



Independent Pricing and Regulatory Tribunal

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

under section 508A of *Local Government Act 1993*

Local Government — Determination
May 2015



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ISBN 978-1-925193-76-3

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Contents

1	Determination	1
1.1	Our decision	2
2	What did the council request and why?	4
3	How did we reach our decision?	5
3.1	Need for and purpose of the special variation	8
3.2	Community engagement and awareness	10
3.3	Impact on ratepayers	13
4	What does our decision mean for the council?	14
5	What does our decision mean for ratepayers?	15
	Appendices	16
A	Expenditures to be funded from the special variation above the rate peg	19
B	Gwydir Shire Council's projected revenue, expenses and operating balance	21
C	Comparative indicators	23

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.

Gwydir Shire Council applied for a multi-year special variation under section 508A. The council requested increases of 15.0% each year in 2015-16 and 2016-17, or a cumulative increase of 32.25%. The council proposed that it would apply for the increase to remain in the rate base permanently.² After assessing the council's application we decided to approve the variation in part, for one year on a temporary basis. We made this decision under section 508(2) of the Act.

Box 1.1 The 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.

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 Gwydir Shire Council, *Special Variation Application – Part A, 2015/16* (Gwydir Council, *Application Part A*), Worksheet 4.

1.1 Our decision

We determined that Gwydir Shire Council may increase its general income by 15.0% in 2015-16 only. This includes the rate peg of 2.4% that is available to all councils (see Table 1.1). The special variation can be retained in the council's general income base for one year and is to be removed after 2015-16.

This application was not approved in full because it did not satisfy criteria 2 and 3 of the Guidelines. The council did not provide adequate evidence that the community is aware of the full extent of the rate increases. In addition, we consider that the impact of the proposed rises on certain ratepayers is very large and heightened by the council's proposed rating restructure in 2015-16.

We recognise that the council has an urgent need for additional revenue due to its difficult financial position. In the short term, the special variation funding has been granted to allow the council temporary financial relief whilst it conducts sufficient community consultation towards a future application in 2016-17. In the absence of this, the council will need to seek alternative solutions (such as service level adjustments) towards achieving financial sustainability.

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

Component	%
Increase to fund financial sustainability	12.6
Rate peg	2.4
Total increase	15.0

In making this decision, we recognise that the council will not be able to undertake the full allocation of funding set out in its application (see Appendix A). Specifically, the council will need to re-prioritise planned expenditure in future years, given the one-year temporary nature of the special variation.

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

IPART's approval of Gywdir Shire Council's application for a special variation in 2015-16 is subject to the following conditions:

- ▼ The council uses the additional income from the special variation to improve its financial sustainability outlined in its application.
 - ▼ The council reports in its annual report for 2015-16 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.
 - ▼ On 1 July 2016, the council is to reduce its general income to what it would have been without the special variation.
 - ▼ The council reports in its financial statements (currently in Special Schedule 9) on its compliance with the special variation and these conditions.
-

2 What did the council request and why?

Gwydir Shire Council applied to increase its general income by a cumulative 32.25% over the 2-year period from 2015-16 to 2016-17, and to permanently incorporate this increase into its general income base.³

The council estimated that if the requested special variation was approved, its permissible general income would increase from \$5.7 million in 2014-15 to \$7.6 million in 2016-17. This would generate additional revenue of \$2.2 million above the rate peg increases over two years.⁴

The primary purpose of the additional revenue is to help the council reduce its operating deficit (before capital grants and contributions) over the 10 years to 2024-25. Over this period, the special variation would generate revenue of \$16.2 million above the rate peg.⁵

³ Gywdir Council, *Application Part A*, Worksheet 4.

⁴ Gywdir Council, *Application Part A*, Worksheet 1.

⁵ Gywdir Council, *Application Part A*, Worksheet 6.

If approved in full, the council predicts the additional income would allow it to improve its operating position from a deficit of 48% in 2014-15 to a deficit of 12% in 2024-25. With a one-year special variation to rates, the council has projected that it will be able to reduce its operating deficit to 18% in 2015-16.⁶

More detail on the council's proposed program to 2024-25 is provided in Appendix A.

