Independent Pricing and Regulatory Tribunal

Penrith Council's application for a special variation for 2016-17

under section 508A of *Local Government Act 1993*

Local Government — Determination
May 2016

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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 income from rates. Each year we determine a standard increase that applies to all NSW councils (the rate peg), based on our assessment of the annual change in their costs and other factors.

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 either for a single year (section 508(2)) or for successive years 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 2016-17.

Penrith City Council (Penrith Council) applied for a multi-year special variation under s508A. It requested permanent increases of 9.09% for 2016-17, 5.0% in 2017-18, 5.2% in 2018-19 and 5.4% in 2019-20; a cumulative increase of 27.0%.[2] It also indicated that it will increase its minimum residential and farmland rates by 16.0% in 2016-17, thus shifting some rate burden away from ad valorem charges.[3]

After assessing the council's application, we decided to allow the special variation as requested, under section 508A of the Act.

Box 1.1 The Guidelines for 2016-17

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 2016/2017*, issued by the Office of Local Government. Refer to Table 3.1 for an outline of the criteria in the Guidelines.

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, in particular the Delivery Program and Long Term Financial Plan, must contain evidence that supports a council's application for a special variation.

A council that is the subject of a merger proposal will not be eligible for a special variation for the 2016-17 rating year.

1 Office of Local Government, *Guidelines for the preparation of an application for a special variation to general income for 2016/2017*, January 2016 (the Guidelines).

2 Penrith City Council, *Special Variation Application Form Part A 2016-17 (Penrith Application Part A)*, Worksheet 1.

3 *Penrith City Council Special Variation Application Form Part B 2016-17* (*Penrith Application Part B*), p 12.

Our decision enables the council to fund a variety of programs that will maintain some existing services and improve others whilst providing funds for capital spending that will both renew existing infrastructure and add new assets. The council's financial sustainability will also be improved.

The council has consulted its community extensively on funding its programs, first during its Integrated Planning and Reporting (IP&R) process, then during its Fit for the Future (FFTF) discussions and finally in preparing its application to us for a special variation in rates.

1.1 Our decision

We determined that Penrith Council may increase its general income between 2016-17 and 2019-20 by the annual percentages shown in Table 1.1, and may increase its minimum residential and farmland rates by 16.0% in 2016-17. The annual increases incorporate the rate peg to which the council would otherwise be entitled (1.8% in 2016-17).[4] The cumulative increase of 27.0% is 17.4% more than the assumed rate peg increase over these years.

This increase includes the permanent continuation of the levy for Asset Renewal & Established Areas Strategy (AREAS) that would otherwise expire at 30 June 2016.[5] The special variation, including the AREAS levy, will be retained in the council's general income base permanently.

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

Table 1.1 sets out our decision and Box 1.2 summarises these conditions.

Table 1.1 IPART's decision on Penrith Council's application for a special variation in 2016-17

	2016-17	2017-18	2018-19	2019-20	Cumulative % Increase
Percentage increase approved	9.09	5.00	5.20	5.40	27.01

Source: *Penrith Application Part A*, Worksheet 1.

4 The council has assumed a rate peg of 2.5% in future years. The special variation percentage approved will not change to reflect the actual rate peg in those years.

5 Penrith City Council, *Special Variation Application Form – Part B for 2016-17 (Penrith Application Part B)*, p 10. The AREAS levy is 4.13% of the council's 2014-15 general income (*Penrith Application Part A*, Worksheet 1).

Box 1.2 Conditions attached to the council's approved special variation

IPART's approval of Penrith Council's application for a special variation over the period from 2016-17 to 2019-20 is subject to the following conditions:

- The council uses the additional income from the special variation for the purposes of improving financial sustainability, renewing existing assets and undertaking new capital works and reducing infrastructure backlogs as outlined in the council's application and listed in Appendix A.
- The council reports in its annual report for each year from 2016-17 to 2025-26 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 action that may need 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.

We note the council will be reducing its general income for 2016-17 by $4,091,255 (the value of the expiring special variation). This reduction must take place before the council's general income is increased in 2016-17 in accordance with IPART's determination.

2 What did the council request and why?

Penrith Council applied to increase its general income by a cumulative 27.0% over the 4-year period from 2016-17 to 2019-20, and to permanently incorporate this increase into its general income base. It also indicated that it would increase its minimum residential and farmland rates in 2016-17 by 16%.[6]

The cumulative rise of 27.0% is marginally lower than the council's proposal submitted for the Fit for the Future (FFTF) assessment conducted in 2015. At that time, the council proposed a cumulative increase of 27.6% over the 4-year period from 2016-17 to 2019-20. The difference between the two proposals reflects a lower rate peg for 2016-17 than was assumed in the FFTF proposal.

The 9.09% increase in 2016-17 includes renewing, and making permanent, the AREAS levy that is due to end on 30 June 2016. This expiring special variation was designed to fund asset renewals from 2006-07 and ran for 10 years.

6 *Penrith Application Part A,* Worksheets 1, 4 and 5a and *Penrith Application Part B*, p 12.

The council has requested the AREAS levy be renewed and made permanent because the renewals program had developed into an ongoing program.[7]

Because the current level of rates includes the AREAS levy, expiring on 30 June 2016, the net cumulative rise in average rates will be 21.7% (or 12.0% above the rate peg) and not the full 27.0% of the proposed special variation.[8]

The council estimated that if the requested special variation is approved, its permissible general income would increase from $99.0 million in 2015-16 to $120.4 million in 2019-20. The special variation would generate additional revenue of $47.2 million above the rate peg over the four years.[9] Over the four years of the special variation period, the council expects to use the extra income of $47.2 million to:

- fund higher operating costs of $25.7 million (including $19.5 million in asset renewal spending)
- fund capital works of $15.0 million, and
- use the balance to repay debt or add to reserves.[10]

Over 10 years, the extra revenue would be $159.2 million, of which:

- $72.4 million would fund higher operating expenses (including $53.3 million in asset renewal spending)
- $50.3 million on capital projects, and
- $36.5 million on repaying debt principal or adding to reserves.[11]

More detail on the council's proposed programs of expenditure to 2025-26 is provided in Appendix A.

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7 *Penrith Application Part B*, p 33 states "the [road] network has improved and can be maintained in its current condition if current funding levels (indexed) are maintained". Similar indications are given following page 33 regarding the other areas funded by the AREAS levy.

