



Independent Pricing and Regulatory Tribunal

# **Oberon Council's application for a special variation for 2015-16**

under section 508(A) of *Local Government Act 1993*

**Local Government — Determination**  
May 2015





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The Tribunal members for this review are:

Dr Peter J. Boxall AO, Chairman

Ms Catherine Jones

Mr Ed Willett

Inquiries regarding this document should be directed to a staff member:

Tony Camenzuli (02) 9113 7706

Independent Pricing and Regulatory Tribunal of New South Wales

PO Box K35, Haymarket Post Shop NSW 1240

Level 15, 2-24 Rawson Place, Sydney NSW 2000

T (02) 9290 8400 F (02) 9290 2061

[www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au)

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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).<sup>1</sup> Box 1.1 explains the Guidelines for 2015-16.

Oberon Council applied for a multi-year special variation under section 508A to remain permanently in the rate base.<sup>2</sup> The council requested increases of 6.50% in 2015-16, 6.90% in 2016-17, 6.95% in 2017-18, and 7.00% in each of 2018-19 and 2019-20, or a cumulative increase of 39.40% over the next five years. 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.

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## Box 1.1 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.

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<sup>1</sup> 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).

<sup>2</sup> Oberon Council, *Special Variation Application – Part A, 2015-16, Revised 6 March* (Oberon, Application Part A), Worksheet 4.

Our decision will enable the council to improve asset management, upgrade road freight routes, reduce infrastructure backlogs, fund interest payments on a Local Infrastructure Renewal Scheme (LIRS) loan, and improve its financial sustainability. Specifically, funding will be increased for road maintenance, grading of unsealed rural roads and to develop asset management data. The LIRS loan is being used to fund the current upgrading of Mayfield Road.

The council consulted its community about these issues in preparing its special variation application.

## 1.1 Our decision

We determined that Oberon Council may increase its general income in each year between 2015-16 and 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). The cumulative increase of 39.40% is 24.15% more than the rate peg increase assumed by the council over these years.<sup>3</sup>

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 Oberon Council's application for a special variation in 2015-16**

	2015-16	2016-17	2017-18	2018-19	2019-20
Percentage increase approved	6.50	6.90	6.95	7.00	7.00

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

**Source:** Oberon Council, *Application Part A*, Worksheet 1 and IPART calculations.

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.

<sup>3</sup> 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.



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**Box 1.2      Conditions attached to Oberon Council's approved special variation**

IPART's approval of Oberon 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.
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## 2      What did the council request and why?

Oberon Council applied to increase its general income by a cumulative 39.40% over the 5-year period from 2015-16 to 2019-20, and to permanently incorporate this increase into its general income base.<sup>4</sup>

The council estimated that if the requested special variation is approved, its permissible general income would increase from \$3.33 million in 2014-15 to \$4.65 million in 2019-20. This would generate additional revenue of \$2.27 million above the rate peg increases, assumed by the council, over the next five years.

During the 5-year special variation period, the council intends to use the additional revenue from the special variation (\$2.27 million) to fund gaps in operating expenditure (\$0.66 million) while improving its operating balance (ie, financial sustainability) by \$1.61 million. This increase in the operating balance, combined with other council funds (\$0.18 million), will be used to increase capital expenditure (\$1.79 million) related to its road assets, over this period.

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<sup>4</sup> Oberon Council, *Application Part A*, Worksheets 1 and 6. The council will be spending \$2.5 million and receiving \$2.3 million from the special variation over the first five years. This shortfall of \$0.2 million will be recouped by 2024-25.

Over 10 years, the special variation will generate revenue of \$6.67 million above the rate peg, assumed by the council. The council indicated that over the 10 years of the Long Term Financial Plan (LTFP) it proposes to increase:

- ▼ Operating expenditures by \$1.76 million, as follows:
  - \$1.13 million on road maintenance
  - \$0.46 million on grading of unsealed rural roads
  - \$0.12 million on improved asset management planning, and
  - \$0.05 million on LIRS loan interest payments for Mayfield Road.
- ▼ The operating balance by \$4.91 million, enabling capital expenditure to be increased by:
  - \$2.46 million to reduce road infrastructure backlogs, and
  - \$2.45 million to renew and upgrade road freight routes.<sup>5</sup>

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 Oberon Council's application against the criteria in the Guidelines. In making our assessment we also considered the council's most recent IP&R documents, as well as a range of comparative data about the council, set out in Appendix C.<sup>6</sup>

Oberon Council has applied on the basis of its adopted IP&R documents, in particular the *Community Strategic Plan 2014, Long Term Financial Plan Consolidated and General Funds 2015-2016 to 2024-25* and *Road Asset Management Plan 2014*.

