



Independent Pricing and Regulatory Tribunal

# **Maitland City Council's application for a special variation for 2014/15**

under section 508A of *Local Government Act 1993*

**Local Government — Determination**  
June 2014





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ISBN 978-1-925193-04-6

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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),<sup>1</sup> and may allow special variations under either section 508A or 508(2) of the *Local Government Act 1993* (the Act).

Maitland City Council applied for a multi-year special variation from 2014/15, under section 508A. The council requested annual increases of 7.25% over the next 7 years, or a cumulative increase of 63.22% by 2020/21. After assessing its application, we decided to approve the application. We made this decision under section 508A of the Act.

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## 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.

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<sup>1</sup> Division of Local Government, Department of Premier and Cabinet, *Guidelines for the preparation of an application for a special variation to general income for 2014/15*, September 2013 (the Guidelines). Effective February 2014 the Division of Local Government became the Office of Local Government.

Our decision enables the council to pursue its program of capital expenditure and improve its financial sustainability over the next 7 years. We note that the special variation represents a substantial increase in rates for ratepayers. Our determination provides the council with a maximum allowable increase in general income. The council has discretion not to utilise the full 7.25% increase in general income in any of the next 7 years in order to reduce the impact on its ratepayers.

## 1.1 Our decision

We determined that Maitland City Council may increase its general income by the annual percentages shown in Table 1.1. The annual increases incorporate the rate peg to which the council would otherwise be entitled (2.3% in 2014/15 and an assumed 3.0% in each of the following years). The cumulative increase of 63.2% over 7 years is 41.1% more than the rate peg over these years.

After the last year of the special variation (2020/21), the increase will remain permanently in the council's rate base.

The annual increases in the dollar amounts reflect the percentage increases we have approved and any adjustments to the council's general income that occur as a result of various catch-up and valuation adjustments.

**Table 1.1 IPART's determination on Maitland City Council's special variation for 2014/15 to 2020/21**

Year	Increase approved (%)	Cumulative increase approved (%)	Annual increase in general income (\$)	Permissible general income (\$)
Adjusted notional income 30 June 2014				40,456,446
2014/15	7.25	7.25	2,934,169	43,390,615
2015/16	7.25	15.03	3,145,819	46,536,434
2016/17	7.25	23.36	3,373,892	49,910,326
2017/18	7.25	32.31	3,618,498	53,528,824
2018/19	7.25	41.90	3,880,840	57,409,664
2019/20	7.25	52.19	4,162,201	61,571,865
2020/21	7.25	63.22	4,463,960	66,035,825

**Source:** Maitland City Council, *Special Variation Application 2014/15 – Part A*, Worksheet 1 (Maitland City Council Application Part A) and IPART calculations.

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



In making this decision, we recognise that the council will be able to undertake the full allocation of expenditure as set out in its application (see Appendix A).

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### **Box 1.2 Conditions attached to the approved special variation**

IPART's approval of Maitland City Council's application for a special variation over the period from 2014/15 to 2020/21 is subject to the following conditions:

- ▼ The council uses the additional income from the special variation for the purposes of improving its financial sustainability and funding the program of expenditure 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:
  - 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
  - the outcomes achieved as a result of the actual program of expenditure.
- ▼ The council reports to the Office of Local Government by 30 November each year on its compliance with these conditions.

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## **2 What did the council request and why?**

Maitland City Council applied to increase its general income by a cumulative 63.22% over the 7-year period from 2014/15 to 2020/21, and to permanently incorporate this increase into its general income base.

The council estimated that if its requested special variation is approved, its permissible general income will increase from \$40.5m in 2013/14 to \$66.0m in 2020/21. This increase of \$25.6m is \$16.6m above the rate peg.<sup>2</sup> This would generate additional revenue of \$61.2m above the rate peg increase.<sup>3</sup>

The council intends to use the additional revenue above the rate peg to increase capital expenditure, to fund debt servicing costs associated with a capital expenditure program and to improve its financial sustainability.

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<sup>2</sup> Maitland City Council *Application Part A*, Worksheet 1 & IPART calculations.

<sup>3</sup> Maitland City Council *Application Part A*, Worksheet 6 & IPART calculations.

