



Independent Pricing and Regulatory Tribunal

Newcastle City 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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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.

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.

Newcastle City Council applied for successive increases of 8% each year from 2015-16 to 2019-20, to remain permanently in the rate base.² We have assessed the council's application, and decided to allow the special variation as requested. We made this decision under section 508A of the Act.

Box 1.1 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 Newcastle City Council, *Special Variation Application – Part A, 2015/16* (Newcastle City Council, *Application Part A*), Worksheet 1.

Our decision enables the council to achieve financial sustainability, maintain and enhance existing services, address infrastructure backlogs, and fund a program of asset renewal and some new capital expenditure.³ The council consulted its community in preparation for the special variation application, and in reviewing its Integrated Planning and Reporting (IP&R) documents.

1.1 Our decision

We determined that Newcastle City Council may increase its general income from 2015-16 to 2019-20 by the annual percentages shown in Table 1.1. The annual increases incorporate the rate peg to which the council would otherwise be entitled (2.4% in 2015-16).⁴ The cumulative increase of 46.93% is 31.68% more than the assumed rate peg increase over these years.⁵

After the last year of the special variation (2019-20), the increase will remain permanently in the council’s rate base. Table 1.1 sets out our decision.

Table 1.1 IPART’s decision on Newcastle City Council’s application for a special variation in 2015-16

	2015-16	2016-17	2017-18	2018-19	2019-20
Percentage increase approved (%)	8.0	8.0	8.0	8.0	8.0

Note: The rate peg in 2015-16 is 2.4%. In later years, the council has assumed a rate peg of 3%.

Source: Newcastle City Council, *Section 508A Special Variation Application 2015/16 – Part A* (Newcastle City Council, *Application Part A*), Worksheet 1.

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

³ Newcastle City Council, *Special Variation Application – Part B, 2015/16* (Newcastle City Council, *Application Part B*), pp 5-7; Newcastle City Council, *Application Part B, Attachment 3, Long Term Financial Plan 2015-2025*, p 4; and Newcastle City Council, *Application Part A, Worksheet 6*.

⁴ The council has assumed a rate peg of 3% in future years. The special variation percentage approved will not change to reflect the actual rate peg in those years.

⁵ Newcastle City Council, *Application Part A, Worksheet 1*.

Box 1.2 Conditions attached to Newcastle City Council's approved special variation

IPART's approval of Newcastle City Council's application for a special variation over the period from 2015-16 to 2019-20 is subject to the following conditions:

- ▼ The council uses the additional income from the special variation to improve its financial sustainability and fund the program of expenditure outlined in its application and listed in Appendix A.
 - ▼ The council reports in its annual report for each year from 2015-16 to 2024-25 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.
 - ▼ The council reports in its financial statements (currently in Special Schedule 9) each year from 2015-16 to 2024-25 on its compliance with the special variation and these conditions.
-

2 What did the council request and why?

Newcastle City Council applied to increase its general income by a cumulative 46.93% over the 5-year period from 2015-16 to 2019-20, and to permanently incorporate this increase into its general income base.⁶

The council estimated that if the requested special variation is approved, its permissible general income would increase from \$107.9 million in 2014-15 to \$158.3 million in 2019-20. This would generate additional cumulative revenue of \$96.9 million, above rate peg increases, over five years.⁷

The council intends to use the additional revenue from the special variation to achieve financial sustainability, maintain and enhance existing services, address infrastructure backlogs, and fund a program of asset renewal and some new capital expenditure.⁸

⁶ Newcastle City Council, *Application Part A*, Worksheet 1.

⁷ Newcastle City Council, *Application Part A*, Worksheet 1, and IPART calculations.

⁸ Newcastle City Council, *Application Part B*, pp 5-7; Newcastle City Council, *Application Part B*, Attachment 3, *Long Term Financial Plan 2015-2025*, p 4; and Newcastle City Council, *Application Part A*, Worksheet 6.

Over 10 years, the special variation would generate revenue of \$283.6 million above the rate peg. The council's Long Term Financial Plan (LTFP), and its application, shows that over the period 2015-16 to 2024-25 it proposes to spend:

- ▼ \$16.5 million on enhanced services by increasing operating expenditure,
- ▼ \$200.1 million to preserve or maintain cash reserves, and
- ▼ \$67.0 million on asset renewals and new capital expenditure.⁹

At the same time the special variation will enable financial sustainability to be achieved with modest operating surpluses in later years.