8 *Penrith Application Part A,* Worksheet 1. Likewise, the stated increase of 16% in the residential and farmland minimum rates includes the renewing of the AREAS levy. The actual rise in these minimum rates in 2016-17 will be 11.03%.

9 IPART calculations based on *Penrith Application Part A* Worksheet 7 *and Part B* Attachment 3.

10 IPART calculations based on *Penrith Application Part B,* Attachment 3 LTFP and the classification into operating, capital and other uses in *Penrith Application Part A*, Worksheet 6.

11 IPART calculations based on *Penrith Application Part B*, Attachment 3, LTFP for income above the rate peg and *Penrith Application Part A*, *Worksheet 6* for spending plans. The council intends to expend more in net capital expenditure over the ten years that will come from the $50.3 million from special variation funds (source: emails from council on 1st and 9th of March 2016).

3 How did we reach our decision?

We assessed Penrith 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 its FFTF proposal and a range of comparative data about the council, set out in Appendix C.[12]

Penrith Council has applied on the basis of its adopted IP&R documents, in particular the *Community Strategic Plan* (CSP, adopted 24 June 2013), *Delivery Program 2013-2017, Long Term Financial Plan 2016/17- 2025/26* (both adopted 29 June 2015) and *Asset Management Strategy* (adopted 6 February 2016).

The rate increases for which the council has applied are significant, and we 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. The council's current application requests slightly lower percentage increases than those it proposed in its FFTF program and on which it consulted its community.

Penrith Council's 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, and is supported by the FFTF assessment of the council's financial sustainability.
2. The council provided **evidence the community is aware** of the need for and extent of the rate increases, and that it had provided opportunities for feedback to the council.
3. The **impact of the proposed rate increases on ratepayers** is significant, but reasonable given the existing and projected rate levels, the socio-economic position of residents and the purposes of the special variation.
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.

Table 3.1 summarises our assessment against the criteria. The sections following the table discuss some of our findings in more detail.

12 See Appendix C. Penrith City Council is in OLG Group 7, which is classified as 'Metropolitan Fringe'. The group comprises eight councils - Blue Mountains, Campbelltown, Gosford, The Hills, Hornsby, Liverpool and Wyong. Two large councils adjacent to Penrith, Blacktown and Fairfield, are in Group 3 'Metropolitan'.

Table 3.1 Summary of IPART's assessment of Penrith Council's application for a special variation against the criteria in the Guidelines

Criterion	IPART findings
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, in particular 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.	The council's IP&R documents clearly explain the need for and purpose of the special variation and show that: ▼ It is consistent with community priorities. ▼ It will be spent funding both operational costs and capital works. The special variation will be spent maintaining existing services, renewing existing assets and creating new ones, and reducing the modest infrastructure backlog. Our FFTF assessment noted the council's operating performance ratio would be improved by a special variation. In 2013 TCorp recommended the council's weak financial sustainability rating and neutral outlook be improved. The council has complemented its proposed special variation by various revenue-enhancing and cost saving measures. These include increased user fees on selected services, increased involvement in property development (including land sales) and reduced debt servicing costs. In the four years to 2014-15, operating income rose by 4.6% per year while operating costs excluding depreciation rose by 3.3% per year (the rate peg averaged 3.0% over same period).
2. Evidence that the community is aware of the need for and extent of a rate rise. The Delivery Program and Long Term Financial Plan 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 community awareness and input occur.	The council demonstrated it had made the community aware of the need for, and the extent of, the rate increase. It used a variety methods to engage with the community: ▼ Feedback was received on the council's website, by email and by letter. Support varied significantly across the community but it favoured the proposed SV in the random phone survey. ▼ Community concerns included affordability and wastage within council. The council analysed 110 written submissions, acknowledged major concerns in its application, but did not state how the input influenced its proposed special variation.
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 Delivery Program and Long Term Financial Plan should: ▼ clearly show the impact of any rises upon the community ▼ include the council's consideration of the community's capacity and	The impact on ratepayers will be significant over four years. In terms of average rates: ▼ past cumulative increase in rates over the 10 years to 2015-16 have been 60% for residential, 87% for business and 43% for farmland compared to the cumulative rate peg of 32%, and ▼ proposed cumulative increase over four years will be 25.6% for residential rates, 25.9% for farmland rates and 7.9% for business compared to an assumed rate peg of 9.6%.

Criterion	IPART findings
willingness to pay rates and ▼ establish that the proposed rate increases are affordable having regard to the community's capacity to pay.	In terms of minimum rates: ▼ proposed cumulative increases of 21.8% for business and 29.3% for residential & farmland compared to 9.6% for rate-peg-only increases. However, based on already approved special variations in neighbouring Local Government Areas (LGAs), rate levels in the Penrith LGA by 2019-20 are expected to be: ▼ below the six-neighbour residential average, and ▼ modestly above the six-neighbour business and farmland averages. An indication of residents' capacity to pay is that their average taxable income is higher than the average in the six neighbouring LGAs. Further, Penrith ratepayers generally pay on time (their council's outstanding rates ratio is lower than the average in neighbouring LGAs). However, other indicators show that the capacity to pay is no higher in the Penrith LGA than amongst its neighbours. The council has had two special variations (SVs) since 2006-07, the 5.2% AREAS levy and a permanent cumulative increase of 22.5% over four years from 2011-12. The second SV was reduced from a proposed 24.8% to 22.5% by IPART on concern about the impact on ratepayers. The council did not state whether it considered the proposed SV was affordable in light of its community's capacity to pay (see section 3.3 below).
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 income.	The council adopted the CSP in 2013. It exhibited its Delivery Program 4 May to 2 June 2015 and adopted it, and its LTFP, on 29 June 2015.
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.	Over the last six years, the council claims annual savings of $4.9 million. It has indicated where future savings might be made. The high ratio of employee costs plus contractor/ consultancy costs to operating expenditure at 64.7% is well above its neighbours and suggests scope remains for future operational cost savings.

Note: SEIFA is the Socio-Economic Indexes for Areas published by the Australian Bureau of Statistics.

Sources: *Penrith Application Part A*, and *Application Part* and its attachments; OLG, *Your Council Report Time Series Data 2011-12 – 2013-14*; NSW Treasury Corporation, *Penrith Council Financial Assessment, Sustainability and Benchmarking Report*, 7 March 2013 and *Financial Sustainability of the New South Wales Local Government Sector* April 2013, Penrith City, Long Term Financial Plan 2015/16 (LTFP) and IPART calculations.