While the council's revised Delivery Program did not canvas the need, purpose or extent of the proposed rate increase, these were addressed in the Long Term Financial Plan, which also forms part of the IP&R suite of documents, and was posted on the council's web site during the consultation period.

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<sup>5</sup> Oberon Council, *Application Part A*, Worksheet 6.

<sup>6</sup> See Appendix C. Oberon Council is in OLG Group 10, which is classified as rural large area with a population between 5,000 and 10,000 persons or remote areas with a population between 3,001 to 20,000 persons. The group comprises 25 councils, including councils such as the Shire(s) of Blayney and Upper Lachlan which are comparators for the Oberon LGA.

The rate increases for which the council has applied are large. 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. We note that the council's current application was significantly below the percentage increases (10% in each of the next five years), it proposed to its community in November 2014.<sup>7</sup>

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

1. The need for the additional revenue reflects community priorities and is supported by TCorp's assessment of the outlook for council's financial sustainability.
2. On balance, the council has met this criterion. The council provided evidence that the community is aware of the need for and extent of the rate increases. However, the council's revised Delivery Program did not canvas the need, purpose, extent or benefits of the proposed rate increase. As these aspects of the special variation were addressed in the Long Term Financial Plan, which also forms part of the IP&R suite of documents, this criterion was broadly met.
3. The council has met this criterion. The impact of the proposed rate increases on ratepayers is large, but reasonable in itself given:
  - ▼ the purpose of the special variation
  - ▼ that the council's current residential rate levels are significantly below those of its comparators
  - ▼ that Oberon Council has not previously applied for a special variation, and
  - ▼ that the local government area has a middle level SEIFA ranking within the State. This indicates that the community is not socio-economically disadvantaged when compared with other councils in NSW.
4. The council provided evidence that the relevant IP&R documents have been exhibited and adopted, although as discussed above, the Delivery Program did not canvas the rationale for the proposed rate increase. This was addressed in the Long Term Financial Plan.
5. The council reported cost 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.

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<sup>7</sup> Oberon Council, *Resourcing our Future*, a brochure distributed to all ratepayers in November 2014. This brochure also provided an opportunity for ratepayers to provide feedback to council on their preferred option.

**Table 3.1 Summary of IPART’s assessment of Oberon 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&amp;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&amp;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 rates increase will improve financial sustainability, road maintenance and renewals consistent with community priorities and TCorp findings. It will also fund:</p> <ul style="list-style-type: none"> <li>▼ improved asset management planning data</li> <li>▼ upgrading of road freight transport routes, and</li> <li>▼ interest expenses for an existing loan.</li> </ul> <p>TCorp found that backlogs needed to be reduced before deteriorating assets place pressure on financial sustainability. The rates increase will enable the council to record operating surpluses (excluding capital grants and contributions), from 2017-18, increasing to 2.5% of revenues by 2024-25. Over this period, road backlogs will also decrease from \$14m (2012) to \$9m.</p> <p>The council has pursued alternative (grant) funding sources, including user fees/charges and has used debt to partly fund infrastructure.</p>
<p>2. Evidence that the community is aware of the need for and extent of a rate rise. The IP&amp;R documentation should clearly set out the extent of the General Fund rate rise under the special variation. The council’s community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure an opportunity for community awareness and input to occur.</p>	<p>Contrary to what would be expected, the Delivery Program did not canvas the need, purpose, extent or benefits of the proposed rate increase. These aspects of the special variation were addressed in the Long Term Financial Plan (LTFP), which was posted on the council’s web site during the consultation period. As the LTFP forms part of the IP&amp;R suite of documents, this enabled this aspect of this criterion to be broadly met.</p> <p>The council informed and provided the community with opportunities to provide feedback through public meetings, a brochure/postal survey and the local media. Council achieved a high level (309 or 6% of the population) of responses to its postal survey, on the proposed rates increase. However, the community was not made aware of the cumulative increase until February 2015.</p>
<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&amp;R processes should:</p> <ul style="list-style-type: none"> <li>▼ clearly show the impact of any rises upon the community</li> <li>▼ include the council’s consideration of the community’s capacity and willingness to pay rates and</li> <li>▼ establish that the proposed rate increases are affordable having regard to the local community’s capacity to pay.</li> </ul>	<p>The council has met this criterion. The council showed the impact of the General Fund rate increases upon the community and considered the community’s capacity and willingness to pay with reference to socio-economic and demographic factors.</p> <p>We note that, in its consideration of the community’s capacity to pay, the council did not explicitly take into account planned large increases to its water and sewer rates.</p> <p>The impact of the special variation increases is large, but reasonable in itself given:</p> <ul style="list-style-type: none"> <li>▼ the purpose of the special variation</li> <li>▼ that the council’s current residential rate levels are significantly below those of its comparators</li> <li>▼ the council has not previously applied for a special variation, and</li> <li>▼ that the local government area has a middle level SEIFA ranking within the State. This indicates the community is not socio-economically disadvantaged when compared with other councils in NSW.</li> </ul>

