



Independent Pricing and Regulatory Tribunal

Nambucca Shire 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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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).

Nambucca Shire Council applied for a multi-year special variation from 2014/15, under section 508A. The council requested annual increases of 3.8% in 2014/15, 5.0% in 2015/16 and 5.5% in 2016/17. This will result in a cumulative increase of 14.98% by 2016/17.

After assessing its application, we decided to approve the variation as requested. We made this decision under section 508A 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 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 fund loans which will be used for bridge renewals programs, which it adopted after extensive consultation on its Integrated Planning and Reporting (IP&R) documents and the proposed special variation.

1.1 Our decision

We determined that Nambucca Shire 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 14.98% is 6.5% more than the rate peg over these years.

After the last year of the special variation (2016/17), the increase will remain permanently in the council's rate base.

The annual increases in the dollar amounts in Table 1.1 reflect the percentage increases we have approved, and adjustments to the council's general income in 2014/15 that occur as a result of various catch-up and valuation adjustments.

Table 1.1 IPART's determination on Nambucca Shire Council's special variation for 2014/15 to 2016/17

Year	Increase approved (%)	Cumulative increase approved (%)	Annual increase in general income (\$)	Permissible general income (\$)
Adjusted notional income 30 June 2014				9,090,578
2014/15	3.80	3.80	358,884	9,449,462 ^a
2015/16	5.00	8.99	472,473	9,921,935
2016/17	5.50	14.98	545,706	10,467,641

^a Includes a prior year catch-up of \$19,263 and a valuation objection reduction of \$5,821.

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

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.

Box 1.2 Conditions attached to the approved special variation

IPART's approval of Nambucca Shire Council's application for a special variation over the period from 2014/15 to 2016/17 is subject to the following conditions:

- ▼ The council uses the additional income from the special variation to fund borrowing costs relating to loans for infrastructure renewals outlined in the council's application and listed in Appendix A, and to improve its financial sustainability.
 - ▼ 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.
-

2 What did the council request and why?

Nambucca Shire Council applied to increase its general income by a cumulative 14.98% over the 3 year period from 2014/15 to 2016/17, and to permanently incorporate this increase into its general income base.

The council estimated that if the requested special variation is approved, its permissible general income will increase from \$9.1m in 2013/14 to \$10.5m in 2016/17. This will generate additional revenue of \$1.1m above the rate peg over the 3 years.²

The council intends to use the additional revenue above the rate peg partly to improve financial sustainability, and partly to fund borrowing costs associated with bridge renewals.³

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

² Nambucca Shire Council, *Section 508A Application Form- Part A 2014/15*, 24 February 2014, (Nambucca Shire Council Application Part A), Worksheets 1 and 5, and IPART calculations.

³ Nambucca Shire Council, *Section 508A Application Form- Part B 2014/15*, 24 February 2014, (Nambucca Shire Council Application Part B), pp 12 - 13.

3 How did we reach our decision?

We assessed Nambucca 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, which support its application, as well as a range of comparative data about the council, set out in Appendix C.

Nambucca Shire Council has applied on the basis of its adopted IP&R documents, in particular its Delivery Program, Long Term Financial Plan (LTFP) and Draft Bridge Asset Management Plan.

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

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. The council will use the funds to improve the council's ongoing operating deficits, and therefore its financial sustainability, which will allow the council to fund repayments of infrastructure renewal related loans. The loans will fund bridge renewals.
2. The council provided evidence that the community is aware of the need for and extent of the rate rise, and that it had considered the community's capacity and willingness to pay the proposed rate rises.
3. The impact of the proposed rate rises on ratepayers is moderate but reasonable given the purpose of the special variation, comparisons between the council and surrounding and similar councils, and that the council has taken account of the impact of the increases on ratepayers.
4. The council made realistic assumptions concerning its projected service delivery and budget.
5. The council has made significant productivity savings in past years and we encourage the council to pursue further productivity initiatives in the future.

