



Independent Pricing and Regulatory Tribunal

# **Shellharbour City Council's application for a special variation for 2013/14**

**Local Government — Determination  
June 2013**

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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.

However, councils may apply to us for a special variation that allows them to increase their general income by more than the rate peg. We are required to assess these applications against criteria in the Guidelines issued by the Division of Local Government (DLG) (see Box 1.1). We may allow special variations under either section 508A or 508(2) of the *Local Government Act 1993* (the Act).

Shellharbour City Council applied for a multi-year special variation under section 508A. It requested annual increases of 8.4% in 2013/14, 9.0% in 2014/15, 10.0% in 2015/16 and 10.0% in 2016/17. These are a cumulative increase of 43.0% over 4 years, or 28.9% above the rate peg.

After assessing its application, we decided to approve the special variation in full. We made this decision under section 508A of the Act.

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## Box 1.1 The Revised Guidelines for 2013/14

We assess applications for special variations using criteria in the *Guidelines for the preparation of an application for a special variation to general income*, issued by the Division of Local Government, Department of Premier and Cabinet.

Revised Guidelines were issued in October 2012. These Guidelines adopt the same criteria for applications for a special variation under either section 508A or 508(2) of the *Local Government Act 1993*.

The new Guidelines have a stronger emphasis on how councils have undertaken their Integrated Planning and Reporting (IP&R), where councils are expected to engage with the community about service levels and funding priorities in preparing their strategic planning documents. A major change in the Guidelines is that, for most criteria, evidence to support an application must be in the council's IP&R documents.

Another major change is that councils no longer need to demonstrate community support for the special variation. Instead, they must show that the community is aware of the need for, and extent, of the proposed rate rise, and that the council has considered the community's capacity and willingness to pay higher rates. In addition, in assessing applications against the criteria, we are now required to consider the size and resources of a council, the size of the rate increase, current and previous rate levels, the purpose of the special variation and any other matter we consider relevant.

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## 1.1 Our decision

We have determined that Shellharbour City Council may increase its general income by the annual percentages shown in Table 1.1, resulting in a cumulative increase of 43.0% over the next 4 years. These annual increases incorporate the rate peg to which the council would otherwise be entitled (3.4% in 2013/14 and an assumed 3.0% in each of the subsequent years). After the last year of the special variation (2016/17), the increase will remain permanently in the council's rate base.

**Table 1.1 IPART's determination on Shellharbour City Council's special variation for 2013/14 to 2016/17**

Year	Annual increase in general income (%)	Cumulative increase in general income (%)	Annual increase in general income (\$)	Total permissible general income <sup>a</sup> (\$)
2012/13				29,115,376 <sup>b</sup>
2013/14	8.4	8.4	2,442,433	31,557,808
2014/15	9.0	18.2	2,840,203	34,398,011
2015/16	10.0	30.0	3,439,801	37,837,812
2016/17	10.0	43.0	3,783,781	41,621,593

**a** Permissible general income refers to the maximum general income that the Council can generate in the year. It equals the previous year's notional general income level adjusted for any expiring special variation, other adjustments (prior year catch ups, excesses, valuation objections and income adjustments for Crown land) plus the annual dollar increase permitted by the approved special variation.

**b** This is the 2012/13 adjusted notional general income level, not the permissible general income level.

**Source:** Shellharbour City Council, *Section 508A Special Variation Application – Part A* (Shellharbour City Council Application Part A), Worksheets 1 and 4; and IPART calculations.

We have attached conditions to this determination, 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 lists these conditions.

## 1.2 What did the council request and why?

Shellharbour City Council applied to increase its general income by a cumulative 43.0% over the 4-year period from 2013/14 to 2016/17, and to permanently incorporate this increase into its general income base.<sup>1</sup>

The council estimated that the special variation would increase its general income by \$12.5m over the 4 years, from \$29.1m in 2012/13 to \$41.6m in 2016/17. This represents \$19.5m in additional revenue above the rate peg for those years.<sup>2</sup>

<sup>1</sup> Shellharbour City Council, *Section 508A Special Variation Application 2013/14 – Part A* (Shellharbour City Council Application Part A), Worksheet 1.

<sup>2</sup> Shellharbour City Council Application Part A, Worksheet 1.