3 How did we reach our decision?

We assessed Gwydir Shire 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 C.⁷

Gwydir Shire Council has applied on the basis of its adopted IP&R documents, in particular the *Community Strategic Plan 2014-2024, Delivery Program 2014-2018* and *Long Term Financial Plan (LTFP) 2015/16 to 2024/25*.

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 capacity and willingness to pay, and the impact of the rate increase on ratepayers.

We found that Gwydir Shire Council's application did not satisfy criteria 2 and 3 of the Guidelines. In particular, we found that:

1. The need for the proposed revenue is demonstrated in the council's IP&R documents and is supported by TCorp's assessment of the council's financial sustainability.
2. The council did not provide adequate evidence that it had informed the community of the annual or cumulative impact of the special variation (both in dollar and percentage terms). As such, we consider that the community is not fully aware of the extent of the proposed rate rises.
3. The impact of the proposed rate rises on ratepayers is significant and heightened by the council's proposed rating restructure in 2015-16. Whilst the basis for the restructure is sound, the council's decision to implement it alongside a special variation will result in large increases to residential and business rates in 2015-16. The effects of the restructure were not adequately conveyed during the council's community consultation.

⁶ Gwydir Council, *Application Part B*, Attachment 3: LTFP, p 84.

⁷ See Appendix C. Gwydir Shire Council is in OLG Group 10, which is classified as Large Rural. The group comprises 25 councils, including councils such as Uralla Shire Council, Kyogle Shire Council, Narromine Shire Council and Tenterfield Shire Council.

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. However, we consider the council has scope to further increase its efficiency and productivity. It has not quantified any planned operating savings in its Long Term Financial Plan.

Table 3.1 summarises our assessment against the criteria. Sections 3.1, 3.2 and 3.3 discuss our findings against criteria 1, 2 and 3 in more detail.

Table 3.1 Summary of IPART's assessment of Gwydir 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, and show that:</p> <ul style="list-style-type: none"> ▼ it is consistent with community priorities ▼ it is intended to address financial sustainability by improving the council's operating results, and ▼ without the special variation, the council predicts operating deficits of around 30% over the next 10 years. <p>TCorp observed in 2012 that the council's financial position was 'very weak' and outlook 'neutral'. This assessment was based on its record of large operating deficits, as well as its infrastructure backlog. It considered that without a reduction in current service levels and/or additional revenue, the council would become insolvent in the near future.</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>We consider the council did not meet this criteria. As part of the consultation for its revised CSP, the council used focus groups and a postal survey to gauge feedback on a range of matters, including a special variation.</p> <p>The council engaged directly on the special variation between November 2014 and January 2015 through mail-outs, a 'hotline' number, a Mayoral column and advertisements published in local media.</p> <p>Despite the above engagement, we consider the council did not demonstrate that it had made the community sufficiently aware of the full rating impact in 2015-16. The council did not communicate the proposed annual (dollar or percentage) increases to various categories of ratepayers during its engagement process. In addition, it did not respond to key feedback provided by the community (see criteria 3.2).</p>

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>IPART received 9 submissions and a petition with over 1000 signatures, all against the proposed special variation. Frequent concerns cited included the inability of the community to pay the increases, the council's lack of community consultation, and perceived council inefficiencies.</p> <p>We consider that the percentage impact on residential and business ratepayers in 2015-16 is significant, given the council's proposed rating restructure. In 2015-16, average rates will increase by 39% for residences and 102% for businesses.</p> <p>A SEIFA of 38 indicates the LGA is disadvantaged. Gwydir residents have a relatively low average personal income (ie 19% below the average of OLG Group 11 in 2011). In addition, only 12% of business and residential assessments have a land value above \$50,000.</p> <p>The council has applied relatively high average yearly increases in rates since 2006-07, of 16.4% for residents and 7.7% for businesses.</p> <p>The council based its assessment of the community's capacity to pay on:</p> <ul style="list-style-type: none"> ▼ 2012-13 average residential rates (\$414), which were 27% lower than Uralla, 55% lower than Moree Plains and 43% lower than Inverell councils ▼ business rates (\$362) that were, on average, 80% below adjoining NSW councils in 2012-13 ▼ an outstanding rates ratio of 6.7% in 2013 (which is below the OLG group average of 7.5%) ▼ its hardship policy, and ▼ the fact that it has not been granted a prior SV.
<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 council exhibited its revised CSP, Delivery Program and LTFP (setting out the SV and base cases) between January and February 2015. These plans were adopted on 11 February 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 has undertaken some cost-saving initiatives in the past. However, comparative indicators produced by OLG indicate that the council has scope to further increase its efficiency and productivity (see Appendix C). In addition, the council has not quantified any planned operating savings in its Long Term Financial Plan.</p>