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&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>	<ul style="list-style-type: none"> ▼ The need for and purpose of the requested special variation is set out in the council’s IP&R documents. ▼ To reduce the council’s ongoing operating deficits, and therefore improve its financial sustainability, which allows the council to fund repayments of infrastructure related loans. The loans will fund bridge renewals.
<p>2. Evidence that the community is aware of the need for, and the 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>	<ul style="list-style-type: none"> ▼ The council has shown that it took reasonable steps to make the community aware of the need for the special variation, including using a variety of engagement methods and providing opportunities for feedback. We consider that the council has met this criterion.
<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&R process should establish that proposed rate rises are affordable, having regard to the community’s capacity to pay.</p>	<ul style="list-style-type: none"> ▼ The increase over the 3 years is moderate. ▼ Although Nambucca LGA is relatively disadvantaged, with a SEIFA ranking of 9, when balanced against the need for the special variation, and given the increases are spread over 3 years, we consider the increases to be reasonable. ▼ Nambucca’s average rates, except for farmland rates, are below the average of surrounding and similar NSW north coast councils. ▼ The relative burden of average rates as a percentage of average income is the same as similar councils. ▼ Other councils on the NSW north coast are similarly disadvantaged, including Clarence Valley Council, Greater Taree City Council and Kempsey Shire Council.
<p>4. Delivery Program and LTFP must show evidence of realistic assumptions.</p>	<ul style="list-style-type: none"> ▼ We have examined the assumptions that underpin the council’s LTFP, and consider them realistic.
<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>	<ul style="list-style-type: none"> ▼ The council outlined recent productivity increases cost savings initiatives in its LTFP and we encourage the council to pursue further productivity initiatives in the future.

Criterion	IPART findings
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.	The council is a rural council with limited resources for preparing an application.

Source: Nambucca Shire Council Application Part A, Nambucca Shire Council Application Part B and attachments, Nambucca Shire Council, Email dated 24 April 2014 and OLG, *Comparative Information on NSW Local Government*, October 2013.

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, Draft Bridge Asset Management Plan and LTFP. However, financial modelling in the council's LTFP initially did not include a base case. We asked the council to provide a base case, to help determine the council's need and purpose for the special variation.

The special variation will improve the council's ongoing operating deficits, and therefore its financial sustainability, which allows the council to fund repayments of infrastructure renewal related loans. Over 5 years, the loans will fund \$7.0m of bridge renewal works on 36 bridges (Table A.2).

The need for bridge renewals was identified in the councils Draft Asset Management Plan.⁴

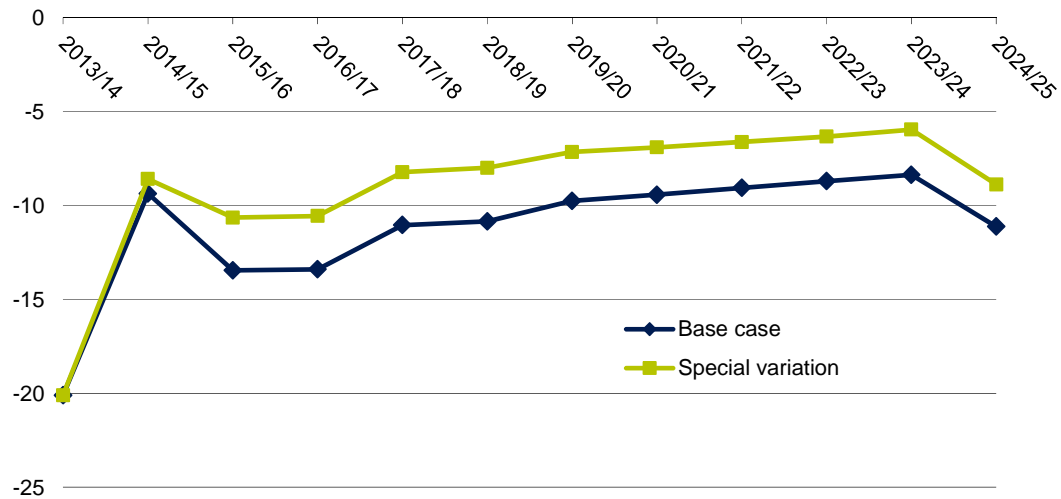
The council's financial modelling indicates that over 10 years, the council will receive an extra \$5.7m. Of this, the council will direct \$1.6m to interest expense, \$3.6m to loan principal repayments and \$0.5m to improve the council's operating deficits.⁵

Figure 3.1 shows an improvement in the council's operating ratio from the special variation.

⁴ Nambucca Shire Council, *Draft Bridge Asset Management Plan*, p 27.

⁵ The council's modelling indicated interest expense over 10 years as \$0.6m. We were unable to reconcile this difference. We have used the most recent figures from the application Part A, Worksheet 6, in our calculations.

Figure 3.1 Nambucca Shire Council, operating ratio (excluding capital) (%)



Note: The council has forecast increased operating grant funding of \$5.9m in 2014/15.