3.1 Need for and purpose of the special variation

We consider the council has met this criterion.

Penrith Council's IP&R documents set out the need for, and purpose of the requested special variation, which is to:

- fund higher operational costs and lift the operating performance ratio into sustained surplus, thereby achieving financial sustainability, and
- use the operating surpluses to help fund asset renewals, new capital works and reduce the infrastructure backlog, thereby enhancing capital financial sustainability.

The council's IP&R documents indicate the community's priorities are to maintain and improve infrastructure.[13]

Alternative funding options

Other revenue sources

The council has explored alternative revenue options such as greater involvement in property development within the LGA, land sales and higher non-rates fees and charges. It has enhanced its revenues from some of these sources and is planning to do so with others.

Cost saving sources

On the operating cost side, the council's debt servicing costs have been falling for several years in step with general interest rate declines. They will fall further as operating surpluses fund some formerly debt-funded capital expenditure.[14]

The council has also listed a variety of projects that have resulted in cost savings, although the single largest saving resulted from reassessing the useful life of its assets in 2011-12. Since then, the annual depreciation charge has been halved.

In the four years to 2014-15, the growth in operating costs excluding depreciation grew at an average 3.3% per year (the rate peg averaged 3.0% over the same period). For the next four years the council has projected average operating cost growth of just 1.1% a year, aided especially by falling interest payments and steady materials and contracts costs.

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13 *Penrith Application Part B*, pp 25-27.

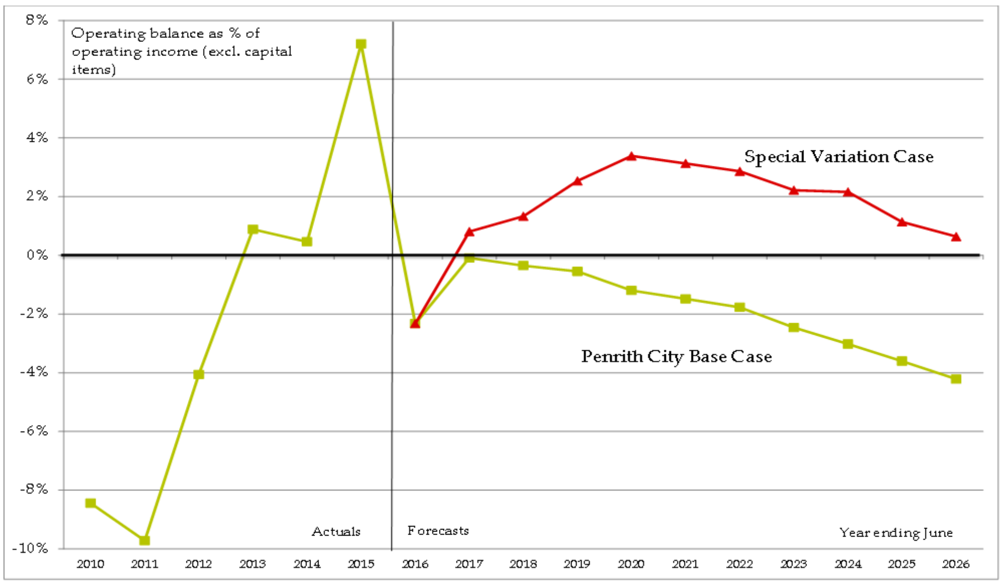
14 *Penrith Application Part B, Attachment 3 Long Term Financial Plan*. The alternative (special variation) scenario shows that outstanding borrowings will fall from $80.8 million in 2016-17 to $67.9 million after four years and to $32.1 million after 10 years.

Financial sustainability

When the council applied to IPART for a special variation in 2011, its operating account was in deficit by $16 million (9.7% of its operating income).[15] The operating account was not projected to reach a surplus, even with the special variation which we approved almost in full.[16]

Since 2010-11, the council has seen its operating account move rapidly into surplus and thus towards operational financial sustainability (Figure 3.1).

Figure 3.1 Penrith Council operating performance ratio since 2009-10



Data sources: Penrith Council, *Annual Financial Statements*, various; *Penrith Application Part B, Attachment 3, Long Term Financial Plan*.

The higher rates income that resulted from the special variation was a major reason for the shift from deficit in 2010-11 to a small surplus two years later. The other significant contributor to the shift into surplus was a reassessment of the residual values and useful lives of council's assets that halved the $40 million annual depreciation expense from 2012-13 onwards.

15 Penrith *Financial Statements 2012-13* pp 8 and 42. A secondary source of extra income was a cumulative 40% increase in domestic waste management charges which added $3.6 million a year to revenue by 2014-15.

16 IPART, *Penrith City Council's application for a special variation – Determination*, June 2011. The council proposed a cumulative 24.8% increase over four years. We approved 22.5%.

The operating account is expected to be in deficit in 2015-16 and remain there in the absence of the special variation. The projected deficit of $4.5 million arises because of:

- a return to normal for both employee costs that were temporarily reduced in 2014-15 by greater-than-expected retirements and for materials and contracts expenses that were temporarily reduced by some deferred operational projects,[17] and
- a return to more normal levels of 'other revenues' which were boosted in 2014-15 by several one-off items such as compensation from the council's investment advisors and revaluation of its investment properties.[18]

The Base Case in Figure 3.1 assumes that rates will fall on expiry of the AREAS levy and only increase by the rate peg in future years. The special variation proposed by the council will renew the AREAS levy (and make it permanent) and add an extra average 2.81% per annum to rates.[19]

Over the four years to 2019-20, the special variation would enable the council to fund $25.7 million in higher operating costs and add $21.5 million to the operating balance.[20] The special variation would thus shift the operating balance back into surplus which, with capital grants and contributions, would fund new capital projects worth $15.0 million. These capital projects would reduce the council's modest infrastructure backlog.

Over ten years, the special variation will fund $72.4 million in higher operating costs and add $86.8 million to the operating balance. The operating surpluses and capital grants and contributions would help fund an extra $50.3 million in new infrastructure.[21]

Table 3.2 indicates how the council's present proposal would affect its operating performance ratio and compares it with its projections in its FFTF proposal. The shift to surplus is similar in both cases, although it will occur sooner under the proposed special variation because of the improved starting base.

17 Penrith Council email to IPART dated 9 March 2016.

18 Penrith Council email to IPART dated 14 March 2016. The 2015-16 deficit is currently expected to be about $3.0 million (Penrith Council, *Organisational Performance Report, December 2015*, p 80.