Criterion	IPART findings
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.	The council's CSP, Delivery Program and Resourcing Strategy were exhibited during May and June 2014 and adopted on 26 June 2014. As discussed above, the Long Term Financial Plan (but not the Delivery Program) outlined the rationale, magnitude and benefits of the rate rise.
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.	The council's cost savings in recent years have been limited to a small reduction in the number of employees over 2009-13, refer to Appendix C. Over the life of the LTFP, council plans to introduce: <ul style="list-style-type: none"> <li>▼ work practice efficiencies through new technology</li> <li>▼ efficiencies in staff training and a (further) reduction in staff numbers through natural attrition and succession planning</li> <li>▼ savings in procurement costs through the Centroc Regional Procurement Program, and</li> <li>▼ improvements in debt recovery through external debt recovery.</li> </ul>

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

**Sources:** Oberon Council, *Application Part A*, and *Application Part B*; OLG, Unpublished data; NSW Treasury Corporation (TCorp); *Oberon Council Financial Assessment, Sustainability and Benchmarking Report*, March 2013; Oberon Council, *Delivery Program 2014*; Oberon Council, *Long Term Financial Plan 2014*, pp 6-7 and Attachment 2, *Resourcing Our Future* and email correspondence with Oberon Council.

### 3.1 Reasonable impact on ratepayers

We found that the council has met this criterion. The impact of the proposed rate increases on ratepayers is large, but reasonable given the purpose of the special variation.

We note that the council's consideration of the community's capacity to pay did not take into account the council's proposed cumulative 40% to 54% increases in water access charges and sewerage charges over the next five years. However, our analysis indicates that, with the special variation, Oberon Council's ratio of combined residential, water and sewerage rates relative to annual income is middle placed amongst similar councils that have applied for special variations in recent years.<sup>8</sup>

Overall, a number of factors support the council's assessment that the special variation is affordable to its ratepayers. These include that:<sup>9</sup>

- ▼ The council's current residential rate levels are significantly below those of its comparators. This reflects that the council has not previously applied for a special variation. Average residential rates, including special rates, at \$516 (based on 2012-13, latest available data), are significantly below those of Upper Lachlan Shire at \$601, Blayney Shire with \$713 and the Group 10 average of \$552.

<sup>8</sup> Oberon Council, *Application Part A*, Worksheet 5a and *Application Part B*, pp 10-12.

<sup>9</sup> Oberon Council, *Application Part A*, Worksheets 1 and 5a, *Application Part B*, p 12 and *Hardship Policy, Resourcing our Future*, and OLG unpublished data.

- ▼ Oberon Council considered the community's capacity to pay with reference to socio-economic and demographic factors:
  - Average personal incomes (\$44,687) are 8% above the Group 10 average and unemployment is quite low (4.8%).
  - The local government area (LGA) has a middle level SEIFA ranking (79/153) within the State. This indicates that the local community is not socio-economically disadvantaged when compared with other councils in NSW.

The council also, following feedback received from the community, reduced the proposed ordinary rates increases from 10% pa (cumulative 61.05%) to 7.5% pa (cumulative 43.56%), over the next five years.

Additionally, total increases for average residential and business ratepayers (between 5.2% to 6.7% pa) will be less than the 7.5% pa communicated by the council. This is due to the Town Improvement rate (TIR) increasing by only the assumed rate peg increases. This will result in dollar increases in combined ordinary residential rates, including the TIR, increasing by \$41 to \$57 pa, business rates by \$80 to \$99 pa and farmland rates by \$100 and \$137 pa.<sup>10</sup>

We also found that ratepayers are generally able to make their rate payments. The (General Fund) outstanding rates ratio (7.6%) is below the accepted benchmark for rural councils (10%) and is similar to the Group 10 average (7.5%). Ratepayers having difficulties paying their rates also have access to the council's financial hardship policy.<sup>11</sup>

Finally, we received only two community submissions including one from the Australian Hotels Association. That submission correctly pointed out that the postal survey used by the council provided options for special variations but not a rate peg option. This detracted from the usefulness of the survey results.<sup>12</sup>

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

Our decision means that Oberon Council may increase its general income over the 5-year special variation period from \$3.32 million in 2014-15 to \$4.65 million in 2019-20. Table 4.1 shows the annual increases in the dollar amounts to the council's general income.<sup>13</sup> 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.