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

Sources: Gwydir Council, *Application Part A*, and *Application Part B*; OLG, Unpublished data; NSW Treasury Corporation (TCorp); *Gwydir Shire Council Financial Assessment, Sustainability and Benchmarking Report*, April 2013; Gwydir Shire Council, *Delivery Program 2014 -2018*, p 65; Gwydir Shire Council, *Long Term Financial Plan 2015-16 to 2024-25*.

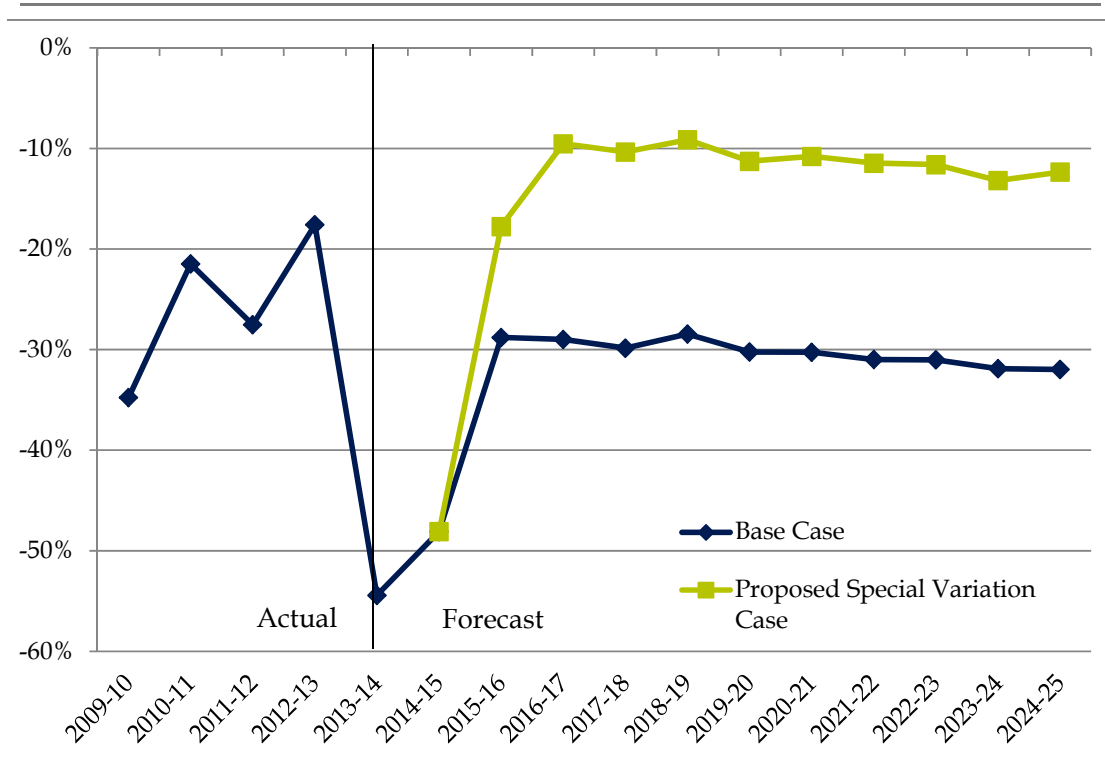
3.1 Need for and purpose of the special variation

We consider that the council has met this criterion.

Financial sustainability

Figure 3.1 illustrates the council’s operating ratio since 2009-10, as well as its financial projections for the next 10 years. The council has a record of large operating deficits, indicating systemic financial sustainability problems. Whilst it is not uncommon for rural councils servicing relatively large, sparsely populated areas to experience financial difficulties, Gwydir Shire Council is noteworthy for the sustained severity of its financial position.⁸ In 2013-14, the council’s operating position deteriorated to a deficit of 54%, primarily as a result of decreasing revenue sources.⁹

Figure 3.1 Gwydir Council’s Operating Ratio excluding Capital Grants and Contributions (2009-10 to 2024-25)



Source: To 2014-15, Gwydir Shire Council *Annual Financial Statements*, various and IPART calculations. From 2014/15, Gwydir Council, *Application Part A, Worksheet 7* and IPART calculations.