The council indicated that the additional income will be used to:

- ▼ Improve financial sustainability. The council's operating deficit is currently forecast to reach 17.8% (\$18.4m) by 2023/24. Under the special variation, the council's operating deficit would reduce to 1.4% (\$1.7m) in 2023/24.<sup>4</sup>
- ▼ Increase capital expenditure. The council intends to undertake a program of works including road resurfacing, maintenance for community buildings and facilities.
- ▼ Service borrowing costs relating to the capital expenditure program.<sup>5</sup>

During the 7-year special variation period, the council will spend an additional \$25.0m on its capital expenditure program. This will be funded partly by loans and partly from the special variation.

More detail on the council's proposed program of expenditure to 2023/24 is provided in Appendices A and B.

### 3 How did we reach our decision?

We assessed Maitland City Council's application against the criteria in the Guidelines. In making our assessment we also considered the council's most recent IP&R documents, which support its application, as well as a range of comparative data about the council (see Appendix C).

Maitland City Council has applied on the basis of its adopted IP&R documents, in particular its Delivery Program, Long Term Financial Plan (LTFF) and Asset Management Plan (AMP).

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

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 community priorities to maintain assets and services.
2. The council provided evidence that the community is aware of the need for, and extent of, the rate increases. The council also considered the community's capacity and willingness to pay the proposed rate increases extensively.

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<sup>4</sup> Maitland City Council, *Special Variation Application 2014/15 – Part B* (Maitland City Council Application B), Appendix 1b, *Resourcing Strategy 2013-2017 (Revised)* and IPART calculations.

<sup>5</sup> Maitland City Council Application Part B, p 6.

3. The council undertook extensive research to support its assessment that the impact on ratepayers was reasonable. It also modified its proposal in response to community feedback and advice on financial impact. It did this by reducing the increase from 8.35% per year to 7.25% per year and decreasing the relative impact on farmland rates. Our assessment of the relative size of the increase and community feedback indicated that the full increase proposed by the council is substantial. However, above-average socio-economic indicators as well as the council's hardship policy and consideration for low-income earners and pensioners, suggests that the rate increases are within the community's capacity to pay.
4. The council made realistic assumptions concerning its projected service delivery and budget.
5. The council reported productivity savings in past years, and indicated its intention to realise further savings during the period of the special variation.

Table 3.1 summarises our assessment against the criteria.

**Table 3.1 Summary of IPART's assessment against 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&amp;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). The LTFP must include scenarios both with and without the special variation.</p>	<p>The council identified the need to improve its operating balance and increase capital expenditure. The council has projected increasing infrastructure requirements over the next 10 years, to cope with high population growth projections.</p> <p>TCorp identified continuing operating deficits and a growing infrastructure backlog. TCorp concluded the council has underspent on asset maintenance in recent years and identified the need for additional revenue.<sup>a</sup></p> <p>The council's IP&amp;R documents clearly state the purpose and impact of the special variation. Maintaining the level of service to the community and including infrastructure to cope with growth were identified as community priorities in the Community Strategic Plan.<sup>b</sup></p>
<p>2. Evidence that the community is aware of the need for, and the extent of, the proposed rate rises. The IP&amp;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>The council undertook extensive community consultation, including mailouts, presentations to stakeholder groups, forums, media releases, social media engagement, a community reference panel and multiple surveys. The council reported over 1,200 residents contributing to discussions via surveys, online or face-to-face discussions. It concluded that the majority of residents wanted to maintain or enhance service levels.<sup>c</sup> The consultation materials clearly explain the percentage and dollar impacts of the proposed rate increases.</p>