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**Box 1.2 Conditions attached to the approved special variation for Shellharbour City Council**

IPART's approval of Shellharbour City Council's application for a special variation over the period from 2013/14 to 2016/17 is subject to the following conditions:

- ▼ The council uses the additional income from the special variation for the purposes of improving its financial sustainability and to sustain service levels through maintenance and renewal of assets, consistent with the application and the program of expenditure listed in Appendix A.
- ▼ The additional income is not used to fund the City Hub project (a separate financing plan will fund the project by means of council asset sales, borrowings and developer contributions).
- ▼ The council reports in its annual report for each year from 2013/14 to 2022/23:
  - the actual revenues, expenses and operating balance against the projected revenues, expenses and operating balance, as outlined in the Long Term Financial Plan provided by the council and summarised in Appendix B
  - any significant variations from its proposed expenditure as forecast in the current Long Term Financial Plan and any corrective action taken or to be taken to address any such variation
  - expenditure consistent with the council's application and listed in Appendix A, and the reasons for any significant differences from the proposed expenditure
  - the outcomes achieved as a result of the actual program of expenditure.
- ▼ The council reports to the Division of Local Government by 30 November each year on its compliance with these conditions.

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The council indicated that it will use this additional revenue for the purposes of infrastructure renewal including:

- ▼ buildings
- ▼ stormwater and drainage
- ▼ sport and recreational facilities
- ▼ roads and footpaths
- ▼ design and project management.<sup>3</sup>

More detail on Shellharbour City Council's proposed program of capital expenditure is provided in Appendix A.

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<sup>3</sup> Shellharbour City Council, *Section 508A Special Variation Application 2013/14 – Part B* (Shellharbour City Council Application Part B), pp 16-17.

### 1.3 How did we reach our decision?

We assessed Shellharbour City Council's application against the criteria in the Guidelines. The council's application is supported by its Integrated Planning and Reporting (IP&R) documents.<sup>4</sup>

In making our assessment we also considered a range of comparative data about the council that is set out in Appendix C.

We found that the application addressed the criteria and included adequate supporting information. In particular, the council:

1. demonstrated a need for the special variation, including a need to retain the additional income on a permanent basis
2. provided evidence that the community is aware of the need for and extent of the rate rises associated with the special variation
3. showed that the impact of these rate rises on ratepayers is not unreasonable, and has a strategy in place to deal with ratepayers who experience financial stress
4. made realistic assumptions concerning its projected service delivery and budget scenarios
5. reported savings in past years, and plans to realise additional savings over the period of the proposed special variation.

Table 1.2 summarises our findings against each of the criteria. The sections below discuss our assessment against some of the criteria in more detail.

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<sup>4</sup> The IP&R documentation submitted with the council's application included plans that had been formally endorsed by the council and placed on exhibition. The council later formally adopted these documents (without any material changes).



**Table 1.2 Summary of IPART’s assessment against the criteria in the Guidelines**

Criterion	IPART findings
<p>1. Need for and purpose of the special variation must be clearly articulated in the council’s IP&amp;R documents. Evidence could include community need/desire for service levels/projects and limited council resourcing alternatives, and the council’s financial sustainability assessment conducted by the NSW Treasury Corporation (TCorp).</p>	<p>Application and IP&amp;R documents identify the need for and purpose of the special variation:</p> <ul style="list-style-type: none"> <li>▼ Community Strategic Plan 2013-2023 and Delivery Program 2013-2017 identify continued spending on infrastructure renewal as community priorities.</li> <li>▼ TCorp identified that the council appears to be underspending on building and infrastructure asset maintenance and renewal.<sup>5</sup></li> <li>▼ The council forecasts continuing operating deficits of between 5% and 10% without the special variation, excluding capital and asset sales.<sup>6</sup></li> <li>▼ The council is addressing some of its infrastructure renewal requirements through the State Government’s Local Infrastructure Renewal Scheme.<sup>7</sup></li> <li>▼ The council is planning to spend \$55m on its City Hub project, but this is funded from other sources unrelated to the special variation.</li> </ul>
<p>2. Evidence that the community is aware of need for and extent of proposed rate rises must be provided. The IP&amp;R documents should clearly explain the rate rise, canvas alternatives to the rate rise, the impact of any rises on the community, and the council’s consideration of community capacity and willingness to pay higher rates. The council should demonstrate use of an appropriate variety of engagement methods to raise community awareness and provide opportunities for input.</p>	<p>The council has engaged extensively with the community to determine its priorities and level of support for the special variation. It conducted an independent survey on the special variation which identified alternatives to the rate rise and the community’s willingness to pay.</p> <p>The consultation also showed community concern over the necessity for the works program, council’s efficiency and the impact of the rates increase on ratepayers. The council showed it considered each of these factors before making its application.</p>
<p>3. Impact on affected ratepayers must be reasonable, having regard to both current rate levels, existing ratepayer base and proposed purpose of the variation. The council’s IP&amp;R process should establish that proposed rate rises are affordable, having regard to the local community’s capacity to pay.</p>	<p>The special variation is large, so it will have a high impact on ratepayers, especially given that the council has a relatively high level of rates.</p> <p>Socio-economic indicators show the Local Government Area (LGA) is moderately placed compared to its peers, which suggests that the community may be able to afford the increase.</p>