⁸ Gwydir Council, *Application Part B*, p 11.

⁹ General revenue decreased in the 2013-14 year by 13.1% primarily due to lowered RMS charges related to road work, cessation of advance payments of the federal Financial Assistance Grants (FAG) instalments, and smaller capital grants & contributions. Source: Gwydir Council, *Application B, Attachment 13: General Purpose Reports 2012-14*, pp 311- 312.

We assess Gwydir Shire Council is not likely to achieve financial sustainability in the near future. Without the special variation, the council projects a \$25,000 overdraft in 2015-16.¹⁰ In 2013-14, auditors noted that the council used waste function funds to fund a \$59,000 shortfall in general fund working capital requirements.¹¹

The council's application notes that it intends for the special rates variation to be only part of the solution to achieving financial sustainability, with significant efficiency improvements and service level adjustments constituting other necessary components.¹²

However, planned operating cost savings are not quantified in the current LTFF. Furthermore, we note that some productivity indicators appear to have worsened in recent years, including the council's expenditure on consultants and contractors (see Appendix C).

We have approved the special variation for one year only to allow the council temporary financial relief whilst it conducts further planning towards financial sustainability.¹³

3.2 Community engagement and awareness

Community awareness of proposed special variation

We consider the council has not made the community sufficiently aware of the planned impact on rates in 2015-16.

The council did not communicate the proposed annual (dollar or percentage) increases to various categories of ratepayers during its engagement process, held between November 2014 and January 2015. This is important as the council's proposed rating restructure in 2015-16 would significantly heighten the impact to residential and business ratepayers (see section 3.3).

In addition, the council did not always clearly communicate the multi-year or cumulative nature of the rate rise, referring occasionally only to a "proposed 15%" increase.¹⁴

¹⁰ Gwydir Council, *Attachment 3: LTFF*, p 26.

¹¹ Gwydir Council, *Application B, Attachment 13: General Purpose Reports 2012-14*, p 314.

¹² Gwydir Council, *Application Part B*, pp 10-12 and *Attachment 3: LTFF*, pp 2-7.

¹³ Gwydir Council, *Application Part A*, Worksheets 6 and 7, and IPART calculations.

¹⁴ In a Mayoral column published in local media in late January. Source: Gwydir Council, *Application Part B, Attachment 5: Community Engagement Materials - Mayoral Column*.

In response to these omissions, IPART prompted the council in February 2015 to provide more information to ratepayers on the nature and impact of the proposed rate increases.¹⁵ The council issued a corrective media release on 18 February 2015.¹⁶

This media release included an average rates table comparing dollar impacts under the base and SV cases.¹⁷ However, we consider that the table was inadequate due to a number of factors, including the omission of residential rate categories; incorrect dollar figures quoted for the base case; and a poorly explained and complex layout.¹⁸

On balance, we consider the council's presentation of the special variation to the community did not communicate the full impact on residential and business ratepayers consistently, or in a timely manner that allowed for community feedback. It is possible that the community is not properly aware of the extent of the proposed rate rises.

We note that IPART received a petition with over 1000 signatures against the proposed special variation in February 2015. However, this document cited a 30% cumulative rate rise over two years, indicating limited awareness of the extent of the council's proposal. In contrast, the application to IPART indicates that, with the special variation and rating restructure, rates will increase by 60% for residents and 132% for businesses cumulative over two years.¹⁹

Community feedback on rate increases

We assess Gwydir Shire Council was not adequately responsive to key community feedback provided during its engagement process. In particular, it did not consider the community's willingness to pay the special rates variation. In November 2014, the council mailed a community survey that included a poll on four proposed rating options.²⁰ However, before the deadline for the return of surveys closed, the council had indicated its chosen special variation to the

¹⁵ We emphasised the importance of ensuring the community was adequately informed as to the average annual dollar increases that could be expected over the period of the special variation. Source: Email communication between IPART and Gwydir Shire Council, 9 February 2015.

¹⁶ The media release was published in local media as well as on the council's website and Facebook.

¹⁷ It also included comparative rates data on nearby and similar councils and a table outlining the dollar impact for variant land valuations under rating categories.

