan 2012 - 2022 - Community Engagement Strategy Report*, pp 5-7.

^f The Gundagai Independent: 'Council change tune on rate distribution' 13 Jan. 2014, p 1; 'New main street wanted, but debate about who will pay', 6 Feb. 2014, p 1.

^g Gundagai Shire Council Part B, Attachment 8a, *SRV Sheridan Street Redevelopment – Survey results report*, pp 1-3.

^h Gundagai Shire Council Application Part B, pp 5-6.

ⁱ Ratepayers' submissions to the council and IPART.

^j OLG, unpublished data. Neighbouring councils include Harden Shire, Junee Shire, Tumut Shire, Wagga Wagga City and Yass Valley councils.

^k OLG, Unpublished data, *Socio-Economic Indexes for Areas (SEIFA) 2011*. Gundagai Shire average total income is \$37,357pa compared to the OLG Group 9 average of \$35,717pa. *Average Rates (2011/12)*. Similar areas are defined by OLG Group 9 – 'Rural Medium Agricultural' with a population of 3,753 in 2011/12. Gundagai Shire Council residential rates are \$263 compared to the OLG Group 9 average residential rates of \$347.

^l Gundagai Shire Council Part B, Attachment 10, *Gundagai Shire Council Hardship Policy* adopted on 8 October 2013.

^m MJM Consulting Engineers, *Main Street Upgrade – Estimate of cost based of asset renewal requirement*, 23 December 2010.

ⁿ Gundagai Shire Council Application Part B, p 9.

^o Gundagai Shire Council Application Part B, p 28.

^p OLG, unpublished data.

^q Gundagai Shire Council Application Part B, p 28.

The sections below discuss our findings against the criteria in more detail.

3.1 Need for and purpose of the special variation

The need for and purpose of the requested special variation was not clearly set out in the council's IP&R documents. The main street upgrade project was identified in the *Gundagai Shire Community Strategic Plan, Delivery Plan 2014-2018*, and *Transport Asset Management Plan (TAMP)*. The LTFP established the need for the special variation.

TCorp found that over the next decade the council will accumulate an asset renewal forecast of \$8m to be spent in the next 10 years, against a forecast depreciation expense of \$24.7m. The council's capital expenditure ratio will be significantly below benchmark. This will further affect its service level over the long term.⁶

We note the TCorp's finding that the special variation is needed to improve the council's asset base, which may otherwise deteriorate over the long term.

3.2 Community engagement and awareness

We consider that the council has made the community aware of the need for and extent of the special variation, including using a variety of engagement methods and providing opportunities for feedback. The council's community engagement strategy included:

- ▼ stakeholder meetings and public forums on the main street upgrade project - over 100 residents of Gundagai Shire attended⁷
- ▼ a self-select survey and factsheet explaining the dollar impact of the proposed special variation based on 14.3% above the rate peg - 285 responses received⁸
- ▼ a self-select survey on key community issues, including the Sheridan Street Redevelopment project - 161 responses received from ratepayers (representing about 6% of total Shire rate paying population).⁹

The community was also kept informed of the IP&R process through council newsletters and the local media regularly reported on the progress of the special rate application.

⁶ TCorp Report, p 4.

⁷ Gundagai Shire Council Part B, Attachment 8a, *SRV Sheridan Street Redevelopment - Survey results report*, p 1.

⁸ Gundagai Shire Council Part B, Attachment 8a, *SRV Sheridan Street Redevelopment - Survey results report*, p 1.

⁹ Gundagai Shire Council Application Part B, Attachment 9, *Community Strategic Plan 2012 - 2022 - Report on Community Engagement Strategy*, pp 6-7.

Outcome of consultation on rate rise

Although the criterion does not require councils to demonstrate community support for the special variation, we note there is evidence of some support for a 14.3% increase in rates above the rate peg. The community engagement strategy report shows the majority of residential and business ratepayers supported the main street upgrade project.¹⁰

The feedback from public forums on the main street upgrade and a self-select survey indicated 44% of the ratepayers supported the special variation, 49% voted against, and 7% abstained.¹¹ IPART also received 2 written submissions opposing the special variation raising concerns about affordability, utility of the project and council efficiency.