19 *Penrith Application Part A*, Worksheet 1 and IPART calculations.

20 The numbers quoted in this and the next two paragraphs are from *Penrith Application Part A*, Worksheet 6 and Penrith City Council, *Financial Statements 2014-15*, Special Schedule 7.

21 Details may be found in Table A.1.

Table 3.2 Projected operating performance ratio (%) for Penrith Council's special variation application compared with its FFTF proposal

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Application - including SV	-2.6%	0.6%	1.1%	2.3%	3.2%	2.9%	2.7%	2.0%	2.0%	0.9%
excluding SV	-2.6%	-0.3%	-0.6%	-0.8%	-1.4%	-1.7%	-2.0%	-2.7%	-3.2%	-3.8%
FFTF – including SV	-4.3%	-2.07%	-0.41%	1.31%	2.64%	3.57%				

Source: IPART calculations based on *Penrith Application Part A*, Worksheet 7, and *Penrith Application Part B, Attachment* 13, *Fit for the Future Plan June 2015*, pp 9 and 21. Our measure of the OPR excludes all capital items, including proceeds or losses from asset sales.

In 2015, our Fit for the Future (FFTF) assessment found that the council:

- Met the criterion for sustainability because it expected its operating performance ratio to exceed the benchmark before 2019-20, and its building and asset renewal ratio is improving.
- Met the criterion for infrastructure and service management because it meets the benchmarks for the infrastructure backlog, the asset maintenance ratio and the debt service ratio.
- Met the efficiency criterion because its real operating expenditure was expected to decline after 2015-16.

NSW Treasury Corporation (TCorp) observed in 2013 that the council's financial position was 'weak' and its outlook was 'neutral'. This assessment was largely based on the then-current operating deficit above 4% of operating income and the outlook for its continuation. TCorp recommended the council consider options to save costs and increase revenues.[22]

3.2 Community engagement and awareness

We conclude the council has met this criterion. Extensive community consultation is apparent, both during its IP&R process and its targeted special variation process.

On the special variation, the council used a variety of methods of engagement including:

- an LGA-wide SRV Flyer which included an invitation to obtain more information via website, email and phone contact details
- various media communications via press releases, news stories, public meetings and displays and the yoursaypenrith website for feedback
- a community panel of 34 citizens in the LGA, and

22 New South Wales Treasury Corporation (TCorp), *Financial Sustainability of the New South Wales Local Government Sector*, April 2013, p 18 and TCorp *Penrith City Council Financial Assessment and Benchmarking Report* 7 March 2013, p 32.

- a stratified random sample of 608 residents.[23]

Outcome of consultation on rate increases

Although the criterion of assessment does not require councils to demonstrate community support for the special variation, amidst widely differing responses from the Penrith community there is evidence of support for the rate increases requested.[24]

In particular, the council's biannual survey of community satisfaction indicated a preference for improved services and the November 2015 sample phone survey of residents indicated a willingness to pay for improved services.

This survey is not open to the self-selection bias that may occur in the other engagement methods and it is chosen to capture the age and gender profile of the Penrith LGA. The sample of 608 residents was 71% ratepayers and 29% non-ratepayers.

The respondents were asked how supportive they were of three options for rate increases:

- Option 1: Reduce services - AREAS levy expires; rate peg increases only.
- Option 2: Maintain services – AREAS levy renewed plus rate peg increases.
- Option 3: Improve services – Option 2 plus an extra 2.4% per annum for four years. After the four years both the AREAS levy and the extra special variation "would be incorporated in the ongoing base rate".[25]

The survey, undertaken by an independent consulting firm, followed a conventional pattern that avoided questions that might lead the respondents. However, the survey was marred by two deficiencies.

First, it was not clear the renewed AREAS levy would be permanent. Only at Option 3 was this made plain.

Second, while the cumulative percentage increases were clearly stated, the cumulative size of the dollar increase in average residential rates under each option was not clear. Rather, the rise was stated to be $19 each year under Option 1, $32 each year under Option 2, and $63 "each year over this four year period" under Option 3.[26]

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23 Details on each method of community engagement are in *Penrith Application Part B* and its Attachments 5 and 6. These are on our website, excluding any confidential material.

24 Council provided all responses it received in a confidential attachment to its Part B application.

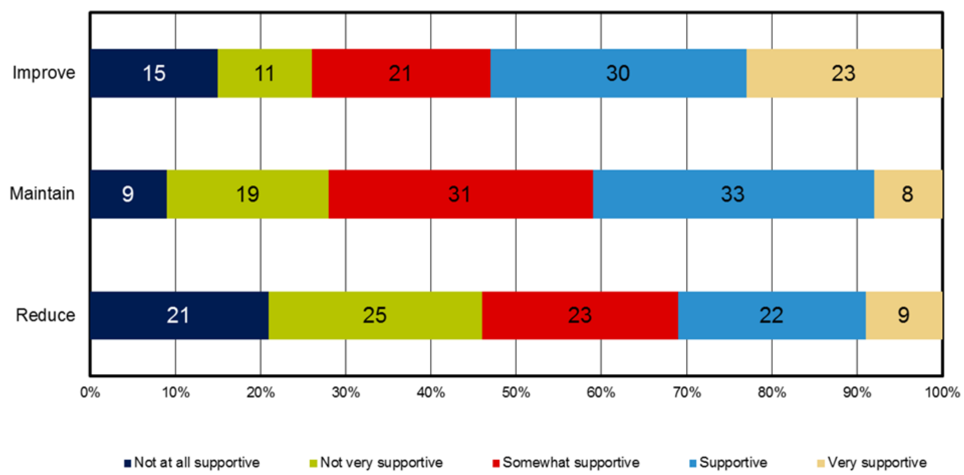
25 *Penrith Application Part B, Attachment 6A, SRV Survey Results Micromex Report*, p 19.

26 *Penrith Application Part B, Attachment 6A, SRV Survey Results Micromex Report*, pp 15, 17, 19.

By contrast, the council's flyer to all residents in October 2015 was clear. It stated that the cumulative rises in average residential rates to 2019-20 under the three options would be $74.60, $127.60 and $250 respectively (ie, four times the rounded amounts quoted to survey respondents).[27] Similar clarity was apparent in other media releases and fact sheets.[28]

The key findings of the survey are shown in Figure 3.2.