More detail on the council's proposed program of expenditure to 2024-25 is provided in Appendices A and B.

3 How did we reach our decision?

We assessed Newcastle 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, set out in Appendix C.¹⁰

Newcastle City Council has applied on the basis of its 'Road to Recovery' community consultation strategy and adopted IP&R documents, in particular the *Newcastle 2030 - Newcastle Community Strategic Plan (CSP)*, *The City of Newcastle - Delivery Program 2013-2017 (Delivery Program)*, *Long Term Financial Plan 2015-2025 (LTFP)* and *Asset Management Strategy 2013-2023*.

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

We found that Newcastle City Council's application met the criteria. In particular, we found that:

1. The need for the proposed revenue is demonstrated through the council's IP&R documents and processes, reflects community priorities, and is supported by NSW Treasury Corporation's (TCorp) assessment of the council's financial sustainability.

⁹ Newcastle City Council, *Application Part B*, pp 5-7; Newcastle City Council, *Application Part B*, Attachment 3, *Long Term Financial Plan 2015-2025*, pp 56-57, 61 and 96; and Newcastle City Council, *Application Part A*, Worksheet 6.

¹⁰ See Appendix C. Newcastle City Council is in OLG Group 5, which is classified as urban, large to very large regional town or city, with a population over 70,000. The group comprises 8 councils, including councils such as Lake Macquarie City, Coffs Harbour City, Maitland City and Wollongong City Councils.

2. The council provided evidence that the community is aware of the need for and extent of the rate increases.
3. The impact of the proposed rate increases on ratepayers is significant, but reasonable given the council's existing rate levels, its history of special variations, the purpose of the special variation and the council's consideration of ratepayers' willingness and capacity to pay.
4. The council provided evidence that the relevant IP&R documents have been exhibited and adopted.
5. The council reported productivity savings in past years, and indicated its intention to realise further savings during the period of the special variation.

We note that one of the council's IP&R documents, the Delivery Program, did not include the percentage increases applied for. However, we have assessed the extent to which all the IP&R documents support the application, and also considered the level of community awareness and opportunity for input. We have decided, on balance, the application meets the criteria in the Guidelines.

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

Table 3.1 Summary of IPART’s assessment of Newcastle City 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 IP&R processes and documents met the criteria, given that:</p> <ul style="list-style-type: none"> ▼ the IP&R documents set out the need for, and purpose of the requested special variation, that is: <ul style="list-style-type: none"> – maintain existing services and achieve financial sustainability by reducing deficits, and in later years maintaining modest operating surpluses – enhance existing services and increasing operating expenditure, and – address the infrastructure backlog, and fund asset renewals and new capital expenditure ▼ various rate increases have been discussed during the IP&R process, including discussion of alternatives to rate increases, and ▼ the Delivery Program only includes a special variation scenario with a lower percentage, however the special variation percentage was included in the council’s LTFP. <p>NSW Treasury Corporation (TCorp) considered the council’s financial position in 2013 as ‘moderate’, but considered its outlook to be ‘negative’.</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>	<ul style="list-style-type: none"> ▼ The council initially consulted the community on lower percentage increases but later consulted on the special variation increases of 8% per year over five years. ▼ The council consulted the community widely regarding the special variation application using methods including advertising, an information booklet, a newsletter, media releases and articles in local papers, email, a social media campaign and community information sessions. ▼ The council collected feedback using a random telephone survey, a self-selected survey, feedback slips, an online feedback form, taking submissions, and community meetings. ▼ Feedback showed support for all increase options, with substantial support for the increases applied for. See Table 3.2.
<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 	<ul style="list-style-type: none"> ▼ The increases are significant with a cumulative increase of 46.9% over five years. However, the council considers a range of socio-economic data indicates that ratepayers have capacity to pay the increases. ▼ We consider that the impact of the special variation will be reasonable given the council area is relatively less disadvantaged economically and currently has rate levels comparable to similar and surrounding councils. ▼ The council examined, and compared with similar and surrounding councils, socio-economic indicators such as average income, average household