Criterion	IPART findings
<p>3. Impact on affected ratepayers must be reasonable, having regard to current rate levels, existing ratepayer base and the proposed purpose of the variation. The council's IP&amp;R process should establish that proposed rate rises are affordable, having regard to the community's capacity to pay.</p>	<p>The special variation represents a substantial increase in rates. The Tribunal considered that the increases proposed are reasonable given the need. In both percentage and dollar terms, the increases are very high. Taken together with previous special variations over the last 2 years, average residential rates will increase nearly 100% in 9 years. We note the council has a hardship policy to assist affected ratepayers. In response to community feedback, the council reduced its proposal from 8.35% per annum to 7.25% per annum for 7 years (from a cumulative 82% to 63%).<sup>d</sup> The council has examined socio-economic data which suggests the rate increase will have a reasonable impact on Maitland residential, farmland and business ratepayers. This included higher median income levels relative to other Group 5 councils, a SEIFA ranking of 100/153, as well as a relatively low level of rates as a percentage of annual income (1.8% compared to Group 5 average 2.2%) and a low outstanding rates ratio (2.5% compared to Group 5 average 5.4%). The council has 2 ratepayers in the mining category and it did not receive any feedback from these ratepayers on the proposal.<sup>e</sup> The council received 5 written submissions opposing the application.<sup>f</sup> We received 47 submissions opposing the application on the basis on efficiency, impact on ratepayers and quality of consultation.</p>
<p>4. Delivery Program and LTFFP must show evidence of realistic assumptions.</p>	<p>The council's LTFFP and delivery program contain realistic assumptions regarding the rates base, borrowings, depreciation, funding sources and assumed rate of work to complete its capital program. The council has assumed a 2.5% per annum population growth, which is high, but consistent with independent estimates.<sup>g</sup></p>
<p>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.</p>	<p>The council has provided an extensive list of service reviews, staffing restructures, cost reductions and efficiency gains.<sup>h</sup> The council has reported cost containment and savings of \$1.3m over the past 3 years. The council has also projected the impact of its review programs will deliver over \$0.5m per annum.<sup>i</sup></p>

<sup>a</sup> New South Wales Treasury Corporation, *Maitland City Council, Financial Assessment, Sustainability and Benchmarking Report*, 11 March 2013 (TCorp Report), p 4.

<sup>b</sup> Maitland City Council, *Community Strategic Plan*, pp 10 and 21-24.

<sup>c</sup> Maitland City Council Application Part B, pp 88-91.

<sup>d</sup> Maitland City Council Application Part B, p 123.

<sup>e</sup> Maitland City Council Application Part B, p 129.

<sup>f</sup> Maitland City Council Application Part B, p 88.

<sup>g</sup> Maitland City Council Application Part B, Attachment 1b, *Resourcing Strategy 2014*, p 55.

<sup>h</sup> Maitland City Council Application Part B, pp 200-207.

<sup>i</sup> Maitland City Council Application Part B, pp 185-206.

The sections below discuss our findings in more detail.

### **3.1 Need for and purpose of the special variation**

The need for, and purpose of, the requested special variation is set out in the council's IP&R documents and specifically identified in its Delivery Program, Operational Plan, AMP and LTFFP.

The council has forecast operating deficits until 2023/24, with its operating deficit reaching 17.8%. Under the special variation scenario, it would move to an operating surplus of 7.7% by 2017/18, largely due to asset sales of \$7m in the same year. After this, the operating surplus would reduce to 1.8% in 2018/19 and reach a small deficit of 1.4% by 2023/24.<sup>6</sup>

NSW Treasury Corporation (TCorp) observed that the council's current financial indicators identified underspending on maintenance and a low level of liquidity.<sup>7</sup>

### **3.2 Community engagement and awareness**

We consider that the council has met this criterion. In particular it has shown that it took reasonable steps to make 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 proposed 3 options to its community. The rate peg increase and a cut in service levels; a rate increase of 7.25% per year for 7 years; and a rate increase of 8.35% per year for 7 years.

The results of the community engagement indicated that ratepayer priorities focused on maintaining roads and community services.<sup>8</sup> The council conducted a Micromex survey in November 2013 and reported its survey results showed support for the highest level of rate increase, with 45% of participants supportive or very supportive and a further 28% at least somewhat supportive.<sup>9</sup> We note that some submissions raised concerns over how the survey was conducted and the use of this survey in the council and IPART's assessment of the special variation proposal.

The council received a letter of support from the Maitland Business Chamber, which it considered as evidence of support for the increase in business rates.<sup>10</sup>

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<sup>6</sup> Maitland City Council *Application Part B*, Resourcing Strategy 2013-2017 (Revised) & IPART calculations.

<sup>7</sup> TCorp Report, p 4.

<sup>8</sup> Maitland City Council *Application Part B*, pp 56-60.

