



Independent Pricing and Regulatory Tribunal

Wollondilly Shire Council's application for a special variation for 2015-16

under section 508A of *Local Government Act 1993*

Local Government — Determination
May 2015



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Contents

1	Determination	1
1.1	Our decision	2
2	What did the council request and why?	3
3	How did we reach our decision?	5
3.1	Reasonable impact on ratepayers	9
4	What does our decision mean for the council?	10
5	What does our decision mean for ratepayers?	11
	Appendices	13
A	Expenditures to be funded from the special variation above the rate peg	15
B	Wollondilly Shire Council's projected revenue, expenses and operating balance	17
C	Comparative indicators	19

1 Determination

The Independent Pricing and Regulatory Tribunal of NSW (IPART) is responsible for setting the amount by which councils may increase their general income, which mainly comprises rates income. Each year, we determine a standard increase that applies to all NSW councils, based on our assessment of the annual change in their costs and other factors. This increase is known as the rate peg.

Under the *Local Government Act 1993* (the Act) councils may apply to us for a special variation that allows them to increase their general income by more than the rate peg. These increases may be, for either an increase in a single year (section 508(2)) or, for a successive series of increases up to seven years (section 508A).

IPART assesses these applications against the criteria in by the Guidelines.¹ Box 1.1 explains the Guidelines for 2015-16.

Wollondilly Shire Council applied for a multi-year increase of 10.8% each year for four years. This is a cumulative increase in the permissible general income of 50.7% and is to be permanently included in the rate base.²

After assessing the council's application, we decided to approve the special variation as requested. We made this decision under section 508A of the Act.

Box 1.1 The Special Variation Guidelines for 2015-16

IPART assesses applications for special variations using criteria in the *Guidelines for the preparation of an application for a special variation to general income for 2015/2016*, issued by the Office of Local Government.

The Guidelines emphasise the importance of the council's Integrated Planning and Reporting (IP&R) processes and documents to the special variation process. Councils are expected to engage with the community about service levels and funding when preparing their strategic planning documents. The IP&R documents (eg, Delivery Program and Long Term Financial Plan) must contain evidence that supports a council's application for a special variation.

¹ Office of Local Government, *Guidelines for the preparation of an application for a special variation to general income for 2015/2016*, October 2014 (the Guidelines).

² Wollondilly Shire Council, *Special Variation Application – Part A, 2015/16* (Wollondilly Shire Council, *Application Part A*), Worksheet 4.

1.1 Our decision

We determined that Wollondilly Shire Council may increase its general income by 10.80% in each of the next four years. (as shown in Table 1.1). The annual increases incorporate the rate peg to which the council would otherwise be entitled (2.4% in 2015-16).³ The cumulative increase of 50.72% over the next four years is 38.82% more than the rate peg increase that the council assumed over that time.

After the last year of the special variation (2018-19), the increase will remain permanently in the council's rate base.

Our decision to approve the special variation enables the council to fund a program of maintenance and renewals of key assets, which should address the growth in the backlog. It will also improve Wollondilly Shire Council's financial sustainability.⁴

Table 1.1 sets out our decision.

Table 1.1 IPART's decision on Wollondilly Shire Council's application for a special variation in 2015-16 and 2018-19

	2015-16	2016-17	2017-18	2018-19
Percentage increase approved	10.80%	10.80%	10.80%	10.80%

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

Source: Wollondilly Shire Council, *Section 508A Special Variation Application 2015/16 – Part A* (Wollondilly Shire Council, *Application Part A*), Worksheet 1 and IPART calculations.