Criterion	IPART findings
increases are affordable having regard to the local community's capacity to pay.	income, household demographics, employment and unemployment, SEIFA and economic resources indexes, and average rent and mortgage payments. The council also compared average rates, outstanding rates, backlogs and rate revenues. The impact on ratepayers was presented and discussed as part of a workshop for councillors held before the adoption of the LTFP in February 2015.
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.	<ul style="list-style-type: none"> ▼ The council has a range of strategies and policies aimed at addressing hardship such as deferral of payment of rates and charges, interest relief, welfare agency support and payment arrangements. ▼ The council adopted the Newcastle 2030 - Newcastle Community Strategic Plan in June 2013 and The City of Newcastle – Delivery Program 2013-2017 in June 2014. ▼ The council revised and adopted the Long Term Financial Plan 2015-2025 in February 2015 to incorporate discussion and forecasts of the special variation increases.
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.	<ul style="list-style-type: none"> ▼ The application sets out the significant cost containment and productivity improvements the council has undertaken in recent years and plans to implement in the future. At the same time, consistent with feedback from the community, the council proposes to expand and selectively reinstate some services previously reduced.

Sources: Newcastle City Council, *Application Part B*, pp 4-7, 18, 36, 42-45, 81, 86, 88, 91, 94 and 112-113; Attachment 1, *Newcastle 2030*, May 2013, p 13; Attachment 2, *Delivery Program 2013-2017*, June 2014, pp 13, 15-16, 18-21 and 48-49; Attachment 3, *Long Term Financial Plan 2015-2025*, p 56-57, 61, 96, 139 and 153-155; Attachment 5, *Road to Recovery, Community Engagement Report – Appendix*; Attachment 6, *Road to Recovery, Community Engagement Report*, November 2014, pp 5, 7-9 and 29; Attachment 8, *Resolution to Apply for the special variation*. – 25 November 2014; Attachment 7, *Rates Assistance Mechanisms*; Attachment 12, *Council resolution to adopt revised LTFP 2015-2025*, 24 February 2015, Attachment 14, *Newcastle Voice, Comparative Analysis*, November 2014, Attachment 16, *Council resolution to adopt Delivery Program 2013-2017*, 24 June 2014; Attachment 17, *Council resolution to adopt Community Strategic Plan*, 25 June 2013; Newcastle City Council, *Application Part A*, Worksheet 6; New South Wales Treasury Corporation (TCorp), *Financial Sustainability of the New South Wales Local Government Sector*, April 2013, p 18; email from Newcastle City Council, 31 March 2015; and letter from Newcastle City Council, 2 February 2015.

3.1 Need for and purpose of the special variation

We consider that the council has met this criterion.

In June 2014, the council adopted a Delivery Program that included a special variation of a lower percentage than the increases in the application. However, in October 2014, during extensive community consultation regarding the special variation, the council presented the community with three options:

- ▼ Option 1 – rates increase by the rate peg only.
- ▼ Option 2 – increases of between 6.5% and 6.8% per year over five years.
- ▼ Option 3 – increases of 8% per year over five years.¹¹

Option 2 was presented as funding ongoing financial sustainability and Option 3 was presented as funding financial sustainability as well as additional spending to revitalise the council's services and infrastructure. In November 2014, in response to considerable community support for Option 3, the council decided to apply for increases of 8% per year over five years.¹²

We consider that overall the IP&R processes and documents met the criteria, even though the Delivery Program did not include Option 3.

¹¹ Newcastle City Council, *Application Part B, Attachment 6, The City of Newcastle, Road to Recovery, Community Engagement Report*, November 2014, p 5.

¹² Newcastle City Council, *Application Part B*, pp 2,5 and 21, and Attachment 8, *Resolution to Apply for the special variation – 25 November 2014*.

3.2 Community engagement and awareness

We consider the council has met this criterion.

Initially the council consulted the community about, and adopted, a Delivery Program that proposed special variation increases of between 6.5% and 6.8% per year over five years.¹³ Later, during October 2014, the council consulted the community regarding the applied for increases of 8% per year, over five years.¹⁴ The consultation included:

- ▼ newspaper advertising
- ▼ an information booklet
- ▼ an article in the council newsletter
- ▼ a media release and six articles in local papers
- ▼ an email to the council's community reference panel
- ▼ a social media campaign, and
- ▼ nine community information sessions.¹⁵

Outcome of consultation on rate increases

We note there is evidence of support for the rate increases requested. Feedback showed substantial levels of support for all three options.