<sup>9</sup> Maitland City Council *Application Part B*, Attachment 2eiv, *Micromex Telephone Survey*, p 15.

<sup>10</sup> Maitland City Council *Application Part B*, pp 128-129.

## Submissions

The council received 64 submissions from its community, most of which opposed the special variation.<sup>11</sup> We received 47 submissions from ratepayers directly. The issues raised included the council's efficiency, its previous financial management, the impact of the proposed increase on ratepayers and pensioners in particular, as well as the quality of the council's consultation and survey methods. After assessing the council's application, we determined the council had adequately consulted its community and demonstrated sufficient efficiency improvements to approve the application. We discuss the impact on ratepayers in section 3.3.

### 3.3 Reasonable impact on ratepayers

The impact on ratepayers will be substantial, particularly with residential rates forecast to increase by 65% to 70% over 7 years. Residential urban rates are forecast to increase \$671 in 7 years, an average of \$96 per year.<sup>12</sup> Taking into account the special variation rate increase the council has received over the past 2 years (9.8% in 2011/12 and 10.0% in 2012/13) this represents a total cumulative increase of nearly 100% over 9 years.

The council provided the following evidence to support its conclusion that ratepayers have both capacity and willingness to pay.

- ▼ the medium weekly household income for Maitland (\$1,292) is the highest in the Lower Hunter and the highest within Group 5<sup>13</sup>
- ▼ the median weekly rent is \$259, close to the Group 5 average and comparable with Lower Hunter LGAs<sup>14</sup>
- ▼ the median monthly average mortgage repayment is \$1,733, lower than the Group 5 average and comparable with Lower Hunter LGAs<sup>15</sup>
- ▼ since they have higher income and average or below average rent and housing loan repayments, Maitland residents would have a higher level of disposable income than other councils in the Lower Hunter and Group 5<sup>16</sup>
- ▼ the council identified that it had a lower proportion of low income households and higher proportion of high income households compared to other Group 5 councils<sup>17</sup>
- ▼ the council also highlighted a low level of outstanding rates (2.5%) compared to Group 5 councils (5.4%) and the NSW average (7.0%)<sup>18</sup>

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<sup>11</sup> Maitland City Council *Application Part B*, p 117.

<sup>12</sup> Maitland City Council *Application Part A*, Worksheet 5.

<sup>13</sup> Maitland City Council *Application Part B*, p 130.

<sup>14</sup> Maitland City Council *Application Part B*, p 130.

<sup>15</sup> Maitland City Council *Application Part B*, p 130.

<sup>16</sup> Maitland City Council *Application Part B*, p 130.

<sup>17</sup> Maitland City Council *Application Part B*, p 130.

<sup>18</sup> OLG unpublished data.

- ▼ residential rates as a proportion of average total income for households is 1.8% compared to the Group 5 average of 2.2% and the NSW average of 1.6%.<sup>19</sup>

In response to research and consultation, the council made efforts to reduce increases on business ratepayers and has the support of the Maitland Business Chamber.<sup>20</sup> The council expects that supporting the investment in infrastructure for growth will have net economic benefits for its business community.<sup>21</sup>

The council also adjusted its proposal to ensure the farmland rates increases proposed were below the changes in input costs in agriculture that farms are projected to experience.<sup>22</sup>

The council commissioned Western Research Institute (WRI) to determine the reasonableness of the impact on the council's ratepayers – on the basis of an original proposal for 8.35% per year for 7 years.<sup>23</sup> WRI concluded that the proposal was reasonable based on the following information:

- ▼ with the proposed increases, the rates that are paid by households in the lowest quintiles will not exceed 2.04% of total expenditure by 2020/21<sup>24</sup>
- ▼ for households receiving the age pension, rates will comprise 2.52% of total expenditure.<sup>25</sup>

### Our assessment of impact on ratepayers

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.

Since 2000/01, the council has applied for and been granted 3 special variations (a temporary increase of 4.47% in 2000/01, and permanent increases of 9.73% in 2006/07, 9.80% in 2011/12 and 10.0% in 2012/13).

Council's residential rates have been comparatively low compared to the Group 5 average over recent years (despite past special variations) whilst farmland and business rates have been comparatively high.