Figure 3.2 Outcomes of random survey of Penrith LGA residents



Data source: *Penrith Application Part B, Attachment 6A*, *SRV Survey Results Micromex Report*, p 21. In each bar the numbers add to 100%.

The results are not as supportive for the 'Reduce' or 'Maintain' options as they are for 'Improve' in that 53% of respondents were supportive (or better) of the option, well ahead of the support for the other options. Conversely, the 26% that were not supportive was lower than for the other options.

Finally, when respondents were required to choose 'your most preferred option' 50% chose the 'Improve' option, 35% 'Maintain' and 15% 'Reduce'.[29]

27 *Penrith Application Part B, Attachment 5A, SRV Flyer*, p 2. If anything, the council overstated the likely rate rise by assuming that the rate peg would rise from 2.4% in 2016-17 to 3.0% by 2019-20. In its application to us, the council has assumed future rate pegs of 2.5%.

28 For example, in its 11 February 2016 website post: "a successful application will see an increase of $55 per annum or $1.06 a week in the first year compared to the 2015-16 average rate. The cumulative increase over four years would see an increase of $250 per annum or $4.81 per week compared to the 2015-16 average rate".

29 *Penrith Application Part B, Attachment 6A, SRV Survey Results Micromex Report*, p 22.

Submissions

The council received 110 written submissions.[30] The council made various responses to each of the main issues raised by the submissions and summarised these in its application to us.[31]

IPART received five submissions opposing the proposal on grounds such as affordability, a failure to translate previous special variations into upgraded roads or other improved services, excessive costs relating to the council's vehicle fleet, overstaffing at middle management level, and limited and confusing consultation materials. One submission incorrectly asserted that the council would receive extra income both from the rates increase and higher land valuations.

We also received one submission from a rural ratepayer prior to receiving the council's application. It expressed concerns about paying for services not received and the council's financial management in general.

3.3 Reasonable impact on ratepayers

We consider the impact of the special variation will be significant because it is a cumulative rise of 21.7% over four years that will remain permanently in the rate base.[32] Annual charges are also projected to rise, notably domestic waste management charges at around 5-6% per annum or a cumulative 22-26% over the four years.

Further, these increases come after a cumulative rise of 32.1% in 'Rates and annual charges' over the four years to 2014-15. This past cumulative rise was also sizeable relative to the income growth that would have been derived from the combined effect of the cumulative rise of 12.7% under the rate pegs over the same period and population growth (about 5.9%, which is the increase in the Penrith LGA between the 2006 and 2011 censuses).[33]

The council's consideration of impact on ratepayers

Under the proposed special variation, the cumulative rise in the council's general income above its 2015-16 level will be 21.7%. The council provided detailed guidance on the effect of the special variation on rates because it will not be evenly distributed across all ratepayer categories. This is because the council wishes to increase the minimum residential and farmland rates by more than average rates and because new unimproved land values will apply in 2016-17.

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30 *Penrith Application Part B*, p 57.

31 *Penrith Application Part B*, pp 57-63.

32 As noted on page 4, this is lower than the full SV of 27.01% because the AREAS levy is already in the rates base.

33 *Penrith Application Part B* Attachment 3 LTFP, OLG *Your Council Report Time Series data 2011-12 – 2013-14* and IPART calculations.

The increase in the minimum rates by more than 21.7% means that more ratepayers will move onto minimum rates. Without the increase, the proportion of residential ratepayers on the minimum would fall to just over 22% (from just under 29% in 2015-16). With it, the proportion would rise to about 35%, which is about the same percentage of businesses that are on the minimum business rate.[34]

At the same time, the relativities between average rates will be affected by land revaluations made in 2015 by the NSW Valuer-General. For residential and farmland properties the average rise in land values has been 32.6%. For business properties the average rise has been 10.3%.[35]

The council has attempted to restrain the rise in average residential rates that would have occurred had there been no specific adjustment to minimum rates and had the land revaluation effects been allowed to flow through to rates in full.

Therefore, within the overall cap of a 21.7% rise in rates income over the four years, the council has proposed rate increases for the main ratepayer groupings as shown in Table 5.1.

Specifically, average residential and farmland rates would rise 25.6% and 25.9% respectively, average business rates would rise 8.1% despite the shift in land revaluations in their favour, and minimum residential and farmland rates would rise 29.3%.

To assess the likely effect of the rate rises on ratepayers, the council examined various socio-economic indicators relative to the other nine councils in the Western Sydney Regional organisation of Councils (WSROC). The indicators included incomes, a SEIFA index, unemployment rates, housing tenure and the downtrend in its own outstanding rates ratio.

It is not clear from the application how the council's examination of various capacity to pay indicators informed its view of the affordability of the proposed special variation.

The council also submitted its hardship policy which allows for instalment payments, charges interest on overdue accounts, and may defer payments for up to two years for land-revaluation-related rate rises. The council believes that its hardship policy "has the ability to deal with those ratepayers that are placed under hardship due to increases due to the proposed SRV".[36]

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34 *Penrith Application Part B*, p 72.

35 *Penrith Application Part B*, p 65. Higher land valuations do not yield more revenue for councils because the income they are permitted to collect is capped. Some ratepayers may indeed pay higher rates, but only because the value of their land has risen by more than the average rise across the LGA. Other ratepayers will find their rates lower if their land values have risen by less than the average across the LGA.

36 *Penrith Application Part B*, Attachment 7 Hardship Policy.

IPART's consideration of impact on ratepayers

In assessing the reasonableness of the impact of the special variation on ratepayers, we examined the council's special variation history and the average annual growth of rates in various rating categories, as well as a range of socio-economic data.

We found that since 2004-05:

- the council has applied for and been granted two special variations that were used for asset renewals and city centre upgrades for Penrith and St Marys, and
- the average annual growth in residential ordinary and special rates was 4.7%, 6.3% for the main business rate, and 3.0% for the farmland rate 3.0% (compared to the average annual rate peg of 3.1%).[37]

We found that in cross-council comparisons:

- The rates burden is mixed across ratepayer categories. Average rates in 2013-14 were higher, on average, in the Penrith LGA relative to its six neighbouring LGAs, particularly in its business and farmland categories (Table 3.3).
- By 2019-20, average rates across the six neighbouring councils are projected to increase by between 15% and 47% and on average by a cumulative 30% compared to Penrith's 31%.[38] That means that projected Penrith average residential rates in 2019-20 would be below the group average, projected average farmland rates would be close to the group average and projected average business rates would be modestly above the group average.
- Socio-economic indicators suggest that Penrith ratepayers have limited capacity to pay above-average rates. We discuss these indicators in Appendix C.