¹⁸ The council issued a further media release on 23 February 2015 that corrected dollar figures and provided data for all rating categories, including those that are residential in nature. Source: Email communication between IPART and Gwydir Shire Council, 23 February 2015.

¹⁹ Gwydir Council, *Application Part A*, Worksheet 5a.

²⁰ These included: (1) increases of 10% pa (including the rate peg) for three years, or a permanent cumulative increase of 33.1%; (2) increases of 15% pa (including the rate peg) for two years, or a permanent cumulative increase of 32.25%; (3) a permanent increase of 20% (including the rate peg) in 2015-16; or (4) rate increases limited to the allowable rate peg. Source: Gwydir Council, *Application Part B, Attachment 5: Community Engagement Materials –Community Survey*, p 8.

community.²¹ The overall survey response later compiled indicated that this proposal had the least community support, with 4.2% of total votes.²²

In January and February 2015, community members used the council's Facebook page and email to air their concerns about the proposed special variation. Issues raised included:

- ▼ the absence of any public meetings or forums to discuss the proposed rate rises
- ▼ enquiries over when the council's survey results would be tabulated and made public
- ▼ questions concerning the accuracy of a weekly dollar increase quoted on Facebook by council for residential ratepayers in 2015-16
- ▼ concerns over the affordability and impact of the rates increase, and
- ▼ disagreements with the council's use of comparator councils.²³

We consider that the council did not adequately respond to key community concerns. Specifically, it did not submit to calls for public meetings, citing that it was not possible to find a convenient time to meet.²⁴ In regards to queries concerning the accuracy of the quoted weekly dollar increase, the council defended the amount which was in error.²⁵ It provided correct details to ratepayers on average rate increases across categories only when it was prompted to do so by IPART.²⁶

²¹ The council sent a mail-out to all 3031 rateable properties in late November 2014 outlining the proposal put forward (including the cumulative percentage increases), as well as a proposed rating restructure in 2015-16. Source: Gwydir Council, *Application Part B*, pp 17-18.

²² Of 790 return surveys, majority support was for rate increases to be limited by the rate peg (garnering 55.0% of total votes). In addition, the council received 8 submissions from the public against a special variation. Source: Gwydir Council, *Application Part B, Attachment 6: Community Feedback – Preliminary results*, pp 2-6.

²³ Gwydir Council, *Application Part B*, p 25, and public discussion posted on Gwydir Shire Council's Facebook Page.

²⁴ The council had previously conducted community meeting in 2014-15 during consultation for a multi-year special variation. The outcomes revealed widespread community opposition to both, with common concerns including council inefficiencies and a lack of capacity of farmers to pay. In February 2014, the council decided not to proceed with the application to IPART. Gwydir Council, *Application Part B*, p 38, *Attachment 13: Minutes Extract 12/12/2013*, p 5, and *27/02/2014*, p 11.

²⁵ Gwydir Shire Council Media Release, *Special Rate Variation*, 18 February 2015, and public discussion posted on Gwydir Shire Council's Facebook Page.

²⁶ Email communication between IPART and Gwydir Shire Council, 9 February 2015.

3.3 Impact of Rating Restructure

We consider that the impact of the special variation is significant, given the council's intention to implement a rating restructure in 2015-16.²⁷

The proposed restructure will have the effect of magnifying dollar impacts from the special variation for residential and business ratepayers, whilst minimising those for farm ratepayers. In 2015-16, the council forecasts that average rates will increase by:

- ▼ for residential ratepayers 39%, or \$173
- ▼ for business ratepayers 102%, or \$591, and
- ▼ for farmland ratepayers by 9%, or \$394.²⁸

Of these increases, \$106 for residential and \$504 for business ratepayers can be attributed solely to the effects of the proposed rating restructure.²⁹

²⁷ The council has indicated it is pursuing a restructure in 2015-16 in an effort to more equitably balance rates received with services provided by that income. In 2014-15, rating income from farmland constituted 85% of the council's rates base, whilst residences contributed 13% and businesses, 2%. In 2015-16, it is proposed that income from farmland be reduced to 80%, whilst residences contribute 16% and businesses, 4%. Source: Gwydir Council, *Application Part B*, p 18.

²⁸ Gwydir Council, *Application Part A, Worksheet 5A*.