Despite the main street upgrade being ranked as 1 of the lower priorities for the Gundagai community as a whole,¹² the council has decided that this project contributes to meeting other key priorities identified by the community. For example:

- ▼ improved employment opportunities for local youths
- ▼ attracting more tourism and local business opportunities
- ▼ improving local road conditions, public transport and heritage buildings and bridges.¹³

We also note that successive flood events in recent years have affected the council's ability to maintain the operating standard of their assets.¹⁴ Public roads account for around 90% of its \$4.2m infrastructure backlog, which includes footpaths and car parks on the main street.¹⁵

¹⁰ Gundagai Shire Council Application Part B, Attachment 8a, *Special variation survey results*, pp 2-4.

¹¹ Gundagai Shire Council Application Part B, Attachment 8a, *Special variation survey results*, p 2.

¹² Gundagai Shire Council Application Part B, Attachment 9, *Community Strategic Plan 2012 - 2022 - Report on Community Engagement Strategy*, p 24.

¹³ Gundagai Shire Council Application Part B, Attachment 9, *Gundagai Shire Community Plan 2012 - 2022 - Community Engagement Strategy Report*, pp 22-23.

¹⁴ TCorp Report, p 16.

¹⁵ TCorp Report, p 14. The council's infrastructure backlog has marginally increased from \$4.1m in 2009 to \$4.2m in 2012. Public roads are the largest backlog category with a total of \$3.8m in 2012.

Council responded to community concerns over affordability

Farmland ratepayers currently contribute 78% of the council's ordinary rate revenue. They argued that the current rate structure would place a disproportionately large cost burden of the special variation on farmland ratepayers. In their opinion, the main street upgrade would offer little economic benefits to the rural community and the township as a whole. They claimed that the primary benefactors of the redevelopment project are the businesses on Sheridan Street, and residents who frequent the main street area.¹⁶

In response, the council redistributed contributions to the proposed special variation increase of 14.3% on the following basis - Residential (45%): Rural (45%): Business (10%). Under this new rate structure, residential and business ratepayers' contribution to the special variation rate component will be doubled compared to their current ordinary rates.

The council's analysis of the resultant dollar impact across the rating categories shows a more proportionate increase on the average assessment, which is comparable to the rates charged by its peer councils in OLG Group 9.¹⁷

We note that the council has considered the issues raised by farmland ratepayers regarding affordability, equity and proportionality, and addressed them to the extent possible.

3.3 Reasonable impact on ratepayers

We consider that the impact of the special variation will be significant for residential and business ratepayers. The council has considered the feedbacks during consultation and the capacity and willingness to pay by ratepayers in each category.

The council decided to redistribute the proposed 14.3% additional special variation with a smaller weighting on the farmland ratepayers. The council decided this was a fairer spread of costs of financing the main street upgrade. Because it was argued that residential and business ratepayers will benefit more from the main street upgrade project than the farmland ratepayers would.

The impact of this rate allocation will increase rates in 2014/15 by around \$116 for residents, \$224 for businesses and \$209 for farmland ratepayers.¹⁸

¹⁶ Confidential stakeholder submissions to IPART.

¹⁷ Gundagai Shire Council Application Part B, pp 22-23.

¹⁸ Gundagai Shire Council Application Part A, Worksheet 5.

Our assessment of impact on ratepayers

In assessing whether the impact is reasonable and affordable, we note that:

- ▼ For 2008/09, the Minister approved a special variation of 12.89% for a period of 10 years under s508(2). Prior to this, the council has limited its rate increases to the rate peg.¹⁹ Similarly, at least 4 neighbouring councils²⁰ have received or applied for special variations since 2005/06.²¹
- ▼ As shown in Table B.2, Gundagai Shire Council's average rates were around 25%-30% lower than that of the surrounding councils in 2011/12. For instance, on average, rates in Gundagai Shire are \$263 a year, compared with \$377, \$520 and \$632 charged by the neighbouring Harden Shire, Junee Shire, and Yass Valley councils respectively.²²
- ▼ Compared with the OLG Group 9 average, farmland and business rates in Gundagai Shire in 2011/12 are lower (see Table B.2).²³
- ▼ A SEIFA index of 64 indicates a medium to low socio-economic ranking for Gundagai Shire. In addition, average total income in Gundagai Shire is slightly above its peer councils at around \$37,000 per annum compared with OLG Group 9 average of \$35,700.²⁴
- ▼ Average residential rates in Gundagai Shire accounted for a lower percentage of average total income at 0.7%, compared with 1.0% of its peer council average rates in 2011/12.²⁵
- ▼ The unemployment rate in Gundagai Shire was 4.2% in 2011/12 which was on par with its peer councils of a similar size and below the OLG Group 9 average of 5.1%.²⁶
- ▼ Based on 2011/12 data, the council reported an outstanding rates and annual charges ratio of 10.3%, that is slightly below the OLG Group 9 average of 11.2%, but above the NSW average of 7%.²⁷ Around 23% of pensioners in Gundagai Shire are paying minimum rates.²⁸
- ▼ The council has a financial hardship policy in place that offers assistance to ratepayers experiencing financial hardship, including payment plans, interest rate relief and financial counselling. The council reported that currently only 1 ratepayer has applied for hardship relief.²⁹

¹⁹ OLG, unpublished data.

²⁰ Including Junee Shire Council, Tumut Shire Council, Wagga Wagga City Council and Yass Valley Council.

²¹ OLG, unpublished data.

²² OLG, unpublished data.

²³ OLG, unpublished data. Including Harden, Cootamundra and Yass Valley councils.

²⁴ OLG, unpublished data.

²⁵ OLG, unpublished data.

²⁶ Gundagai Shire Council Application Part B, p 21.

²⁷ OLG, unpublished data.

²⁸ Gundagai Shire Council Application Part B, p 25.

²⁹ Gundagai Shire Council Application Part B, p 25.

Overall, we consider that the impact of the special variation on residential and business ratepayers is significant. Given the current low rate levels and that the council has attempted to limit the impact on rural ratepayers, we consider that the increase is reasonable.

4 What does our decision mean for the council?

Our decision means that Gundagai Shire Council may increase its general income by an estimated \$400,535 in 2014/15, as indicated by Table 4.1.³⁰ This will remain in the rates base for 10 years. On 1 July 2024, the council is to reduce its general income to the level it would have been without the special variation. Thereafter, general income will increase by the annual rate peg unless we approve further special variations.³¹

Table 4.1 Impact of approved special variation on Gundagai Shire Council income in 2014/15

Notional general income 2013/14 (\$)	Adjustment: expiring special variation	Increase in general income (%)	Annual increase in general income (\$)	Adjustments: Catch-ups, valuations ^a	Permissible general income 2014/15 (\$)
2,649,038	0	15.12	400,535	543	3,050,116

^a For Gundagai Shire Council, this is a prior catch-up of \$543.

Source: Gundagai Shire Application Part A, Worksheet 1.

5 What does our decision mean for ratepayers?

We set 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.

Gundagai Shire Council has applied to increase rates by 15.12% to remain in the rates base for 10 years from 2014/15 until 2023/24. Table 5.1 sets out the impact of the council's proposed rate increases on all affected ratepayer categories.

³⁰ Gundagai Shire Council Application Part A, Worksheet 1.

³¹ 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 OLG is responsible for monitoring and ensuring compliance.

Table 5.1 Indicative rate increases under the approved special variation

Category ^a	Average rate 2013/14 (\$)	Approved increase (\$)	Approved increase (%)	Average rate 2014/15 (\$)
Average residential rate	289	116	40.2	405
Average business rate	678	224	33.0	902
Average farmland rate	1,996	209	10.5	2,206

^a Average rates include all applicable ordinary and special rates rounded to the nearest dollar.

Source: Gundagai Shire Application Part A, Worksheet 5 and IPART calculations.

6 Minimum special rates

IPART determined that Gundagai Shire Council may increase the minimum amount of the TID special rate by 2.3% in 2014/15. This increase is in line with the rate peg of 2.3% which will apply to all TID ratepayers for 2014/15.

Table 6.1 sets out our decision.