Taking all factors into account, we conclude the impact of the increases is significant in an LGA whose residents do not have a higher capacity to pay than its neighbours. The impact is reasonable compared to expected increases and relativities with neighbouring councils.

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37 OLG unpublished data and *Your Council Report Time Series Data 2011-12 - 2013-14* and IPART calculations.

38 These projections are made by applying special variations that have already been approved and actual and assumed rate pegs to the average rate levels in 2013-14. The projected cumulative percentage increases have then been applied evenly across all categories of ratepayer. To the extent that rates are increased differently for different ratepayer categories, the projections we have made will be only broadly indicative at best. Source IPART SV determinations (various) and IPART calculations.

Table 3.3 Average rates in Penrith and neighbouring LGAs in 2013-14 and projections for 2019-20

Council	Average ordinary and special rates, 2013-14			Cumulative rise to 2019-20	Projected average rates, 2019-20		
	Res	Bus	Farm	%	Res	Bus	Farm
Blacktown	852	7,149	3,362	22.9	1,047	8,789	4,134
Blue Mountains	1,245	2,971	2,081	47.2	1,832	4,373	3,062
Fairfield	708	6,887	1,658	23.5	874	8,504	2,047
Hawkesbury	1,018	1,796	2,211	14.8	1,170	2,063	2,539
Liverpool	1,031	6,053	3,135	14.8	1,184	6,951	3,600
Penrith	**1,028**	**6,257**	**3,129**	**30.7**	**1,344**	**8,179**	**4,090**
Wollondilly	1,183	1,888	2,475	58.0	1,873	2,989	3,919
Six neighbours (simple average)	**1,006**	**4,457**	**2,487**	**30.2**	**1,590**	**7,044**	**3,930**
Penrith/six neighbours	**1.02**	**1.40**	**1.26**		**0.85**	**1.16**	**1.04**

Note: The projections for 2019-20 have been derived by us by applying current approved special variations evenly to all average rates in each LGA. Average rates for the councils with no current special variation (Hawkesbury and Liverpool) are assumed to rise only at the annual rate peg of 2.5% – a cumulative 16%.
Source: OLG, *Your Council Report, Time Series Data 2011/12 – 2013/14* and IPART calculations based on current special variations approved prior to this year and actual rate pegs for 2014-15, 2015-16 and 2016-17 and assumed 2.5% rate pegs thereafter.

4 What does our decision mean for the council?

Our decision means Penrith Council may increase its general income over the four-years from $99.0 million in 2015-16 to $120.4 million in 2019-20.

Table 4.1 shows the annual increases in the dollar amounts to the council's general income.

Table 4.1 Permissible general income of Penrith Council from 2016-17 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 1 July 2016[a]				94,860,201
2016-17[b]	9.09	8,536,880	8,536,880	103,397,081
2017-18	5.0	13,706,734	5,169,854	108,566,935
2018-19	5.2	19,352,215	5,645,481	114,212,416
2019-20	5.4	25,519,685	6,167,470	120,379,886
Total increase approved			**25,519,685**	

a Includes adjustment of $4,091,255 for the AREAS levy special variation that expires on 30 June 2016.
b Permissible general income for 2016-17 is not simply the adjusted notional income as a 1 July 2016 inflated by 9.09% because a prior catch-up/valuation objection adjustment of $85,912 is to be refunded in 2016-17.
Source: *Penrith Application Part A,* Worksheets 1 and 4 and IPART calculations.

These increases will be permanently incorporated into the council's revenue base. After 2019-20, the council's permissible general income may increase by the annual rate peg unless the council applies for a further special variation for rate increases greater than the rate peg.[39]

The council estimates that over these four years, the additional rates revenue will accumulate to $45.9 million above the assumed rate pegs.[40] This extra income is the amount the council requested to enable it to improve its financial sustainability to fund higher operating costs and additional capital expenditure on asset renewals and new infrastructure.

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, Penrith Council indicated that it intended to increase rates over the four years by an average of 21.7% but within that it would increase some rate by more than others. The different increases reflect two things:

- Land revaluations have been higher for residential and farmland ratepayers than for business ratepayers.
- The council desires to increase minimum rates relative to ad valorem rates (and therefore average rates) in the residential and farmland categories. It briefly stated its reasons "to enhance affordability, address the changing shape of development in the City and growth in apartment and other strata living, and to lessen the impact of the SRV on rural ratepayers".[41]

The council has calculated:

- the average residential rate will increase by a cumulative 25.6%; by $89 in the first year and by $290 over four years
- the average business rate will increase by a cumulative 8.1%; a reduction of $486 in the first year and a rise of $547 over four years
- the average farmland rate will increase by a cumulative 25.9%; by $268 in the first year and by $852 over four years, and
- the minimum residential and farmland rates will both increase by a cumulative 29.3% or by $95 in the first year and by $253 over four years.[42]

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39 General income in future years cannot be determined with precision, as it will be influenced by several factors in addition to 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.

40 *Penrith Application Part A*, Worksheet 6.

41 *Penrith Application Part B*, p 12.

42 *Penrith Application Part A*, Worksheet 5a.

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

Table 5.1 Indicative increases in average and minimum rates under Penrith Council's approved special variation 2016-17 to 2019-20

Year	2015-16 current rates	2016-17	2017-18	2018-19	2019-20	Cumulative increase
Average Residential rate	$1,135	$1,224	$1,285	$1,352	$1,425	
$ increase		89	61	67	73	290
% increase		7.9	5.0	5.2	5.4	25.6
Average Farmland rate	$3,290	$3,558	$3,736	$3,930	$4,142	
$ increase		268	178	194	212	852
% increase		8.1	5.0	5.2	5.4	25.9
Average Business rate[a]	$6,774	$6,127	$6,434	$6,768	$7,134	
$ increase		-486	314	343	375	547
% increase		-7.2	5.0	5.2	5.4	8.1
Minimum residential and farmland rate[b]	$864	$960	$1,007	$1,060	$1,117	
$ increase		95	48	52	57	253
% increase		11.0	5.0	5.2	5.4	29.3

a The business rates for the Penrith CBD and St Marys Town Centre change in similar fashion to the ordinary average business rate.

b The *minimum* business rate of $1,106 for 2015-16 rises by 4.6% in 2016-17 and by the same percentage increases that apply to the minimum residential and farmland rate after that.