- ▼ in 2011/12 the council's residential rates of \$865 were 5% lower than the Group 5 average of \$911 and higher than the NSW average of \$685
- ▼ in 2011/12 the council's business rates were \$4,464 which were comparable to the Group 5 average of \$4,330 and higher than the NSW average of \$2,552

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<sup>19</sup> OLG unpublished data.

<sup>20</sup> Maitland City Council *Application Part B*, p 139.

<sup>21</sup> Maitland City Council *Application Part B*, pp 140-145.

<sup>22</sup> Maitland City Council *Application Part B*, p 146.

<sup>23</sup> Maitland City Council *Application Part B*, p 130.

<sup>24</sup> Maitland City Council *Application Part B*, p 135.

<sup>25</sup> Maitland City Council *Application Part B*, p 135.

- ▼ in 2011/12 the council's farmland rates of \$2,232 were higher than the Group 5 average of \$1,724 and comparable to the NSW average of \$2,123
- ▼ In 2011/12 the council's mining rates of \$127,000) were significantly higher than the Group 5 average of \$52,975, and 18% higher than the NSW average of \$107,443 (see Appendix C).

The council has therefore decided to adjust the impact on ratepayers to fall more heavily on residential rates.

In its application, the council compared its current average rates to a selection of similar and surrounding councils both currently and at the end of the special variation period, assuming its requested special variation was approved. It assumed that if rates in Group 5 councils increased at 5% per annum (in line with previous trends), Maitland would move from having the 9th highest rates to the 3rd highest rates in the Group.<sup>26</sup>

The special variation is a substantial rate increase over a prolonged period. The feedback from ratepayers in low-income groups provided to both IPART and the council indicates concerns over affordability and the quality of consultation processes.

We note that the council has comprehensively considered the community's capacity and willingness to pay. It has also sought to moderate the impact on ratepayers by proposing a lower increase in rates than its original plan and reducing the relative impact on farmland rates.

We note that there have been concerns in submissions regarding the council's use of a survey to establish the community's willingness to pay. IPART notes that the survey was conducted by MicroMex, which is a commercial survey company. MicroMex is a highly regarded professional organisation and bound by industry quality standards in undertaking its work. Both feedback from submissions and the results of the survey provided by the council formed part of our consideration of the application.

In making our decision for an approval, we note the council's assessment of the community's capacity to pay increases in rates of this size over the medium term. On balance, given the need and consideration of capacity to pay, we decided the rate increases proposed are reasonable.

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<sup>26</sup> Maitland City Council Application Part B, p 136.



## 4 What does our decision mean for the council?

Our decision means that Maitland City Council may increase its general income over the 7-year period from \$40.5m in 2013/14 to \$66.0m in 2020/21 (see Table 1.1). After 2020/21, all other things being equal, the council's permissible general income will increase by the annual rate peg unless we approve a further special variation.<sup>27</sup>

The council estimates that over these 7 years, its permissible general income will increase by \$25.6m (\$16.6m above the rate peg). This will generate additional revenue of over 7 years of \$61.2m above the rate peg.<sup>28</sup> This extra income will allow the council to substantially reduce its operating deficit. It will also allow the council to maintain the level of services and assets its community expects, make progress in addressing its asset backlog and fund a more limited program of new and replacement capital works.

## 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.

In its application, Maitland City Council indicated that it intended to increase rates over the first 4 years differently for each category as discussed above.

The council has calculated that:

- ▼ Average non urban residential rates would increase by a cumulative 64.94%, or by \$1,079.60 over 7 years.
- ▼ Average urban residential rates would increase by a cumulative 69.47% or by \$671.08 over 7 years
- ▼ Average high intensity farmland rates would increase by a cumulative 21.37%, or by \$631.46 over 7 years.
- ▼ Average low intensity farmland rates would increase by a cumulative 20.26% or by \$438.96 over 7 years.
- ▼ Average business rates would increase by a cumulative 51.65% or by \$2,717.31 over 7 years.

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<sup>27</sup> General income in future years cannot be determined with precision because it will be influenced by several factors apart from the rate peg. Those 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.

<sup>28</sup> Maitland City Council *Application Part A*, Worksheet 1 and IPART calculations.