Data source: Nambucca Shire Council, Email dated 24 April 2014.

NSW Treasury Corporation (TCorp) assessed the council’s current financial position as ‘weak’, and considered its outlook to be ‘negative’.⁶ TCorp also noted that the council’s backlog was significant and that the council had indicated the urgency of road and bridge works. TCorp stated the council should develop strategies to balance short term liquidity with the longer term requirement to address the asset backlog.⁷

TCorp concluded the council had capacity to service debt, and that the council should explore ways to raise additional revenue to address its low financial flexibility.⁸

3.2 Community engagement and awareness

The council has shown that it took reasonable steps to make the community aware of the need for the special variation, including using a variety of engagement methods and providing opportunities for feedback. The council’s LTFP also discussed the special variation, outlined the need and extent of the proposed increases, and canvassed alternatives to the increase.⁹ We consider that the council has met this criterion.

⁶ New South Wales Treasury Corporation, *Financial Sustainability of the New South Wales Local Government Sector*, April 2013, p 18.

⁷ New South Wales Treasury Corporation, *Nambucca Shire Council, Financial Assessment, Sustainability and Benchmarking Report*, 12 March 2013 (TCorp Report), pp 4-5, and 32.

⁸ TCorp Report, p 32. TCorp considered the councils financial flexibility to be low because it had a below benchmark Own Source Operating Revenue Ratio for 2008/09 to 2010/11.

⁹ Nambucca Shire Council, Long Term Financial Plan, pp 5-11, and 26.

Community engagement

The council consulted the community regarding a special variation application, in 2 phases. The first phase occurred from October to December 2013 and discussed the need, alternatives and purpose of the special variation. The second phase occurred from January to February 2014 and outlined proposed increases of 5.3% in 2014/15 and 6% in 2015/16.¹⁰

The Council decided on 13 February 2014 to spread the proposed increases over 3 years instead of 2 years to reduce the impact on ratepayers, following a general land revaluation in 2013.¹¹ The cumulative increase over 3 years, assuming a rate peg of 3% in 2016/17, is the same under both scenarios.¹² The council publicised this decision through public notices and press releases.

Consultation methods included:

- ▼ media releases
- ▼ public notices in local newspapers
- ▼ email to relevant community groups
- ▼ letter box drop
- ▼ public forums
- ▼ information on council website
- ▼ fact sheet mail out
- ▼ radio interviews.¹³

Outcome of consultation on rate rise

The council received 5 submissions, and recorded 31 attendances at public forums from the first phase of consultation. There were 116 written submissions relating to the second phase of consultation.¹⁴

Of a total 171 submissions received 72 objected to the increases, 29 supported the increases and the remaining submissions were either neutral or partially supportive of the increases.¹⁵

¹⁰ Nambucca Shire Council, *Minutes of Ordinary Council Meeting 11 September 2013*, Agenda item 10.4, Nambucca Shire Council, *Minutes of Ordinary Council Meeting 11 December 2013*, Agenda item 9.8 and Nambucca Shire Council Application Part B, pp 19-20 and 23.

¹¹ Nambucca Shire Council Application Part B, p 4.

¹² Nambucca Shire Council, *Minutes of Ordinary Council Meeting 13 February 2014*, Agenda item 9.4, Nambucca Shire Council, *Minutes of Ordinary Council Meeting 20 February 2014*, Agenda item 9.1, and IPART calculations.

¹³ Nambucca Shire Council Application Part B, p 20.

¹⁴ Nambucca Shire Council Application Part B, p 20.

¹⁵ Nambucca Shire Council Application Attachments 7.1 and 7.2.

The council considered the issues raised in the submissions in Council meetings on 13 February and 20th February.¹⁶

Submissions

We received 6 submissions regarding the application. The issues raised in the submissions were council efficiency, that the proposed increase is unaffordable, and 4 of the submissions questioned the equity of the rate burden on the farmland rating category.

We have considered these submissions before reaching our decision. The council application shows that, after the rate increases, average business and farmland rates will be 15.8% higher, which is slightly more than the overall increase in general income of 14.98%. In 2013/14, farmland ratepayers comprised 5.2% of total assessments and contributed 9.2% of general income from rates. However, IPART does not determine how increases are allocated across different rate categories, this is ultimately a decision for the council.¹⁷

3.3 Reasonable impact on ratepayers

The Nambucca LGA is relatively disadvantaged, with a SEIFA ranking of 9. However other councils on the NSW north coast are similarly disadvantaged, including Clarence Valley Council, Greater Taree City Council and Kempsey Shire Council, of which 2 are also seeking a special variation in 2014/15.¹⁸ These councils also have low SEIFA rankings (Table 3.2).