Source: *Penrith Application Part A,* Worksheet 5a.

The increases in average rates in 2016-17 are less than the rise in general income of 9.09% because the AREAS levy, renewed under the 2016-17 special variation, is already included in rates.

Appendices

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

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

Over the 10 years of the LTFP, the council will use the additional special variation revenue, above the rate peg, of $159 million to fund:

- $72 million in higher operating costs, and
- $87 million to improve the operating account and thus fund capital programs.[43]

The surpluses in the operating balance will help fund $50.3 million of capital spending on asset renewals and the balance will be used to repay debt and/or be placed in reserves (see Table A.2).

Among the higher operating cost items the council has included "Project allocation capacity" and "Service adjustments" but it is unclear what costs these terms are describing.[44]

We also note the council intends to use $36.5 million of the extra funds generated from the special variation to add to reserves or repay debt principal. No detailed explanations for the items "Car Park loan repayments", "Major projects reserve" and "Realignment of service costs" were given, although these are worth $51 million over ten years.[45]

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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43 *Penrith Application Part A,* Worksheet 6 and IPART calculations based on differences between the Special Variation Case and the Base Case in *Penrith Application Part B, Attachment 3, LTFP*.

44 *Penrith Application Part B*, pp 35 and 39.

45 *Penrith Application Part A*, Worksheet 6 and *Penrith Application Part B*, pp 38-39.

Table A.1 Penrith Council – Income and proposed expenditure over 10 years related to the special variation ($000)

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Special variation income above rate peg	7,189	9,952	13,129	16,766	17,269	17,787	18,321	18,871	19,437	20,020	158,742
Extra investment income	21	29	39	50	51	53	54	56	57	59	469
Funding for increased operating expenditures	5,434	6,571	6,708	6,956	7,224	7,512	7,820	7,036	8,510	8,673	72,443
Funding to reduce operating deficits (or increase surpluses)	**1,776**	**3,410**	**6,460**	**9,860**	**10,097**	**10,328**	**10,555**	**11,891**	**10,985**	**11,406**	**86,767**
Capital expenditure	1,731	1,748	5,768	5,789	5,811	5,834	5,858	5,882	5,907	5,933	50,261
Funding remaining after capital expenditure	**46**	**1,662**	**693**	**4,070**	**4,285**	**4,494**	**4,697**	**6,008**	**5,078**	**5,473**	**36,506**
Other uses[a]											
Car park loan repayments		1,527	2,563	2,563	2,563	2,563	2,563	2,563	2,563	2,563	22,030
Major projects reserve			1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	12,000
Realign service costs	1,974	1,974	1,974	1,590	1,590	1,590	1,590	1,590	1,590	1,590	17,052
Total Other uses	**1,974**	**3,501**	**6,037**	**5,653**	**5,653**	**5,653**	**5,653**	**5,653**	**5,653**	**5,653**	**51,082**

[a] Other uses of the income from a special variation may include repayment of loan principal amounts and transfers to reserves.

Note: Numbers may not add due to rounding.

Sources: Extra income above the rate peg and funding for increased operating costs are calculated by IPART based on *Penrith Application Part B, Attachment 3, LTFP.* Capital spending and other uses of the extra funds are taken from *Penrith Application Part A,* Worksheet 6.

Table A.2 Penrith Council – Proposed 10-year capital expenditure program related to the special variation ($000)

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Building asset renewal (AREAS)	1,081	1,098	1,118	1,139	1,161	1,184	1,208	1,232	1,257	1,283	11,761
Building asset renewal	650	650	4,650	4,650	4,650	4,650	4,650	4,650	4,650	4,650	38,500
Total capital spending	**1,731**	**1,748**	**5,768**	**5,789**	**5,811**	**5,834**	**5,858**	**5,882**	**5,907**	**5,933**	**50,261**
Capital spending by category											
Amenities / Toilets	696	49	138	340	418	72	571	391	1,214	814	4,704
Art Gallery	44	11	7	3	16	254	17	161	116	14	641
Business and Tourism	3	38	6	25	19	63	94	76	562	72	957
Carparks	-	-	-	-	-	-	2	-	14	-	16
Child Care Centres	351	68	122	409	633	726	409	818	1,237	613	5,386
Community Buildings	638	33	305	1,376	654	758	610	678	957	1,005	7,014
Council Halls	428	31	47	254	49	143	170	279	1,044	748	3,194
Council Offices	1,637	118	185	240	1,049	482	247	509	860	1,838	7,167
Council Works Depot	53	72	166	109	72	83	64	64	129	72	883
Library	12	-	10	-	106	22	14	9	102	29	305
Other Cultural	1,035	30	12	144	120	141	371	255	439	711	3,259
Public Order	1	1	19	81	32	190	128	128	162	242	986
Sporting Ground Buildings	3,851	1,001	1,244	870	1,034	866	1,221	795	2,800	1,650	15,333
Transport Buildings	445	-	0	11	54	-	43	269	16	121	961
Total capital spending	**9,193**	**1,453**	**2,262**	**3,862**	**4,257**	**3,801**	**3,962**	**4,433**	**9,654**	**7,928**	**50,805**

Note: Numbers may not add due to rounding.

Source: *Penrith Application Part A,* Worksheet 6 and email to IPART dated 9 March 2016. The spreadsheet provided by Penrith Council with its email was expressed in current 2016-17 dollars. We have escalated the data by 3.0% p.a.as suggested by the council (email from Penrith Council to IPART 14 March 2016) to derive spending in dollars of the day. We have not sought to reconcile the small difference between the total capital spending of around $50 million over the 10 years.

B Penrith Council's projected revenue, expenses and operating balance

As a condition of IPART's approval, Penrith Council is to report annually against its projected revenue, expenses and operating balance as set out in its LTFP (shown in Table B.1).

Revenues and operating results in the annual accounts are reported both inclusive and exclusive of capital grants and contributions. In order to isolate ongoing trends in operating revenue 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 Penrith Council, 2016-17 to 2025-26 ($000)

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Total revenue	221,729	233,142	235,621	242,264	247,266	251,824	263,231	261,174	266,076	272,002
Total expenses	196,637	202,047	206,467	212,054	217,505	223,159	229,895	235,476	243,603	250,714
Operating result from continuing operations	25,092	31,094	29,154	30,210	29,761	28,666	33,337	25,698	22,473	21,288
Net operating result before capital grants and contributions	1,120	2,242	4,886	6,948	6,540	6,093	4,736	3,592	2,321	1,135

Note: Numbers may not add due to rounding.