We have summarised the results for the largest surveys in Table 3.2.

Table 3.2 Percentage of respondents indicating first preference for each increase option

	Number of responses	Option 1 – Base case (%)	Option 2 – 6.5% to 6.8% each year for 5 years (%)	Option 3 – 8% each year for 5 years (%)
Micromex random telephone survey	400	28	52	20
Newcastle Voice community panel	659	29	38	34
Feedback slips	280	34	28	38

Note: Respondents were asked to indicate a preference from first to third for each option.

Source: Newcastle City Council, *Application Part B*, pp 83-93.

¹³ Newcastle City Council, *Application Part B*, p 79, and Attachment 2, *Delivery Program 2013-2017*, June 2014, p 20.

¹⁴ Newcastle City Council, *Application Part B*, Attachment 6 – Newcastle Voice – Community Engagement Report, p 7.

¹⁵ Newcastle City Council, *Application Part B*, Attachment 6 – Newcastle Voice – Community Engagement Report, pp 7-9, and 29.

Submissions to IPART

IPART received 72 submissions, of which 28 were form-letters supporting the application. Of the remaining 44 submissions, all except one opposed the increases.¹⁶

The form letter supported the application on the basis that the increases represented a small cost to the community but would allow the council to achieve financial sustainability, improve services and renew assets.

Submissions which objected to the increase raised the following concerns:

- ▼ the community does not have capacity to pay the increases
- ▼ the increase is too high
- ▼ the council does not have a mandate to apply the increase
- ▼ the community showed preference for a lower increase (Option 2 - 6.5% to 6.8% per year over five years)
- ▼ that the increase and/or related spending is not needed
- ▼ the council did not consult adequately with the community, and
- ▼ the increases in the application are an ambit claim above what is needed.

We have taken note of all submissions, and the issues raised, and considered them in our assessment of the application. We note that the elected council considered community feedback, regarding different rate increase options presented to the community, before applying for a special variation. We also note that the council's application addresses the issues raised in submissions received by IPART.

4 What does our decision mean for the council?

Our decision means that Newcastle City Council may increase its general income over the 5-year special variation period from \$107.9 million in 2014-15 to \$158.3 million in 2019-20. Table 4.1 shows the annual increases in the dollar amounts to the council's general income. These amounts reflect the percentage increases we have approved and, in 2015-16, adjustments that occur as a result of various catch-up and valuation adjustments.

¹⁶ In addition, the Australian Hotels Association NSW (AHA NSW) made a submission to the application stating that the increases represented an additional cost to its members, and that the council did not consult the business ratepayers as extensively as residential ratepayers. We note that AHA NSW made submissions to 20 councils' special variations application.

These increases will be permanently incorporated into the council’s revenue base. After 2019-20, the council’s permissible general income will increase by the annual rate peg unless we approve a further special variation.¹⁷

Table 4.1 Permissible general income of Newcastle City Council from 2015-16 to 2019-20 arising from the special variation approved by IPART

Year	Increase approved (%)	Cumulative increase approved (%)	Annual increase in general income (\$)	Permissible general income (\$)
Adjusted notional income 30 June 2015				107,883,675
2015-16	8.0	8.0	8,455,988	116,339,663 ^a
2016-17	8.0	16.6	9,307,173	125,646,836
2017-18	8.0	26.0	10,051,747	135,698,583
2018-19	8.0	36.1	10,855,887	146,554,470
2019-20	8.0	46.9	11,724,358	158,278,827

^a A deduction of \$174,706 is required in 2015-16. This relates to a catch-up of \$988 under-collected in 2014-15 and \$175,694 relating to valuation objections previously recouped.

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

The council estimates that over these five years, the additional rates revenue will accumulate to \$96.9 million above the rate peg.

This extra income is the amount the council requested to enable it to maintain existing service levels, achieve financial sustainability and address infrastructure backlogs.

5 What does our decision mean for ratepayers?

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

In its application, Newcastle City Council indicated that it intended to increase rates, over the five years, by around the same percentage for each category.