Table 3.2 compares socio-economic measures for Nambucca Shire Council with surrounding councils.

¹⁶ Nambucca Shire Council, *Agenda of Ordinary Council Meeting 13 February 2014*, Agenda item 9.4, and Nambucca Shire Council, *Agenda of Special Council Meeting 20 February 2014*, Agenda item 9.1.

¹⁷ Nambucca Shire Council Application Part A, Worksheet 1, Worksheet 2 and Worksheet 5a, and IPART calculations.

¹⁸ Greater Taree City Council is seeking a s508(2) 1-year increase of 7.3%, to be retained for 5 years, and Kempsey Shire Council is seeking a s508A increases of a cumulative 37.54% over 4 years, to be retained permanently.

Table 3.2 Nambucca Shire Council - socio-economic and rates affordability compared with surrounding councils

Council	Average income ^a (\$)	SEIFA ranking	Average rates/average income ^b (%)
Bellingen Shire Council ^c	32,648	55	2.39%
Clarence Valley Council	33,467	13	2.34%
Coffs Harbour City Council ^c	36,684	70	2.19%
Greater Taree City Council ^c	35,296	12	2.23%
Kempsey Shire Council ^c	32,976	4	2.03%
Nambucca Shire Council^c	31,286	9	2.35%
Port Macquarie-Hastings Shire Council	37,236	75	2.44%

^a Average annual income is for 2010 and includes income from all sources excluding government pensions and allowances.

^b Average rates are for 2011/12 and equal total ordinary rates revenue divided by the number of residential assessments. Average annual income is for 2010.

^c Bellingen Shire Council, Coffs Harbour City Council, Greater Taree City Council, Kempsey Shire Council and Nambucca Shire Council have applied for a special variation in 2014/15.

Source: OLG, unpublished data; 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 and IPART calculations.

We also consider the increase of a cumulative 14.98% over 3 years to be moderate.

Table 3.2 shows that, except for farmland rates which are the second highest after Bellingen Shire Council, Nambucca Shire Council's average rates are below the average of NSW north coast councils.

Average rates as a percentage of average income are the same for Nambucca Shire Council and 4 other councils on the NSW north coast (Table 3.2). This indicates that Nambucca Shire Council ratepayers do not face a greater relative rate burden than other similar councils.

When balanced against the need for the special variation, which is to help reduce ongoing deficits and fund loans for bridge renewals, we consider the increases to be reasonable. We also consider that, although the increases in rates are significant, they are reasonable given they are spread over 3 years, and that the yearly increases are moderate compared to the rate peg.

The council's consideration of impact on ratepayers

The council's application has provided analysis of the impact of the increases on ratepayers. The application also compares socioeconomic measures and the level of rates and annual charges between Nambucca and councils in the Coffs Coast Waste Services partnership and the Mid North Coast Regional Organisation of Councils.¹⁹

Parts of this analysis were presented to councillors on 11 September 2013, 13 February 2014 and 20 February 2014. After a general land revaluation in 2013, at the 13 February 2014 meeting, the council decided to spread the increases over 3 years to reduce the impact on ratepayers (see Section 3.2).²⁰

Our assessment of impact on ratepayers

We compared socio-economic and average rates between Nambucca Shire Council and a group of surrounding and similar (north coast NSW) councils. Nambucca has the lowest average taxable income and the second lowest SEIFA ranking amongst the group. However, other councils in the group are also disadvantaged (Table 3.2).

We also calculated average rates as a percentage of average income across similar NSW north coast councils to assess relative affordability. We found Nambucca has a ratio of average residential rates to average income that is the median of these (Table 3.2).

Table 3.3 compares the council's 2011/12 average rates for each ratepayer category against a group of surrounding and similar (North Coast NSW) councils. Apart from the farmland category, Nambucca Shire Council has relatively low average rates:

- ▼ the second lowest average residential rate
- ▼ the third lowest average business rate
- ▼ the second highest farmland rate
- ▼ average rates below the average for residential and business rates, but above the average for farmland rates.²¹

¹⁹ Nambucca Shire Council Application Part B, pp 24 and 30-32.

²⁰ Nambucca Shire Council, *Agenda of Ordinary Council Meeting 13 February 2014*, Agenda item 9.4.