²⁹ In contrast, if the special variation were to be applied in the absence of a rating restructure, average rates for farmlands would be \$255 higher in 2015-16.

4 What does our decision mean for the council?

Our decision means that Gwydir Shire Council may increase its general income in 2015-16 by \$863,917 as indicated in Table 4.1.³⁰ This increase is to be removed from the council's rate base on 30 June 2016. After 2015-16, the council's general income will increase by the annual rate peg unless we approve further special variations.³¹

Table 4.1 Permissible general income of Gwydir Shire Council in 2015-16 arising from the special variation approved by IPART

Notional general income 2014-15 (\$)	Increase approved (%)	Annual increase in general income (\$)	Adjustments: catch-ups, valuations ^a (\$)	Permissible general income 2015-16 (\$)
5,704,631	15.0%	855,695	8,222	6,568,547

^a A prior catch-up of \$8,222 to be recouped in 2015-16 that had not been recouped by the time of the application was submitted to IPART

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

As we are approving the special variation for 15% on a temporary basis in 2015-16, rather than for permanent 15% increases in both 2015-16 and 2016-17, the council may have to adjust its expenditure plans.

During 2015-16, the council will need to review its forecast spending on assets and/or services to a level that is financially sustainable, and re-engage with its community. We consider that the approved special variation should enable the council to make reasonable progress in addressing its financial sustainability concerns.

³⁰ Gwydir 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 Office of Local Government is responsible for monitoring and ensuring compliance.

5 What does our decision mean for ratepayers?

In approving the special variation application on a temporary basis, we have sought to balance the council's financial need against the proposed rating impact. 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 order to retain the additional income provided by this special variation permanently, the council would have to lodge a special variation application in 2016-17, after conducting sufficient community consultation. In the absence of this, average rates will decrease on 30 June 2016 as the special variation will be removed from the council's rate base.

Table 5.1 sets out Gwydir Shire Council's estimates of the expected increase in average rates for each ratepayer category. As noted previously, residential and business rates will rise by a percentage greater than the increase to council's general income in 2015-16, due to a planned rating restructure.

Table 5.1 Indicative increases in average rates under Gwydir Shire Council's approved special variation for 2015-16

Category ^a	Average rate 2014-15 (\$)	Increase (%)	Increase (\$)	Average rate 2015-16 (\$)
Residential				
Residential - Rural	\$481	47%	\$228	\$709
Residential - Village	\$251	47%	\$118	\$369
Residential	\$299	42%	\$125	\$425
Residential - Bingara	\$550	34%	\$188	\$738
Residential - Warialda	\$425	40%	\$169	\$594
Business				
Business	\$470	118%	\$554	\$1,024
Business - Bingara	\$789	92%	\$728	\$1,517
Business - Warialda	\$547	96%	\$523	\$1,070
Farmland				
Farmland - Intensive	\$75,201	6%	\$4,727	\$79,928
Farmland	\$4,196	9%	\$386	\$4,582

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

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



Appendices

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

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

The council intended to use the special variation revenue above the rate peg of \$16.2 million over 10 years to fund an increase in the council's operating balance of \$16.2 million.³²

At the same time, the improvement in the operating balance would allow the council to improve its cash reserves from an overdraft of \$25,000 in 2014-15 to a surplus of \$14.7 million in 2024-25.³³

As a condition of IPART's approval, the council will indicate in its 2015-16 Annual Report how its actual expenditure compares with this proposed program.

³² Gwydir Council, *Application Part A*, Worksheet 6.

³³ Gwydir Council, *Application Part B, Attachment 3: LTFP*, p 42.

Table A.1 Gwydir 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	719	1,529	1,574	1,622	1,670	1,720	1,772	1,825	1,880	1,936	16,248
Change in operating balance due to special variation	719	1,529	1,574	1,622	1,670	1,720	1,772	1,825	1,880	1,936	16,248
Total expenditure	719	1,529	1,574	1,622	1,670	1,720	1,772	1,825	1,880	1,936	16,248

Note: Numbers may not add due to rounding.

Source: Gwydir Council, *Application Part A*, Worksheet 6.