<sup>5</sup> NSW Treasury Corporation, *Shellharbour City Council Financial Assessment and Benchmarking Report* (TCorp Report), October 2012, p 4.

<sup>6</sup> TCorp Report, p 18.

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

Criterion	IPART findings
	<p>However, the results of the survey showed:</p> <ul style="list-style-type: none"> <li>▼ 19% supported the full special variation</li> <li>▼ 41% supported a smaller rate increase on the basis of affordability</li> <li>▼ 40% did not support the rate increase on the basis of affordability and the council's efficiency.</li> </ul> <p>In addition we noted:</p> <ul style="list-style-type: none"> <li>▼ The Shellharbour LGA includes areas with a low socio-economic status.</li> <li>▼ Public submissions expressed concerns about the affordability of the rate increases and the council's financial management.</li> <li>▼ The council does not have a formal hardship policy but it does have a strategy in place to assist ratepayers in financial hardship.</li> </ul>
4. Delivery Program and Long Term Financial Plan (LTFP) must show evidence of realistic assumptions.	<p>The council's assumptions for the proposed level of service for assets and timeframe for addressing asset backlogs appear to be realistic in the context of the community's priorities identified in the Delivery Program 2013-2017.</p>
	<p>Its assumptions on the rate peg and the growth in its labour and non-labour costs and assessments are realistic in the context of the projected budget in its LTFP 2013-2023.</p> <p>The assumptions about funding sources for the City Hub project include an independent valuation of assets.<sup>8</sup> This independent valuation is strictly commercial-in-confidence. This is separate from the special variation.</p>
5. Productivity improvements and cost containment strategies realised in past years must be explained, as well as plans to realise savings over the proposed special variation period.	<p>The council reported programs with savings amounting to \$4.5m. More are planned through an annual efficiency dividend, estimated at \$5.3m over the next 4 years.</p>
6. Other relevant matters.	None.

### 1.3.1 Need for and purpose of the special variation

The council has justified the need for the variation to prevent a deterioration of its assets by increasing spending on maintenance and renewal. TCorp identified that the council was underspending on asset maintenance.<sup>9</sup>

<sup>8</sup> Email to IPART, 16 May 2013.

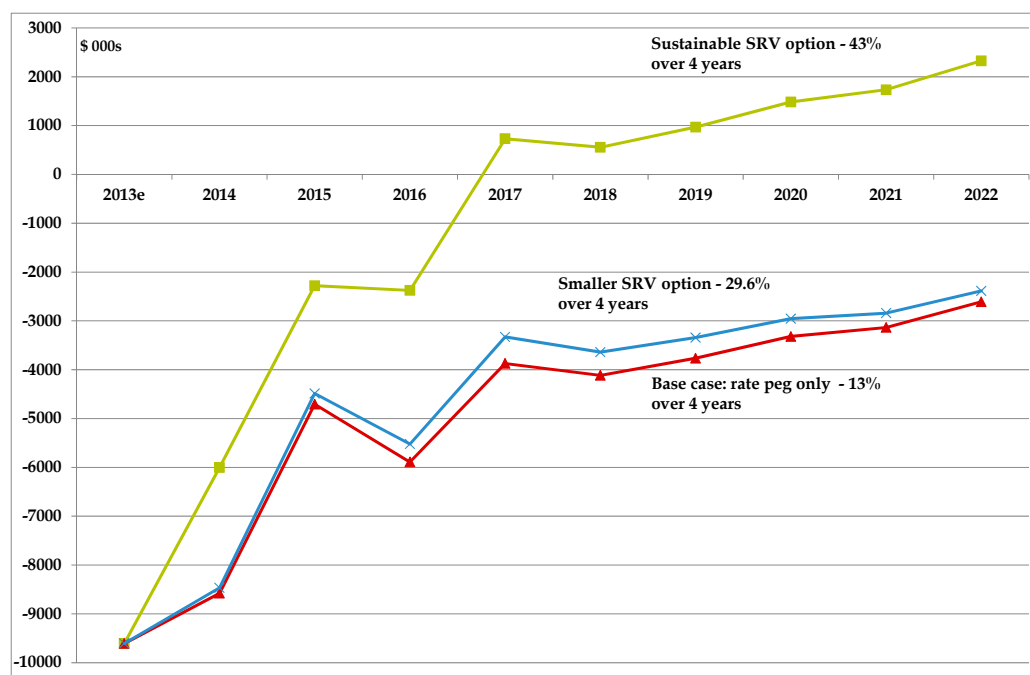
<sup>9</sup> TCorp Report, p 4.