Table 6.1 IPART's decision on Gundagai Council's application to increase the minimum level of the Town Improvement District rate in 2014/15

	Increase in 2014/15 (%)	Minimum rate in 2014/15 (\$)
Town Improvement District Special Rate minimum	2.3	202.4

Source: Gundagai Shire Council, *Application to increase minimum rates above statutory limit in 2014/15 - Part B*, pp 3-5.

6.1 What did the council request and why?

Gundagai Shire Council applied to increase the minimum amount of the TID special rate by 2.3%, equivalent to the rate peg for 2014/15. The requested increase would result in the minimum amount of the TID rate being \$202.40, an increase of \$4.55 on the rate in 2013/14.³²

The TID special rate dates back to 1924 when Gundagai Shire Council was formed by the amalgamation of Gundagai Municipal Council and Adjungbilly Shire Council. It is assessed on properties in the town of Gundagai, and consists of an ad valorem amount that is subject to a minimum rate. Currently the TID special rate applies to 1,076 ratepayers and 668 (62%) of these ratepayers pay the minimum rate.³³

³² Gundagai Shire Council, *Application to increase minimum rates above statutory limit in 2014/15 - Part B* (Gundagai Application to Increase Minimum Rates Part B), p 3.

³³ Gundagai Shire Council Application Part A, Worksheet 3.

The council indicated that the revenue raised through this special rate is used to improve town amenities. Examples of the recent use of TID revenue include for services to the township by Fire and Rescue NSW, servicing costs of a TV translator providing coverage for black spot areas around the township, kerb and guttering, stormwater drainage, footpath reconstruction and street lighting.³⁴

6.2 How did we reach our decision?

We assessed Gundagai Council's application against the criteria in the *Guidelines for the preparation of an application to increase minimum rates above the statutory limit 2014/15* (the Minimum Rates Guidelines). We found that the application satisfactorily met the criteria, as summarised in Table 6.2.

Increasing the minimum level of the TID special rate by 2.3% in 2014/15 is consistent with the increases the council will apply to ratepayers paying the TID ad valorem rate.³⁵ It is also consistent with the approach the council has applied in recent years. Since 1993, the council has increased the TID minimum special rate by the amount of the rate peg each year.³⁶ Maintaining equity among ratepayers is consistent with the approach to minimum rates recommended in the Minimum Rates Guidelines.

The council sought submissions on the proposed increase to the TID through 2 advertisements in the local newspaper. None were received. We consider that the consultation undertaken is sufficient, given the history of the TID rate and the modest size of the increase.

³⁴ Gundagai Application to Increase Minimum Rates Part B, p 2.

³⁵ Gundagai Shire Council Application Part A, Worksheet 5.

³⁶ OLG, unpublished data.

Table 6.2 IPART’s assessment against the criteria in the Minimum Rates Guidelines

Criterion	IPART findings
1. Rationale for increasing minimum rates above the statutory amount.	The council's rationale is to apply the approved rate peg to the TID minimum rate, consistent with the allowable increase for other TID ratepayers. This is in line with past years' practice.
2. Impact on ratepayers, including the level of the proposed minimum rates and the number and proportion of ratepayers that will be on the minimum rates, by rating category or sub-category.	The impact on ratepayers is modest (\$4.55 per annum) and consistent in percentage terms with the rate peg applied to the council's TID rates. The proportion of TID ratepayers paying the minimum amount is unchanged from last year at 62%. ^a
3. Consultation the council has undertaken to obtain the community's views on the proposal.	Given the history of the TID rate and the modest size of the increase, we consider the council's level of consultation sufficient. No submissions were received about the proposal.

^a Gundagai Application to Increase Minimum Rates Part B, p 4.

6.3 What does our decision mean for the council and ratepayers?

Our decision will increase the minimum amount of the TID special rate by \$4.55 per year, taking it to \$202.40 in 2014/15, the council estimates that the TID special rate will apply to 1,076 ratepayers, and 668 (62%) of these ratepayers will pay the minimum rate.



Appendices

A Expenditure to be funded from the special variation

Tables A.1 and A.2 show how the council intends to spend the extra special variation income that it receives above the rate peg.