¹⁷ General income in future years cannot be determined with precision, as it will be influenced by several factors apart from the rate peg. These factors include changes in the number of rateable properties and adjustments for previous under- or over-collection of rates. The Office of Local Government is responsible for monitoring and ensuring compliance.

The council has calculated that:

- ▼ residential rates by \$86 in the first year and by \$504 over five years, or a cumulative 46.9%
- ▼ business rates by \$673 in the first year and by \$4,066 over five years, or a cumulative 45.6%
- ▼ farmland rates by \$154 in the first year and by \$906 over five years, or a cumulative 46.9%, and
- ▼ minimum rates for the business and farmland categories will increase by \$57 in the first year and by \$334 over five years, or a cumulative 46.9%.¹⁸

Table 5.1 sets out Newcastle City Council's estimates of the expected increase in average rates in the main ratepayer categories.

Table 5.1 Indicative annual increases in average rates under Newcastle City Council's approved special variation 2015-16 to 2019-20

Year	Average residential rate			Average business rate		
	Increase (%)	Increase (\$)	Rate (\$)	Increase (%)	Increase (\$)	Rate (\$)
2014-15 ^a			1,074			8,912
2015-16	8.00	86	1,160	7.56	673	9,585
2016-17	8.00	93	1,253	7.86	753	10,338
2017-18	8.00	100	1,353	7.87	813	11,152
2018-19	8.00	108	1,461	7.87	878	12,030
2019-20	8.00	117	1,578	7.88	948	12,977
Cumulative increase	46.90	504		45.62	4,066	

a 2014-15 is included for comparison.

Note: Some numbers may not add due to rounding. The average rate is calculated by dividing rates income by the number of assessments, and includes ordinary and any special rates applying to each rating category.

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

¹⁸ Newcastle City Council, *Application Part A*, Worksheet 5a.



Appendices

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

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

The council will use the special variation revenue above the rate peg of \$283.6 million over 10 years to fund:

- ▼ \$16.5 million on enhanced services by increasing operating expenditure,
- ▼ \$200.1 million to preserve or maintain cash reserves, and
- ▼ \$67.0 million on asset renewals and new capital expenditure.¹⁹

At the same time the special variation will enable financial sustainability to be achieved with modest operating surpluses in later years.

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

¹⁹ Newcastle City Council, *Application Part A*, Worksheet 6, and email from Newcastle City Council, 31 March 2015.

Table A.1 Newcastle City 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	6,041	12,040	18,683	26,029	34,137	35,161	36,216	37,303	38,422	39,574	283,607
Funding for increased operating expenditures	750	770	1,041	1,063	2,085	2,109	2,134	2,160	2,188	2,217	16,517
Funding to reduce operating deficits (or increase surpluses)	5,291	11,270	17,642	24,966	32,052	33,052	34,082	35,143	36,234	37,357	267,090
Total	6,041	12,040	18,683	26,029	34,137	35,161	36,216	37,303	38,422	39,574	283,607
Funding for renewals/new capital expenditure	1,100	1,803	3,905	6,159	8,163	8,167	8,671	8,675	9,180	11,184	67,007
Transfers to reserves	4,191	9,467	13,737	18,807	23,889	24,885	25,411	26,467	27,054	26,173	200,083

Note: Numbers may not add due to rounding.

Source: Newcastle City Council, *Application Part A*, Worksheet 6, IPART calculations and email from Newcastle City Council, 31 March 2015.

Table A.2 Newcastle City Council – Proposed 10-year capital expenditure program 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
Restoration/renewal of City Hall							2,500	2,500	3,000	5,000	13,000
Road/footpath renewals	300	500	750	1,000	1,000	1,000	1,000	1,000	1,000	1,000	8,550
Total Asset Renewal	300	500	750	1,000	1,000	1,000	3,500	3,500	4,000	6,000	21,550
Online DA tracking system	200	200	50	51	53	54	55	57	58	59	837
Road and pedestrian traffic improvements	500	500	1,000	1,000	2,000	2,000	2,000	2,000	2,000	2,000	15,000
Accelerated Hunter Street revitalisation				1,000	2,000	2,000					5,000
Accelerated Blackbutt Reserve improvements		500	1,500								2,000
Implement Cycling Strategy and Action Plan			500	3,000	3,000	3,000	3,000	3,000	3,000	3,000	21,500
Newcastle revitalisation projects	100	103	105	108	110	113	116	119	122	125	1,120
Total Asset Upgrades	800	1,303	3,155	5,159	7,163	7,167	5,171	5,175	5,180	5,184	45,457
Total Capital Expenditure	1,100	1,803	3,905	6,159	8,163	8,167	8,671	8,675	9,180	11,184	67,007

Note: Numbers may not add due to rounding.