Without the special variation, the council is projecting ongoing operating deficits. TCorp considered the council had a 'moderate'<sup>10</sup> financial sustainability rating and a 'negative'<sup>11</sup> outlook.

With the special variation as requested, the council forecasts an operating surplus by 2016/17. If we approved the lower special variation amount on which the community was also consulted, the council's operating account would remain in a deficit of between 5% to 10% over the 10 years. The council's operating balance projections are included in Figure 1.1 below.

Operating surpluses would mean that the council can fund greater capital spending without using its asset reserves. The extra capital expenditure would improve the council's building and infrastructure renewals ratio to 0.80 by 2016/17, from its current level of 0.15.<sup>12</sup> The TCorp benchmark for this indicator is 1.0 or higher.

**Figure 1.1 Shellharbour City Council operating balance under 3 scenarios**



**Source:** Shellharbour City Council, *Long Term Financial Plan* amended 15 May 2013. Observations are for the year ending 30 June.

<sup>10</sup> A 'moderate' rating indicates that a council has adequate capacity to meet financial commitments combined with some record of operating deficits and that it is likely to be able to address its operating deficits and unforeseeable financial shocks with moderate revenue and expenditure adjustments.

<sup>11</sup> A 'negative' rating indicates that a council faces potential deterioration of its capacity to meet financial commitments.

<sup>12</sup> Shellharbour City Council Application Part B, p 6.

## City Hub project

The council is planning to spend \$55m on its City Hub project. This includes a city library, a civic auditorium and a new council administration building.<sup>13</sup> Local media reports and a survey conducted by the council indicate some community opposition to this project.

The project is ring-fenced from operating expenses and is fully funded by the sale of council assets, developer contributions and borrowings (not the special variation rates income). The major funding sources are:

- ▼ \$35m from asset sales
- ▼ \$12m from borrowings
- ▼ \$6m from developer contributions.

However, we note that the project will contribute to higher depreciation and debt-servicing charges in the future.

The council provided us with a business case for the project. The business case indicated that the project would provide lower maintenance costs and greater efficiencies in the future, compared with retaining existing council buildings. The council has also based its assumptions regarding the level of asset sales on a recent independent valuation.

On balance, we are satisfied that the City Hub project does not undermine the council's application for a special variation for other purposes. We have set as a condition of approving this special variation that the additional income is not to be used for the City Hub project, in line with the council's application.

### 1.3.2 Community engagement and awareness

As Box 1.1 noted, to meet this criterion, a council no longer needs to demonstrate community support for the proposed special variation. Instead, it has to show that the community is aware of the need for and extent of the proposed rate rise, that it has canvassed alternatives to a rate rise and that the council has used an appropriate variety of methods to engage the community and considered the community's capacity and willingness to pay.

The council provided evidence that the community has been made aware of the need for and the magnitude of the rate rise through direct distribution of information materials to the community, an independent survey, the local media and council's web site.

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<sup>13</sup> Shellharbour City Council Application Part B, p 83.

The council has generally consulted extensively with its community. In addition to a series of workshops conducted to develop the Community Strategic Plan 2013-2023, the council also conducts a bi-annual community satisfaction survey.

The council's consultation on the special variation since October 2012 included:

- ▼ an online budget allocator tool and direct distribution of a special rate variation brochure
- ▼ an independent telephone survey (sample size 403) including alternatives to a rate increase<sup>14</sup>
- ▼ promoting the exhibition of documents through the media
- ▼ meeting with council networks, advisory groups and state government agencies
- ▼ information kiosks across the city during business hours and on weekends.<sup>15</sup>

We also received 3 submissions opposing the council's application, which we considered as part of our assessment.