- ▼ Average mining rates would increase by a cumulative 63.16%, or by \$96,000 over 7 years.<sup>29</sup>

Table 5.1 shows how average rates are expected to increase in each main ratepayer category under our determination. The actual impact of our determination on rates is a matter for the council to decide, but the overall impact across the ratepayer base will be consistent with our determination.

**Table 5.1 Indicative annual increases in average rates**

Year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Residential – non urban							
\$	129.2	131.4	141.6	151.7	162.8	174.9	188.1
%	7.8	7.3	7.4	7.4	7.3	7.4	7.4
Residential - urban							
\$	70.8	83.4	89.4	95.9	102.8	110.3	118.3
%	7.3	8.1	8.0	7.9	7.9	7.8	7.8
Farmland – high intensity							
\$	121.1	90.7	90.7	87.0	85.1	79.4	77.5
%	4.1	3.0	2.9	2.7	2.5	2.3	2.2
Farmland – low intensity							
\$	86.9	63.4	63.4	63.4	56.3	56.3	49.3
%	4.0	2.8	2.7	2.7	2.3	2.3	1.9
Business							
\$	344.6	328.3	352.7	378.8	407.7	436.5	468.7
%	6.6	5.9	5.9	6.0	6.1	6.2	6.2
Mining							
\$	11,000	11,500	12,500	13,500	15,000	15,500	17,000
%	7.2	7.1	7.2	7.2	7.5	7.2	7.4

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

<sup>29</sup> Maitland City Council *Application Part A*, Worksheet 5a.



## **Appendices**



## **A Expenditures to be funded from the special variation**

Tables A.1 and A.2 show Maitland City Council's proposed expenditure of the special variation funds over the next 10 years.

The council will use the additional special variation revenue of \$111.1m over 10 years) to fund:

- ▼ \$11.1m of extra operating expenditure (Table A.1), and
- ▼ \$25.0m of capital expenditure (Table A.2).

The special variation will lead to a \$100.0m improvement in the council's operating balance over 10 years.

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 (\$000)**

	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	2,002	3,906	6,001	8,303	10,827	13,591	16,616	17,114	17,628	18,157	<b>111,099</b>
Funding for increased operating expenditures	27	308	584	852	1,099	1,318	1,512	1,681	1,814	1,909	<b>11,103</b>
Effect on reducing operating deficits	1,975	3,598	5,417	7,451	9,728	12,273	15,104	14,935	14,802	14,707	<b>99,996</b>
Funding for capital expenditure	3,000	8,200	1,400	8,200	1,200	2,800	200	0	0	0	<b>25,000</b>

Source: Maitland City Council *Application Part A*, Worksheet 6.

**Table A.2 Proposed capital program related to the special variation (\$000)**

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
Road resurfacing	500	1,400	160	1,090	200	500	0	0	0	0	<b>3,850</b>
Bus shelter improvement	0	175	0	175	0	0	0	0	0	0	<b>350</b>
Community buildings and public toilets	400	800	100	800	0	400	0	0	0	0	<b>2,500</b>
Footpath construction	300	850	0	850	0	100	0	0	0	0	<b>2,100</b>
Linemarking	100	100	100	100	100	100	100	0	0	0	<b>700</b>
Road reconstruction	800	1,920	900	2,020	660	600	100	0	0	0	<b>7,000</b>
Place activation	140	230	140	210	140	140	0	0	0	0	<b>1,000</b>
Recreation cycleways, trails and shared footpaths	300	850	0	750	0	100	0	0	0	0	<b>2,000</b>
River access	140	230	0	330	0	300	0	0	0	0	<b>1,000</b>
Sporting facilities	200	825	0	1,075	100	300	0	0	0	0	<b>2,500</b>
Youth spaces (skate parks) and programs	120	820	0	800	0	260	0	0	0	0	<b>2,000</b>
<b>Total capital expenditure</b>	<b>3,000</b>	<b>8,200</b>	<b>1,400</b>	<b>8,200</b>	<b>1,200</b>	<b>2,800</b>	<b>200</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25,000</b>

Source: Maitland City Council *Application Part A*, Worksheet 6.