<sup>10</sup> Oberon Council, *Application Part A*, Worksheets 1 and 5a.

<sup>11</sup> Oberon Council, *Hardship Policy*, OLG unpublished data and OLG *Comparative Information on NSW Local Government Councils 2010-11*, p 39.

<sup>12</sup> [http://www.ipart.nsw.gov.au/Home/Industries/Local\\_Govt/Council\\_Portal/Applications/2015-2016/Oberon\\_Council?ot=LG\\_Special\\_Variation\\_Application#submission](http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt/Council_Portal/Applications/2015-2016/Oberon_Council?ot=LG_Special_Variation_Application#submission)

<sup>13</sup> Oberon Council, *Application Part A*, Worksheet 1.

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.<sup>14</sup>

**Table 4.1 Permissible general income of Oberon 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 <sup>a</sup>				3,321,314
2015-16	6.50	6.50	227,916	3,549,231
2016-17	6.90	13.85	244,897	3,794,128
2017-18	6.95	21.76	263,692	4,057,819
2018-19	7.00	30.28	284,047	4,341,867
2019-20	7.00	39.40	303,931	4,645,797

<sup>a</sup> Includes a prior catch-up of \$12,031 that had not been recouped by the time of the application was submitted to IPART is to be recouped in 2015-16.

**Source:** Oberon 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 \$2.27 million above the rate peg increases assumed by the council.<sup>15</sup>

This extra income is the amount the council requested to enable it to undertake additional operating and capital expenditure to maintain service levels at acceptable standards and to enhance its financial sustainability.

The effect on the council’s general income is shown in Table 4.1 and the effect on its financial outlook is shown in Table B.1 in Appendix B. In particular, the increase in rates over the next five years are projected to enable the council to avoid operating deficits (excluding capital grants and contributions) from 2017-18 onwards.

## 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.

<sup>14</sup> 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.

<sup>15</sup> Oberon Council, *Application Part A*, Worksheet 1.

Oberon Council's application indicates that in 2015-16 ordinary rates will increase by 7.2% for residential ratepayers, 8.0% for business and by 7.3% for farmland ratepayers. After the first year of the special variation, ordinary rates for each of these rating categories will increase by 7.5% pa over the period to 2019-20.<sup>16</sup>

However, the TIR is to increase by only the assumed rate peg (2% to 3% pa), over this period. Also, not all ratepayers in each of these rating categories will be paying the TIR. This will result in increases in total average rates varying across the rating categories, over the next five years.<sup>17</sup>

The council has calculated that:

- ▼ the average residential rate (including TIR), will increase by 6.3% or \$41 in the first year and by a cumulative 37.9% or \$247 over five years
- ▼ the average business rate (including TIR), will increase by 5.5% or \$80 in the first year and by a cumulative 30.0% or by \$440 over five years
- ▼ the average farmland rate (including TIR), will increase by 7.3% or \$100 in the first year and by a cumulative 43.3% or and by \$594 over five years.<sup>18</sup>

Table 5.1 sets out Oberon Council's estimates of the expected increase in average rates for residential, business and farmland ratepayer categories.

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<sup>16</sup> Oberon Council, *Application Part A*, Worksheet 5a and IPART calculations.

<sup>17</sup> Oberon Council, *Application Part A*, Worksheet 5a.

<sup>18</sup> Oberon Council, *Application Part A*, Worksheet 5a.