²¹ We also note that the council has average rates well below the OLG Group 10 and NSW averages in all ratepayer categories (Table C.2).

Table 3.3 Average Rates for Nambucca Shire Council and surrounding councils 2011/12 (\$)

Council	Residential	Business	Farmland
Bellingen Shire Council	779	900	1,694
Clarence Valley Council	784	2,045	1,133
Coffs Harbour City Council	804	3,590	1,463
Greater Taree City Council	788	2,740	1,355
Kempsey Shire Council	668	1,464	1,308
Nambucca Shire Council	736	1,489	1,566
Port Macquarie-Hastings Shire Council	907	3000	1,583
Average	781	2,175	1,443

Source: DLG, *Comparative Information on NSW Local Government*, October 2013, pp 47, 93, 97, 139, 173, 221 and 247, and IPART calculations.

4 What does our decision mean for the council?

Our decision means that Nambucca Shire Council may increase its general income over the 3 year period from \$9.1m in 2013/14 to \$10.5m in 2016/17 (see Table 1.1). After 2016/17, the council's permissible general income will increase by the annual rate peg unless we approve a further special variation.²²

The council estimates that over these 3 years, the additional rates revenue will accumulate to \$1.4m, or \$1.1m above the rate peg.²³ This extra income allows the council to improve its financial sustainability and undertake borrowing for a bridge renewals program.

5 What does our decision mean for ratepayers?

In its application, Nambucca Shire Council indicated that it intended to increase rates over the 3 years differently for each category as discussed above.

²² 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.

²³ Nambucca Shire Council Application Part A, Worksheet 1 and IPART calculations.

The council has indicated that over 3 years:

- ▼ Average residential rates will increase by a cumulative \$134, or 15.1%.
- ▼ Average business rates will increase by a cumulative \$219, or 13.0%.
- ▼ Average farmland rates increase by a cumulative \$276, or 15.8%.
- ▼ The majority of minimum rates will increase by a cumulative \$62 or 8.6%.²⁴

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

Table 5.1 Annual changes in average rates as a result of the determination (\$)

Ratepayer category	2014/15 ^a	2015/16	2016/17	Cum. total	Cum. change - 3 years (%)
Residential - town	9.20	39.75	46.20	95.15	10.9
Residential – village/estate	78.94	59.24	69.56	207.74	22.8
Residential – non urban	89.17	57.86	68.85	215.88	23.1
Business - CBD	80.44	108.35	127.06	315.85	15.8
Business – industrial estate	41.86	53.32	65.65	160.83	15.3
Business – caravan park ^b	-286.10	-280.22	-260.51	-826.83	-6.0
Business - ordinary	46.55	64.37	75.88	186.80	15.6
Farmland	72.55	93.09	110.49	276.13	15.8

^a The 2014/15 increases have been adjusted for the expiry of an existing special variation on 30 June 2014.

^b The council is reducing the Business- caravan park subcategory to incrementally bring into in line with the Business – ordinary subcategory (email dated 14 April 2014).

Source: Nambucca Shire Council Application Part A, worksheet 5a and IPART calculations.

²⁴ Nambucca Shire Council Application Part A, Worksheet 5a, and IPART calculations. Farmland minimum rates will increase by \$41 or 8.7%.



Appendices

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

Tables A.1 and A.2 show Nambucca Shire Council's extra income and proposed expenditure over the next 10 years.

The council will use the additional special variation revenue of \$5.7m over 10 years) to fund:

- ▼ \$1.6m of extra operating expenditure (Table A.1)
- ▼ \$3.6m of principal repayments (Table A.2)
- ▼ \$0.5m improvement in operating deficits.

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	136,359	329,439	587,370	604,991	623,141	641,141	661,090	680,923	701,351	722,391	5,688,891
Funding for interest expense relating to bridge renewal programs	64,266	150,282	259,466	236,809	212,586	186,690	159,004	129,406	97,762	63,932	1,560,204
Improvement in operating balance	0	0	0	17,620	35,771	53,771	73,720	93,553	113,981	135,021	524,132
Funding for capital – principal repayments on bridge renewal related loans	72,093	179,157	327,904	350,562	374,784	400,680	428,366	457,964	489,608	523,438	3,604,555

Source: Nambucca Shire Council, Application Part A, Worksheet 6, and IPART calculations.