We are satisfied that the council has met the requirements for this criterion.

### **1.3.3 Impact on ratepayers**

The council is requesting a relatively large cumulative increase across all ratepayer categories.

The results of the council's independent telephone survey indicated that affordability of the rate increase was a concern. Survey results indicated 60% support for a special variation, with two thirds of these respondents preferring a lower special variation increase than the council applied for. The results showed:

- ▼ 40% opposed the rate increase
- ▼ 41% supported a lower rate increase
- ▼ 19% supported the full rate increase.<sup>16</sup>

Those opposing the special variation were concerned about the impact on ratepayers and the council's financial management, including spending funds on new council chambers through the City Hub project.

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<sup>14</sup> IRIS Research, *Shellharbour City Council Special Variation to Rates Survey 2013*, February 2013, p 8.

<sup>15</sup> Shellharbour City Council Application Part B, p 54.

<sup>16</sup> IRIS Research, *Shellharbour City Council Special Variation to Rates Survey 2013*, February 2013, p 17.

The council relied on a series of socio-economic indicators to inform its decision to apply, including SEIFA rating, weekly household income, the labour force participation rate and unemployment rate, as well as rate levels. The council concluded that compared to its neighbouring councils, Wollongong, Kiama and Wingecarribee, it was not disadvantaged and its community should be able to afford the rate increase.

In addition to these indicators, we also considered the following:

- ▼ the council has a SEIFA ranking slightly above the median (81/153)
- ▼ the council has slightly higher average annual income (\$44,242) than the Group 4 average (\$41,104) and the NSW average (\$44,140)
- ▼ average rates are high compared to Group 4 averages (Appendix C). Compared to neighbouring councils, however, the council notes that its rates are generally lower than Wollongong, Kiama and Wingecarribee
- ▼ 26.9% of the households in the LGA are classed as 'low-income' earning ie, \$600 or less per week, which is slightly lower than the Group 4 average of 30.2% but higher than the NSW average of 24.2%
- ▼ the council has a relatively low outstanding rates and charges ratio of 3.0% compared to the Group 4 and NSW average of 5.7% and 7.0% respectively.

Table 1.3 outlines various indicators of capacity to pay, and average rate levels.

**Table 1.3 Selected indicators of capacity to pay (2011/12)**

Indicator	Shell-harbour	Kiama	Wollong-ong	Winge-carribee	Shoal-haven	Group 4 average
SEIFA rank	81	129	100	120	63	n/a
Weekly household income	1,126	1,234	1,101	1,094	822	1,005
Average total income	44,242	45,527	47,114	45,864	37,827	41,104
% of low-income households	26.9	22.8	28.9	25.3	35.5	30.2
Outstanding rates and charges ratio	3.0	2.3	5.7	1.8	6.7	5.7
Unemployment rate	6.7	4.3	7.0	4.2	7.6	6.3
Average residential rates	943	1,208	1,045	1,014	779	840
Average farmland rates	2,622	1,814	1,979	2,498	1,674	1,735
Average business rates	3,463	1,375	8,991	2,828	1,873	3,023

**Note:** Wollongong and Shoalhaven councils are not part of DLG Group 4.

**Source:** DLG, unpublished comparative data, 2011/12; ABS, *National Regional Profiles*, NSW, November 2011; ABS, *Regional Population Growth*, July 2012; ABS, *Estimates of Personal Income for Small Areas, Time Series, 2005-06 to 2009-10*, February 2013; and ABS, *Socio-Economic Indexes for Areas (SEIFA) 2011*, March 2013.

The council has a debt recovery policy aimed at reducing financial stress on pensioners, including waiving legal action to chase unpaid debts unless the debt is approaching 20 years.<sup>17</sup> The council also has a rates policy aimed at assisting pensioners. The council provides a voluntary pensioner rebate of \$45 per year in addition to the compulsory rebate of \$250.

The council does not have a formal financial hardship policy document. However, in its application, it states that it invites ratepayers with financial hardship to negotiate payment arrangements with the council.<sup>18</sup>

Overall, we conclude that the impact on affected ratepayers is not unreasonable. The council's application recognises the low socio-economic status of parts of its community and it has developed a strategy to respond to concerns over the impact on rates. We encourage the council to formally document its financial hardship policy.