The council will use the additional special variation revenue of \$3.89m over 10 years to cover the debt finance cost of taking out a loan to fund the Main Street Redevelopment project.

The council will indicate in its Annual Reports how its actual expenditure has evolved relative to its proposed program of expenditure.

Table A.1 Income and proposed expenditure related to the special variation (\$)

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
Special variation income above rate peg	339,607	349,795	360,289	371,098	382,231	393,698	405,509	417,674	430,204	443,110	3,893,214
Funding to repay the principal of a \$3m bank loan	225,112	239,146	254,055	269,893	286,719	304,594	323,583	343,756	365,187	387,955	3,000,000
Funding to repay the servicing cost of the loan	180,797	166,763	151,854	136,015	119,190	101,315	82,326	62,153	40,722	17,955	1,059,090
Funding for the total cost of repaying a \$3m bank loan	405,909	405,909	405,909	405,908	405,909	405,909	405,909	405,909	405,909	405,910	4,059,090

Source: Gundagai Shire Council Application Part A, Worksheet 6.

B Comparative 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.

In Table C.1 we show how selected indicators for Gundagai Shire Council have changed over the 3 years to 2011/12.

Table B.1 Trends in selected indicators for Gundagai Shire Council, 2009/10 to 2011/12

	2009/10	2010/11	2011/12
Productivity (labour input) indicators^a			
FTE staff (number)	47	53	55
Ratio of population to FTE	82	73	68
Average cost per FTE (\$)	67,170	68,170	71,745
Employee costs as % operating expenditure (General Fund only) (%)	44.3	35.8	32.3
Consultancy/contractor expenses (\$m)	0.8	2.4	3.9
Consultancy/contractor expenses as % operating expenditure (%)	10.5	15.5	30.8

^a Based upon total council operations that include General Fund, Water & Sewer and other funds, if applicable.

Source: OLG, unpublished data.

In Table B.2 we compare the selected published data on Gundagai Shire Council with the average of the councils in OLG Group 9 and with NSW councils as a whole.

Table B.2 Select comparative indicators for Gundagai Shire Council, 2011/12

	Council	OLG Group 9 average ^a	NSW average
General profile indicators			
Area (km ²)	2,419		
Population	3,753		
General Fund operating expenditure (\$m)	11.3		
General Fund operating revenue per capita (\$)	2,975	3,800	2,011
Rates revenue as % total General Fund income (%)	23.8	18.9	45.7
Average rate indicators^b			
Average rate – residential (\$)	263	347	685
Average rate – business (\$)	467	683	2,552
Average rate – farmland (\$)	1,843	2,390	2,123
Socio-economic/capacity to pay indicators^c			
Average annual income for individuals, 2010 (\$)	37,357	35,717	44,140
Growth in average annual income, 2006-2010 (% p.a.)	4.1	3.4	3.0
Ratio of average residential rates 2011/12, to average annual income, 2010 (%)	0.7	1.0	1.6
SEIFA, 2011 (NSW rank; 153 is least disadvantaged)	64		
Outstanding rates and annual charges ratio (incl water and sewerage charges) (%)	10.3	11.2	7.0
Productivity indicators^d			
FTE staff (number)	55	70	293
Ratio of population to FTE	68	51	126
Average cost per FTE (\$)	71,745	69,438	74,438
Employee costs as % operating expenditure (General Fund only) (%)	32.3	33.0	36.8
Consultancy/contractor expenses (\$m)	3.9	1.4	6.9
Consultancy/contractor expenses as % operating expenditure (%)	30.8	9.8	9.3

^a OLG Group 9 is classified 'Rural Medium Agricultural' with a population of 3,753 in 2011/12. The group comprises 21 councils of which the most comparable to Gundagai Shire Council are [or including]: Bogan Shire Council, Bombala Council, Boorowa Council, Guyra Shire Council, Harden Shire Council and Weddin Shire Council.

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

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

^d 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, *National Regional Profiles, NSW*, November 2011; ABS, *Regional Population Growth*, July 2012; ABS, *Estimates of Personal Income for Small Areas, 2005-06 to 2009-10*, February 2013, ABS, *Socio-Economic Indexes for Areas (SEIFA) 2011*, March 2013.