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

<b>Year</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>Cumulative increase</b>
<b>Ordinary residential rate</b>						
\$ increase	40	45	48	52	56	241
% increase	7.2	7.5	7.5	7.5	7.5	43.17
<b>Town improvement residential rate</b>						
\$ increase	6	7	7	8	8	36
% increase	2.3	2.7	2.9	3.0	3.0	14.70
<b>Total residential rate</b>						
\$ increase	<b>41</b>	<b>46</b>	<b>50</b>	<b>53</b>	<b>57</b>	<b>247</b>
% increase	<b>6.3</b>	<b>6.6</b>	<b>6.7</b>	<b>6.8</b>	<b>6.8</b>	<b>37.94</b>
<b>Ordinary business rate</b>						
\$ increase	60	60	65	70	75	330
% increase	8.0	7.5	7.5	7.5	7.5	44.20
<b>Town improvement business rate</b>						
\$ increase	26	24	27	29	30	135
% increase	3.0	2.7	2.9	3.0	3.0	15.43
<b>Total business rate</b>						
\$ increase	<b>80</b>	<b>80</b>	<b>87</b>	<b>93</b>	<b>99</b>	<b>440</b>
% increase	<b>5.5</b>	<b>5.2</b>	<b>5.3</b>	<b>5.4</b>	<b>5.5</b>	<b>30.00</b>
<b>Ordinary farmland rate</b>						
\$ increase	100	110	119	127	137	594
% increase	7.3	7.5	7.5	7.5	7.5	43.31
<b>Town improvement farmland rate</b>						
\$ increase	6	7	8	8	8	37
% increase	2.4	2.7	2.9	3.0	3.0	14.80
<b>Total farmland rate</b>						
\$ increase	<b>100</b>	<b>110</b>	<b>119</b>	<b>128</b>	<b>137</b>	<b>594</b>
% increase	<b>7.3</b>	<b>7.5</b>	<b>7.5</b>	<b>7.5</b>	<b>7.5</b>	<b>43.29</b>

**Note:** The average total residential rate is calculated by Oberon Council and includes the ordinary rate, the rural residential and non-urban residential rates as well as the town improvement special rate. The average total business rate includes the ordinary rate and the town improvement special rate. The same applies to the average total farmland rate.

**Source:** Oberon 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 Oberon Council's proposed expenditure of the special variation funds over the next 10 years.

The council will use the special variation revenue above the council's assumed rate peg of \$6.7 million, over 10 years to increase funding for:

- ▼ **Operating expenses by \$1.8 million to improve service levels.** This includes increased road maintenance (\$1.13 million), loan interest payments for Mayfield Road (\$0.05 million), increased gravel grading on rural unsealed roads (\$0.46 million), and improved road asset management data to determine the economic life of road assets (\$0.12 million), and
- ▼ **Capital expenditures by \$4.9 million,** including road renewals/backlogs (\$2.46 million), and upgrading of freight transport routes (\$2.45 million).<sup>19</sup>

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.

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<sup>19</sup> Oberon Council, *Application Part A*, Worksheet 6.

**Table A.1 Oberon 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
<b>Special variation income above rate peg</b>	<b>136</b>	<b>279</b>	<b>437</b>	<b>612</b>	<b>804</b>	<b>829</b>	<b>853</b>	<b>879</b>	<b>905</b>	<b>932</b>	<b>6,667</b>
Funding for increased operating expenditures	59	59	150	198	198	211	215	219	223	227	1,758
Funding to reduce operating deficits (or increase surpluses) and available for funding capital expenditure	77	220	287	414	607	617	638	660	682	705	4,909
Funding for capital expenditure	234	234	234	480	607	552	570	859	546	594	4,910
<b>Total expenditure</b>	<b>293</b>	<b>293</b>	<b>384</b>	<b>678</b>	<b>804</b>	<b>763</b>	<b>785</b>	<b>1,078</b>	<b>769</b>	<b>821</b>	<b>6,668</b>

**Note:** Numbers may not add due to rounding. Total special variation expenditure equals funding for increased operating expenditures plus funding for capital expenditure. Funding for improving the operating balance generates cash flow that is available for funding capital expenditure.

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

**Table A.2 Oberon 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
Roads and bridges											
Renewals	-	-	-	246	373	311	321	603	283	322	2,459
Upgrades	234	234	234	234	234	241	248	256	263	271	2,450
<b>Total Capital Expenditure</b>	<b>234</b>	<b>234</b>	<b>234</b>	<b>480</b>	<b>607</b>	<b>552</b>	<b>570</b>	<b>859</b>	<b>546</b>	<b>594</b>	<b>4,910</b>

**Note:** Numbers may not add due to rounding.

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

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

As a condition of IPART's approval, Oberon Council is to report annually against its projected revenue, expenses and operating balance as set out in its LTFFP (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 Oberon 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	12,022	11,364	12,817	12,704	12,665	13,558	13,671	13,473	14,031	14,378
Total expenses	11,212	10,634	11,825	11,643	11,480	12,309	12,405	12,289	12,720	13,021
Operating result from continuing operations	810	729	992	1,061	1,185	1,249	1,266	1,184	1,311	1,357
Net operating result before capital grants and contributions	-123	-204	59	116	229	282	287	191	304	336

**Note:** Numbers may not add due to rounding.

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



## C Comparative indicators

### Performance indicators

Indicators of council performance may be considered across time, either for one council or across similar councils, or by comparing similar councils at a point in time.