#### **1.3.4 Productivity improvements and cost containment strategies**

The council's application indicates that it has taken a series of measures to improve its productivity, and contain its costs. For example, it has:

- ▼ changed the operating structure of The Links Golf Course and Airport, saving an estimated \$3m
- ▼ optimised procurement functions with other councils, saving an estimated \$1.5m over the period to 2021/22
- ▼ commenced a program of service reviews.<sup>19</sup>

The council also intends to reduce its operating expenditure each year by 0.25% in 2013/14, by 0.5% in 2014/15, by 0.75% in 2015/16 and by 1.0% in 2016/17 and beyond. The council estimates savings of \$5.3m over the period to 2021/22.<sup>20</sup>

### **1.4 What does our decision mean for the council?**

Our decision means that Shellharbour City Council may increase its general income from \$29.1m to \$41.6m over the 4 years to 2016/17. It will generate an estimated \$29.0m in additional revenue, or \$19.5m above the rate peg, over 4 years. After 2016/17, the council's permissible general income will increase by the annual rate peg, unless we approve a further special variation.<sup>21</sup>

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<sup>17</sup> Shellharbour City Council, *Extension of Credit and Debt Recovery Policy*, November 2009, p 2.

<sup>18</sup> Shellharbour City Council Application Part B, p 72.

<sup>19</sup> Shellharbour City Council Application Part B, pp 84-88.

<sup>20</sup> Shellharbour City Council Application Part B, p 87.

<sup>21</sup> The actual general income in future years will be influenced by a range of factors apart from the rate peg, including growth in assessments, property revaluations and crown land adjustments.

## 1.5 What does our decision mean for ratepayers?

If Shellharbour City Council increases rates as indicated in its application, average rates will rise by 43.0% over the 4 years.

Table 1.4 shows the impact of rate increases on all ratepayer categories, as set out in the council's application. It indicates that:

- ▼ the average residential rate will rise by \$88 in 2013/14 and \$448 over 4 years
- ▼ the average farmland rate will rise by \$223 in 2013/14 and \$1,140 over 4 years
- ▼ the average business rate will rise by \$321 in 2013/14 and \$1,640 over 4 years.<sup>22</sup>

However, the actual impact on rates is a matter for the council to decide, consistent with our determination.

**Table 1.4 Shellharbour City Council – Indicative increases in average rates as a result of approval of requested s 508A special variation**

Year	Annual % increase			Average rate (\$)		
	Residential	Business	Farmland	Residential	Business	Farmland
2012/13				1,043	3,817	2,653
2013/14	8.39	8.40	8.40	1,131	4,138	2,876
2014/15	9.00	9.00	9.00	1,233	4,510	3,135
2015/16	10.00	10.00	10.00	1,356	4,961	3,448
2016/17	10.00	10.00	10.00	1,491	5,457	3,793

Source: Shellharbour City Council Application, Worksheet 5a; and IPART calculations.

<sup>22</sup> Shellharbour City Council Application Part A, Worksheet 5a.



## **A Shellharbour City Council's proposed expenditure**

The council's application states that the additional income from the special variation is to fund a program of expenditure for the renewal of infrastructure. This expenditure will occur in accordance with Table A.1.

The council's Long Term Financial Plan 2013-2023 indicates that about half the proceeds from the special variation will be spent on operating costs to maintain service levels. The other half will assist in improving the council's operating result providing some of the funds for the capital expenditure program. The balance of the funding for the capital expenditure program will come from capital grants and contributions and council reserves.

**Table A.1 Shellharbour City Council projected revenue and spending under proposed special variation, 2013/14 to 2022/23 (\$m)**

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Total
<b>Requested revenue</b>											
From rate peg only	0.99	1.94	2.97	4.10	4.23	4.35	4.48	4.62	4.76	4.90	37.34
From balance of SV	1.46	3.35	5.76	8.41	8.66	8.92	9.19	9.46	9.74	10.04	74.97
<b>Total additional revenue</b>											112.31
<b>Proposed expenditure</b>											
Buildings	0.17	0.50	0.86	1.24	1.23	1.27	1.30	1.34	1.38	1.43	10.72
Stormwater and drainage	0.51	0.81	1.38	1.98	2.41	2.48	2.56	2.63	2.71	2.80	20.26
Sport and recreational facilities	0.03	0.18	0.24	0.41	0.38	0.40	0.41	0.42	0.43	0.45	3.35
Roads and footpaths	0.72	1.76	3.10	4.56	4.48	4.61	4.75	4.89	5.04	5.19	39.11
Design and project management	0.03	0.10	0.18	0.23	0.15	0.16	0.16	0.17	0.17	0.18	1.53
<b>Total expenditure</b>	1.46	3.49	5.76	8.41	8.66	8.92	9.19	9.46	9.74	10.03	74.97