B Gwydir Shire Council's projected revenue, expenses and operating balance

As a condition of IPART's approval, Gwydir Shire Council is to report annually against its projected revenue, expenses and operating balance 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 Gwydir Shire Council, 2015-16 to 2024-25 (\$000)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Total revenue	23,156	23,639	24,176	24,752	25,332	25,953	26,593	27,204	27,857	28,533
Total expenses	24,186	23,994	24,767	25,123	26,258	26,833	27,708	28,428	29,568	30,108
Operating result from continuing operations	-1,030	-355	-591	-371	-926	-880	-1,115	-1,224	-1,711	-1,575
Net operating result before capital grants and contributions	-3,637	-2,075	-2,311	-2,091	-2,646	-2,600	-2,835	-2,944	-3,431	-3,295

Note: Numbers may not add due to rounding.

Source: Gwydir Council, *Application Part A*, Worksheet 7.

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 Gwydir Shire Council have changed over the four years to 2012-13.

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

Performance indicator	2009-10	2010-11	2011-12	2012-13	Average change (%)
FTE staff (number) ^a	159	158	169	172	2.7
Ratio of population to FTE	34	34	30	30	-4.5
Average cost per FTE (\$)	55,874	56,544	66,071	61,831	3.4
Employee costs as % operating expenditure (General Fund only) (%)	34.0	32.4	30.9	37.1	
Consultancy/contractor expenses (\$m)	0.5	1.8	3.4	3.4	90.2
Consultancy/contractor expenses as % operating expenditure (%)	1.9	6.5	10.6	10.5	

^a The council has reduced FTE staff from 172 in 2012-13 to 161 in May 2015 through use of redundancies.

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 email communication between Gwydir Shire Council and IPART on 14 May 2015.

Consultancy and contractor expenses increased by 90.2% between 2009-10 and 2012-13 (from \$0.5 million to \$3.4 million). As Table C.2 illustrates, this is much greater than the average of 9.3% of expenditure for comparator councils (Group 10), and the NSW average of 10.3%. The council has indicated that the largest component of this increase was for consultancy expenses related to 'The Living Classroom' - a learning and conference centre that showcases sustainable agricultural techniques. It also indicated that some works which are now contracted have resulted in cost savings.³⁴

In comparison, Guyra (an adjoining comparator council) has increased consultancy/contractor expenses by 5.0% between 2009-10 and 2012-13 (from \$685,000 to \$794,000), whilst Moree Plains has reduced such expenses by 46.7% (from \$567,000 to \$86,000).³⁵

³⁴ Email communication between Gwydir Shire Council and IPART on 30 March and 15 May 2015.

³⁵ OLG, unpublished data.

General comparative indicators

Table C.2 compares selected published and unpublished data about Gwydir Shire Council with the averages for the councils in OLG Group 10, and for NSW councils as a whole. Unless specified otherwise, the data refers to the 2012-13 financial year.

Table C.2 Select comparative indicators for Gwydir Shire Council, 2012-13

	Gwydir Shire Council	OLG Group 10 average	NSW average
General profile			
Area (km ²)	8,967		
Population	5,111		
General Fund operating expenditure (\$m)	26.1		
General Fund operating revenue per capita (\$)	4,322	2,561	2,026
Rates revenue as % General Fund income (%)	20.6	26.3	46.8
Own-source revenue ratio (%)	56.9	49.5	71.1
Average rate indicators^a			
Average rate – residential (\$)	414	515	712
Average rate – business (\$)	362	1,141	2,688
Average rate – farmland (\$)	4,109	2,248	2,194
Socio-economic/capacity to pay indicators^b			
Average annual income for individuals, 2011 (\$)	33,581	41,325	49,070
Growth in average annual income, 2006-2011 (% pa)	6.2	6.0	5.2
Average residential rates 2012/13 to average annual income, 2011 (%)	1.2	1.3	1.5
SEIFA, 2011 (NSW rank: 153 is least disadvantaged)	38		
Outstanding rates and annual charges ratio (General Fund only) (%)	4.2	7.5	6.0
Productivity (labour input) indicators^c			
FTE staff (number)	172	105	294
Ratio of population to FTE	30	71	127
Average cost per FTE (\$)	61,831	66,915	75,736
Employee costs as % operating expenditure (General Fund only) (%)	37.1	35.1	37.1
Consultancy/contractor expenses (\$m)	3.4	2.3	7.8
Consultancy/contractor expenses as % operating expenditure (%)	10.5	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.