Source: Newcastle City Council, *Application Part A*, Worksheet 6, and email from Newcastle City Council, 31 March 2015.

B Newcastle City Council's projected revenue, expenses and operating balance

As a condition of IPART's approval, Newcastle City Council is to report annually against its projected revenue, expenses and operating balance as set out in its application (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 Newcastle City 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	238,942	250,442	263,505	276,875	291,100	298,982	306,852	315,263	323,856	332,224
Total expenses	240,945	246,946	254,193	260,622	267,934	282,378	288,432	294,465	301,575	308,919
Operating result from continuing operations	-2,003	3,496	9,312	16,253	23,166	16,604	18,420	20,798	22,281	23,305
Net operating result before capital grants and contributions	-8,683	-3,184	2,632	9,573	16,486	9,924	11,740	14,118	15,601	16,625

Note: Numbers may not add due to rounding. This table does not include productivity savings forecast in Newcastle City Council's LTFP.

Source: Newcastle City Council, *Application Part A*, Worksheet 7; Newcastle City Council, *Application Part B*, Attachment 3, *Long Term Financial Plan 2015-2025* adopted 24 February 2015, pp 152 and 154, and IPART calculations.

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 Newcastle City Council have changed over the four years to 2012-13.

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

Performance indicator	2009-10	2010-11	2011-12	2012-13	Average change (%)
FTE staff (number)	938	926	952	960	0.8
Ratio of population to FTE	165	167	163	161	-0.7
Average cost per FTE (\$)	85,781	94,957	94,074	98,633	4.8
Employee costs as % operating expenditure (General Fund only) (%)	41.1	38.6	38.2	41.0	
Consultancy/contractor expenses (\$m)	17.5	19.6	20.7	14.1	-6.9
Consultancy/contractor expenses as % operating expenditure (%)	9.0	8.6	8.8	6.1	

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.

General comparative indicators

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

Newcastle City Council is in OLG Group 5. Unless specified otherwise, the data refers to the 2012-13 financial year.

Table C.2 Select comparative indicators for Newcastle City Council, 2012-13

	Newcastle City Council	OLG Group 5 average	NSW average
General profile			
Area (km ²)	187		
Population	157,273		
General Fund operating expenditure (\$m)	224.9		
General Fund operating revenue per capita (\$)	1,383	1,224	2,026
Rates revenue as % General Fund income (%)	51.9	52.1	46.8
Own-source revenue ratio (%)	85.3	76.7	71.1
Average rate indicators^a			
Average rate – residential (\$)	975	976	712
Average rate – business (\$)	7,686	4,841	2,688
Average rate – farmland (\$)	1,632	1,711	2,194
Socio-economic/capacity to pay indicators^b			
Average annual income for individuals, 2011 (\$)	52,957	45,257	49,070
Growth in average annual income, 2006-2011 (% pa)	5.1	4.6	5.2
Average residential rates 2012/13 to average annual income, 2011 (%)	1.8	2.2	1.5
SEIFA, 2011 (NSW rank: 153 is least disadvantaged)	110		
Outstanding rates and annual charges ratio (General Fund only) (%)	5.1	5.5	6.0
Productivity (labour input) indicators^c			
FTE staff (number)	960	803	294
Ratio of population to FTE	161	164	127
Average cost per FTE (\$)	98,633	82,341	75,736
Employee costs as % operating expenditure (General Fund only) (%)	41.0	35.7	37.1
Consultancy/contractor expenses (\$m)	14.1	25.3	7.8
Consultancy/contractor expenses as % operating expenditure (%)	6.1	12.7	10.3

^a Average rates equal total ordinary rates revenue divided by the number of assessments in each category. Average annual income includes income from all sources excluding government pensions and allowances.

^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.