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

**Source:** Shellharbour City Council Application Part A, Worksheets 1 and 6; and IPART calculations.

## B Shellharbour City Council's projected revenues, expenses and operating results

Table B.1 is an extract from the council's LTFP 2013-2023 showing the council's projected income, expenses and operating result assuming that the council's requested special variation was approved in full.

**Table B.1** Extract from Shellharbour City Council's LTFP

Year	Total income	Total expenses	Operating result
2013/14	82,039	73,902	8,137
2014/15	93,617	74,994	18,624
2015/16	97,303	74,687	22,616
2016/17	86,439	74,918	11,521
2017/18	87,676	75,832	11,844
2018/19	88,620	76,360	12,261
2019/20	89,442	76,667	12,774
2020/21	90,081	77,055	13,025
2021/22	90,789	77,172	13,617

**Note:** This LTFP is based on the council's assumption that the requested special variation will be approved in full by IPART. The operating result includes income from capital grants, contributions and asset sales. Excluding these, the council's operating result will typically be lower. Our analysis in the report excludes capital income and asset sales.

**Source:** Shellharbour City Council, *Draft Resourcing Strategy 2013*, 15 May 2013, p 37.

## C Comparative indicators

**Table C.1 Select comparative indicators for Shellharbour City Council, 2011/12**

	Shellharbour City Council	DLG Group 4 average <sup>a</sup>	NSW average
<b>General profile indicators</b>			
Area (km <sup>2</sup> )	147	–	–
Population	66,054	–	–
General Fund expenditure from continuing operations (\$m)	72.7	–	–
General Fund operating revenue per capita (\$)	999	1,414	2,011
Rates revenue as % total General Fund revenue (%)	42.6	40.6	45.7
<b>Average rate indicators<sup>b</sup></b>			
Average rate – residential (\$)	943	840	685
Average rate – business (\$)	3,463	3,023	2,552
Average rate – farmland (\$)	2,622	1,735	2,123
<b>Socio-economic/capacity to pay indicators<sup>c</sup></b>			
Average annual income for individuals, 2010 (\$)	44,242	41,104	44,140
Growth in average annual income, 2006-2010 (% pa)	2.9	3.2	3.0
Ratio of average residential rates 2011/12, to average annual income, 2010 (%)	2.1	2.1	1.6
SEIFA, 2011 (NSW rank; 153 least disadvantaged)	81	–	–
Outstanding rates and annual charges ratio (incl water and sewerage charges) (%)	3.0	5.7	7.0
<b>Productivity indicators<sup>d</sup></b>			
FTE staff (number)	339	315	293
Ratio of population to FTE	195	125	126
Average cost per FTE (\$)	82,242	74,599	74,438
Employee costs as % ordinary expenditure (General Fund only) (%)	38.3	37.1	36.8
Consultancy/contractor expenses (\$m)	9.4	5.3	6.9
Consultancy/contractor expenses as % ordinary expenditure	12.9	6.7	9.3

<sup>a</sup> DLG Group 4 is a category of Urban Small to Medium Regional Town or City councils with a population of up to 70,000. This group comprises of 30 including Bega Valley, Kiama, Shellharbour, Orange, Lismore and Great Lakes.

<sup>b</sup> Average rate levels equal the total rates revenue collected from a given rate category divided by the number of assessments in that category.

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

<sup>d</sup> Based upon total council operations and finances ie, General Fund and if applicable, Water and Sewer, and other activities. There are difficulties in comparing councils using this data due to differences in the scope of councils' activities and measurement methods across councils.

**Source:** DLG, unpublished comparative data, 2011/12; ABS, *National Regional Profiles*, NSW, November 2011; ABS, *Regional Population Growth*, July 2012; ABS, *Estimates of Personal Income for Small Areas, Time Series, 2005-06 to 2009-10*, February 2013; and ABS, *Socio-Economic Indexes for Areas (SEIFA) 2011*, March 2013.