## **B Maitland City Council's projected revenue, expenses and operating balance**

The council will also report annually against its projected revenue, expenses and operating result as classified in its Annual Financial Statements and shown in Table B.1.

Revenues and the operating result in the annual accounts are reported inclusive of capital grants and contributions and asset sales.

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 excluded all items of a capital nature. When they are included in the council's public reports, total revenue will be higher and the operating deficit lower (or the operating surplus higher).

**Table B.1 Summary of projected operating statement for Maitland City Council, 2014/15 to 2023/24 (\$000)**

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Total revenue	84,002	99,512	102,164	110,039	109,363	113,616	120,307	124,731	129,317	133,953
Total expenses	75,987	81,252	86,510	91,130	96,262	101,034	107,032	112,267	118,089	124,068
Operating result from continuing operations	8,015	18,260	15,654	18,909	13,101	12,582	13,275	12,464	11,228	9,885
Operating result from continuing operations excluding capital grants and contributions	-681	2,984	4,347	7,570	1,729	1,176	1,835	988	-285	-1,666

**Source:** Maitland City Council, *Long Term Financial Plan (2014-15 - 2023-24)*, adopted 11 February 2014, p 64.



## C 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 Maitland City Council have changed over the 3 years to 2011/12.

**Table C.1 Trends in selected indicators for Maitland City Council, 2009/10 to 2011/12**

	2009/10	2010/11	2011/12
<b>Productivity (labour input) indicators<sup>a</sup></b>			
FTE staff (number)	332	341	343
Ratio of population to FTE	208	203	203
Average cost per FTE (\$)	63,208	64,938	70,496
Employee costs as % operating expenditure (General Fund only) (%)	39.1	37.6	35.0
Consultancy/contractor expenses (\$m)	2.8	2.8	3.1
Consultancy/contractor expenses as % operating expenditure (%)	5.2	4.6	4.5

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

**Source:** OLG, unpublished data.

In Table C.2 we compare the latest selected published data on Maitland City Council with the average of the councils in the OLG Group and with NSW councils as a whole.

**Table C.2 Select comparative indicators for Maitland City Council, 2011/12**

	Council	OLG Group 5 average <sup>a</sup>	NSW average
<b>General profile</b>			
Area (km <sup>2</sup> )	392	n/a	n/a
Population	69,646	n/a	n/a
General Fund operating expenditure (\$m)	66.6	n/a	n/a
General Fund operating revenue per capita (\$)	952	1,177	2,011
Rates revenue as % General Fund income (%)	41.5	48.4	45.7
<b>Average ordinary rate indicators<sup>b</sup></b>			
Average rate – residential (\$)	865	911	685
Average rate – business (\$)	4,464	4,330	2,552
Average rate – farmland (\$)	2,232	1,724	2,123
Average rate – mining (\$)	127,000	52,975	107,443
<b>Socio-economic/capacity to pay indicators<sup>c</sup></b>			
Average annual income for individuals, 2010 (\$)	48,672	42,432	44,140
Growth in average annual income, 2006-2010 (% pa)	4.0	3.5	3.0
Average residential rates 2011/12/ average annual income, 2010 (%)	1.8	2.2	1.6
SEIFA, 2011 (NSW rank; 153 is least disadvantaged)	107	n/a	n/a
Outstanding rates & annual charges ratio (incl water & sewerage charges) (%)	2.5	5.4	7.0
<b>Productivity (labour input) indicators<sup>d</sup></b>			
FTE staff (number)	343	695	293
Ratio of population to FTE	203	169	126
Average cost per FTE (\$)	70,496	79,825	74,438
Employee costs as % operating expenditure (General Fund only) (%)	35.0	34.5	36.8
Consultancy/contractor expenses (\$m)	3.1	21.3	6.9
Consultancy/contractor expenses as % operating expenditure (%)	4.5	11.7	9.3

<sup>a</sup> OLG Group 5 is classified 'Urban Large/Very Large Regional Town/City' with a population of >70,000. The group comprises 8 councils including Coffs Harbour, Lake Macquarie, Newcastle, Port Macquarie-Hastings, Shoalhaven, Tweed and Wollongong councils.

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

<sup>c</sup> Average annual income includes income from all sources excluding government pensions and allowances.

<sup>d</sup> Based upon total council operations. 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.