Table C.1 shows selected performance indicators for Oberon Council over the four years to 2012-13 (inclusive).

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

Performance indicator	2009-10	2010-11	2011-12	2012-13	Average change (%)
FTE staff (number)	79	80	79	78	-0.4
Ratio of population to FTE	68	67	66	67	-0.7
Average cost per FTE (\$)	56,266	58,750	60,316	59,795	2.0
Employee costs as % operating expenditure (General Fund only) (%)	39.5	36.1	34.9	37.7	NA
Consultancy/contractor expenses (\$'000)	1,255	1,291	1,274	1,435	4.6
Consultancy/contractor expenses as % operating expenditure (%)	11.1	9.5	9.3	11.1	NA

**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.

The above table shows that:

- ▼ Including casual and seasonal employees (excluded in the above table), mainly for the local swimming pool, total employee numbers decreased to 102 in 2014, slightly below that (104) in 2012.<sup>20</sup>
- ▼ While the council's performance for employee related expenses has improved since 2009-10, it has not matched the average performance of Group 10 councils. Employee expenses, as a percentage of operating expenditure have declined from 39.5% in 2009-10 to 37.7% in 2012-13. This compares with an average of 35.1% in 2012-13 for Group 10.

In particular, Blayney, a comparator council, reduced employee expenses from (also) 39.5% of operating expenditure in 2009-10 to 35.4% in 2012-13.<sup>21</sup>

<sup>20</sup> Oberon Council, *Application Part B, Attachment 13, Workforce Plan*, p 2.

<sup>21</sup> OLG, unpublished data.

### **General comparative indicators**

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

As indicated in section 3, Oberon Council is in OLG Group 10. Unless specified otherwise, the data refers to the 2012-13 financial year.

**Table C.2 Select comparative indicators for Oberon Council, 2012-13**

	Oberon Council	OLG Group 10 average <sup>a</sup>	NSW average
<b>General profile</b>			
Area (km <sup>2</sup> )	3,594	-	-
Population (2012)	5,214	-	-
General Fund operating expenditure (\$m)	10.8	-	-
General Fund operating revenue per capita (\$)	2,444	2,561	2,026
Rates revenue as % General Fund income (%)	24.1	26.3	46.8
Own-source revenue ratio (%)	55.3	49.5	71.1
<b>Average rate indicators<sup>b</sup></b>			
Average rate – residential (\$)	452	515	712
Average rate – business (\$)	716	1,141	2,688
Average rate – farmland (\$)	1,284	2,248	2,194
<b>Socio-economic/capacity to pay indicators<sup>c</sup></b>			
Average annual income for individuals, 2011 (\$)	44,687	41,325	49,070
Growth in average annual income, 2006-2011 (% pa)	4.6	6.0	5.2
Average residential rates 2012-13 to average annual income, 2011 (%)	1.0	1.3	1.5
SEIFA, 2011 (NSW rank: 153 is least disadvantaged)	79		
Outstanding rates and annual charges ratio (General Fund only) (%)	7.6	7.5	6.0
<b>Productivity (labour input) indicators<sup>d</sup></b>			
FTE staff (number)	78	105	294
Ratio of population to FTE	67	71	127
Average cost per FTE (\$)	59,795	66,915	75,736
Employee costs as % operating expenditure (General Fund only) (%)	37.7	35.1	37.1
Consultancy/contractor expenses (\$m)	1.4	2.3	7.8
Consultancy/contractor expenses as % operating expenditure (%)	11.1	9.3	10.3

<sup>a</sup> OLG Group 10 Local Government Area is classified as Rural Large Agricultural (pop. 5,001-10,000) or Remote (pop. 3,001-20,000) and includes 25 councils. Other LGAs within this group include: Berrigan, Bland, Blayney, Cobar, Cootamundra, Dungog, Glen Innes Severn, Gloucester, Gwydir, Junee, Kyogle, Lachlan, Liverpool Plains, Murray, Narrandera, Narromine, Snowy River, Temora, Tenterfield, Upper Lachlan, Uralla, Walgett, Wellington and Wentworth.

<sup>b</sup> Average rates equal ordinary rates (excluding special) 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> 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.