Source: *Penrith Application Part B*, Attachment 3, *Long Term Financial Plan* and *Attachment 14, Resourcing Strategy February 2016* and IPART calculations.

C Comparative indicators

Performance indicators over recent years

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 Penrith Council have changed over the four years to 2013-14.

Table C.1 Trends in selected performance indicators for Penrith Council, 2010-11 to 2013-14

Performance indicator	2010-11	2011-12	2012-13	2013-14	Average change (%)
FTE staff (number)	1,042	1,040	1,042	1,061	0.6
Ratio of population to FTE	177	178	179	176	-0.2
Average cost per FTE ($)	69,675	72,980	73,832	76,790	3.3
Employee costs as % operating expenditure (%)	40.0	40.5	45.0	42.3	1.8
Consultancy/contractor expenses ($m)	35.6	23.6	41.9	43.2	6.6
Consultancy/contractor expenses as % operating expenditure (%)	19.4	12.6	24.5	22.4	4.9

Note: Data are based upon total council operations that include General Fund and other funds, if applicable.
Source: OLG, unpublished data.

The council has kept its workforce numbers in FTE terms fairly steady for the four years so that almost all of its increase in labour costs has come from higher costs per employee, up an average 3.3% per annum. Despite the recent rein on such costs, the ratio of employee *plus* contractor/consultant costs continues to be high, in 2013-14 at 64.7% of operating costs.

In 2015, our Fit for the Future (FFTF) assessment found that the council:

- Met the criterion for sustainability because it expected its operating balance ratio to exceed the operating performance benchmark before 2019-20 and its building and asset renewal ratio is improving.
- Met the criterion for infrastructure and service management because it meets the benchmarks for the infrastructure backlog, the asset maintenance ratio and the debt service ratio.
- Met the efficiency criterion because its real operating expenditure was expected to decline after 2015-16.

General comparative indicators

Table C.2 compares selected socio-economic indicators for Penrith with its six neighbouring councils and the averages for those neighbours. We note:

- **Average taxable income** in the Penrith LGA at $49,046 was the third highest after Wollondilly and Blue Mountains and Penrith's **SEIFA Index** of 109 was the median of the group.
- Penrith council staff serves fewer residents than its neighbouring councils. This is indicated by a low ratio of **population to full time equivalent** (FTE) employees which may reflect the extensive provision of child care facilities or differences in population densities (although some councils with lower densities serve more residents per FTE).

Table C.2 Select comparative indicators, Penrith and Neighbouring LGAs, 2013-14

	Avg taxable income	SEIFA	Popln/ FTE	Popln per km2	Employee + Cont/cons costs as % opex	Avg cost per FTE	Opex per capita
Blacktown	$47,498	93	225	1354	51.8	$79,542	$825
Blue Mountains	$49,902	125	158	55	45.2	$91,452	$1,306
Fairfield	$41,691	5	281	1984	44.3	$91,170	$754
Hawkesbury	$48,482	118	247	24	44.1	$87,788	$966
Liverpool	$46,948	88	274	640	59.9	$78,782	$792
Penrith	**$49,046**	**109**	**176**	**471**	**64.7**	**$76,790**	**$1,028**
Wollondilly	$50,960	124	207	18	34.7	$69,776	$1,095
Six neighbours[a]	**$47,580**	**92**	**232**	**679**	**46.7**	**$83,085**	**$956**
Penrith relative to neighbours	1.07	1.35	0.76	0.69	1.39	0.84	1.07

a The six-neighbour averages are simple arithmetic averages.

Source: OLG *Your Council Report Time Series 2011-12 to 2013-14* and IPART calculations.

- The council is very well provisioned in terms of FTE numbers of staff and contractors/consultants. **Penrith employee and contractor/consultant costs as a proportion of operating costs** (opex) is 64.7%, the highest amongst all its neighbours by a sizeable margin. Some of this may be caused by the large number of child care places offered in the Penrith LGA by the council.
- Penrith **employees cost less per FTE** than staff in neighbouring councils. The average 'price' of employees in the Penrith Council was $76,790 per FTE in 2013-14, well below the six-neighbour average. Only Wollondilly had a lower employee cost per FTE.

- In terms of overall **operating costs per resident**, Penrith was modestly higher than the six-neighbour average. Higher still were Blue Mountains and Wollondilly.

Table C.3 compares selected published and unpublished data about Penrith Council with the averages for the councils in its OLG Group, and for NSW councils as a whole.

As indicated in section 3, Penrith Council is in OLG Group 7. Unless specified otherwise, the data refers to the 2013-14 financial year.

Table C.3 Select comparative indicators for Penrith Council, 2013-14

	Council	Group 7 average	NSW average
General profile			
Area (km^2)	407		
Population (2012)	186,938		
General Fund operating expenditure ($m)	192.2		
General Fund operating revenue per capita ($)	957	916	1,857
Rates revenue as % General Fund income (%)			
Own-source revenue ratio (%)			
Average (ordinary plus special) rate indicators[a]			
Average rate – residential ($)	1,028	1,037	760
Average rate – business ($)	6,257	4,044	2,859
Average rate – farmland ($)	3,129	2,766	2,324
Socio-economic/capacity to pay indicators[b]			
Average annual income for individuals, 2011 ($)	49,046	50,628	49,070
Growth in average annual income, 2006-2011 (% pa)	4.3	4.1	5.2
Average residential rates 2013-14 to average annual income, 2011 (%)	2.1	2.0	1.6
SEIFA, 2011 (NSW rank: 153 is least disadvantaged)	109		
Outstanding rates and annual charges ratio (General Fund only) (%)	3.9	4.1	5.5
Productivity (labour input) indicators[c]			
FTE staff (number)	1,061	743	294
Ratio of population to FTE	176	225	127
Average cost per FTE ($)	76,790	84,078	78,374
Employee costs as % operating expenditure (General Fund only) (%)	42.3	41.0	38.1
Consultancy/contractor expenses ($m)	43.2	27.9	8.3
Consultancy/contractor expenses as % operating expenditure (%)	22.4	16.4	10.5

a Average rates = total ordinary + special rates revenue divided by assessment numbers in each category.

b Average annual income includes income from all sources excluding government pensions and allowances.

c Except as noted, data are 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 and *Your Council Report Time Series Data 2011-12 – 2013-14*; 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.