Table A.2 Proposed bridge renewals to be funded by special variation related loans (\$)

	2014/15	2015/16	2016/17	2017/18	2018/19
Bakers Creek	415,000				
Browns Crossing No.2	139,000				
Menzies No.3	92,000				
Peterkins	182,000				
Sinclairs No.1	125,000				
Boat Harbour		1,010,000			
Degraas		105,000			
Factory Bridge		360,000			
Naylors No.2		145,000			
Naylors No.3		76,000			
Sambrooks		85,000			
Browns			271,000		
Garrets No.2			105,000		
Jack Gorleys			125,000		
McHughes Creek No.2			210,000		
Allgofera No.2				125,000	
Coulters				85,000	
Fischers				400,000	
Jack Ryall				125,000	
Jones				105,000	
Limousin				125,000	
Little Thumb Creek				105,000	
Lovedays				240,000	
Murrays				147,000	
Nashs				125,000	
Partridges				105,000	
Purcells				85,000	
Sheet O Bark No.2				147,000	
Top Bridge				125,000	
Unicombes No.2				105,000	
Way Way				147,000	
Buttsworth No.1					172,000
Frank Partridge					125,000
Helliwells Bridge					172,000
Little Broughys					172,000
Rollestons					605,000
Total	953,000	1,781,000	711,000	2,296,000	1,246,000

Source: Nambucca Shire Council, email dated 24 April 2014.

B Nambucca Shire Council 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 (General Fund) for Nambucca Shire 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	28,248	24,790	23,540	26,646	23,218	23,387	23,419	23,450	23,319	23,351
Total expenses	29,836	25,207	25,220	24,704	24,670	24,668	24,647	24,614	24,581	24,528
Operating result from continuing operations	(1,588)	(417)	(1,680)	1,942	(1,452)	(1,281)	(1,228)	(1,164)	(1,263)	(1,177)

Source: Nambucca Shire Council, *Long Term Financial Plan 2014-15 - 2023-24*, adopted 20 February 2014, p 28.

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 Nambucca Shire Council have changed over the 3 years to 2011/12.

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

	2009/10	2010/11	2011/12	Average Change (%)
Productivity (labour input) indicators^a				
FTE staff (number)	130	127	118	-4.7
Ratio of population to FTE	148	151	163	5.2
Average cost per FTE (\$)	62,654	70,921	72,983	7.9
Employee costs as % operating expenditure (General Fund only) (%)	28.3	27.4	24.1	
Consultancy/contractor expenses (\$m)	3.1	2.6	3.4	4.7
Consultancy/contractor expenses as % operating expenditure (%)	10.9	8.2	10.4	

^a 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 Nambucca Shire 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 Nambucca Shire Council, 2011/12

	Nambucca Shire Council	OLG Group 11 average^a	NSW average
General profile			
Area (km ²)	1,487		
Population	19,286		
General Fund operating expenditure (\$m)	25.4		
General Fund operating revenue per capita (\$)	1,172	2,011	2,011
Rates revenue as % General Fund income (%)	45.9	31.3	45.7
Average ordinary rate indicators^b			
Average rate – residential (\$)	736	632	685
Average rate – business (\$)	1,485	1,781	2,552
Average rate – farmland (\$)	1,586	2,307	2,123
Socio-economic/capacity to pay indicators^c			
Average annual income for individuals, 2010 (\$)	31,286	38,968	44,140
Growth in average annual income, 2006-2010 (% pa)	3.4	2.9	3.0
Average residential rates 2011/12/ average annual income, 2010 (%)	2.4	1.7	1.6
SEIFA, 2011 (NSW rank; 153 is least disadvantaged)	9		
Outstanding rates & annual charges ratio (incl water & sewerage charges) (%)	5.7	7.7	7.0
Productivity (labour input) indicators^d			
FTE staff (number)	118	150	293
Ratio of population to FTE	163	91	126
Average cost per FTE (\$)	72,983	71,545	74,438
Employee costs as % operating expenditure (General Fund only) (%)	24.1	34.6	36.8
Consultancy/contractor expenses (\$m)	3.4	2.1	6.9
Consultancy/contractor expenses as % operating expenditure (%)	10.4	6.3	9.3

a. OLG Group 11 is classified 'rural very large agricultural' with a population of between 10,000 to 20,000. The group comprises 21 councils of which are comparable to Nambucca Shire Council and includes: Bellingen Shire Council, Cooma-Monaro Shire Council and Palerang Shire Council.

b. Average rates equal total ordinary 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. 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.