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

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

⁴ Council's submission indicates that it expects the special variation will turn around its operating surplus from over a 18% deficit in 2015-16 to a 2% surplus by 2024-25. (Wollondilly Shire Council, *Application Part A, Worksheet 7.*)

Box 1.2 Conditions attached to Wollondilly Shire Council's approved special variation

IPART's approval of Wollondilly Shire Council's application for a special variation over the period from 2015-16 to 2018-19 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 funding rehabilitation, maintenance and renewal of infrastructure as outlined in the council's application and listed in Appendix A.
 - ▼ The council reports in its annual report for each year from 2015-16 to 2024-25 on:
 - the actual revenues, expenses and operating balance against the projected revenues, expenses and operating balance, as outlined in the Long Term Financial Plan provided in the council's application, and summarised in Appendix B
 - any significant variations from its proposed expenditure as forecast in the current Long Term Financial Plan and any corrective action taken or to be taken to address any such variation
 - expenditure consistent with the council's application and listed in Appendix A, and the reasons for any significant differences from the proposed expenditure, and
 - the outcomes achieved as a result of the actual program of expenditure.
 - ▼ The council reports in its financial statements (currently in Special Schedule 9) each year from 2015-16 to 2024-25 on its compliance with the special variation and these conditions.
-

2 What did the council request and why?

In 2011, Wollondilly Shire Council applied for a special variation of 6.70% pa increases for each of the following seven years.⁵

At that time IPART was concerned over the quality of the asset management plan, and the failure to meet the then criterion that councils demonstrate community support not just community awareness.⁶ Having considered these factors, IPART decided to only approve a special variation of 6.00% pa for three years.⁷

⁵ IPART, *Wollondilly Shire Council's application for a special variation- Determination*, June 2011, p 3.

⁶ IPART, *Wollondilly Shire Council's application for a special variation- Determination*, June 2011, pp 5-7.

⁷ IPART, *Wollondilly Shire Council's application for a special variation- Determination*, June 2011, p 2.

Since 2011 Wollondilly Shire Council has refined its asset management plan and now estimates that it has a renewals/maintenance backlog of \$45.1 million⁸ for its general fund assets.⁹

To address this backlog and improve services, Wollondilly Shire Council has applied for a special variation of 10.80% pa increase for each of the next four years. This is a cumulative increase of 50.72%, which Wollondilly Shire Council wishes to permanently incorporate into its general income base.¹⁰

Table 2.1 Wollondilly Shire Council's application for a special variation for 2015-16 to 2018-19

Year	Increase applied for (%)	Cumulative increase applied for (%)	Annual increase in general income (\$)	Permissible general income (\$)
Adjusted notional income 30 June 2015				23,322,068
2015-16	10.80	10.80	2,426,618 ^a	25,748,687
2016-17	10.80	22.77	2,780,858	28,529,545
2017-18	10.80	36.03	3,081,191	31,610,736
2018-19	10.80	50.72	3,413,959	35,024,695

^a Including adjustments of \$92,165 (prior year catch-up \$78,000 & valuation objections \$14,165).

Source: Wollondilly Shire Council, *Application Part A*, Worksheets 1, 4 and 6.

The council estimated that if the requested special variation is approved, its permissible general income would increase from \$23.32 million in 2014-15 to \$35.02 million in 2018-19. This would generate additional revenue of \$21.4 million above the rate peg increases over four years.¹¹

The council intends to use the additional revenue from the special variation to fund gaps in capital expenditure for its key assets - roads and bridges, footpaths, playground and sports field renewals, buildings and kerb and guttering. The additional revenue will also improve Wollondilly Shire Council's financial sustainability.¹²

⁸ Wollondilly Shire Council, *Application Part B*, p 31.

⁹ The backlog is 12.9% of an estimated general fund asset value of \$349.0m. *Source:* Wollondilly Shire Council, *Application Part B*, p 9.

¹⁰ Wollondilly Shire Council, *Application Part A*, *Worksheet 1*.

¹¹ Wollondilly Shire Council, *Application Part A*, *Worksheet 1*, *Worksheet 6*.

¹² Operating deficits of over 18% currently will become operating surpluses of just under 2% by 2025. *Source:* Wollondilly Shire Council, *Application Part A*, *Worksheet 7*.

Over 10 years, the special variation would generate revenue of \$81.5 million above the rate peg. The council indicated that over the 10 years of the Long Term Financial Plan (LTFP) it proposes to spend:

- ▼ \$61.8 million major road and bridge works
- ▼ \$6.5 million bridge, footpaths, kerb, and linemarking renewal
- ▼ \$2.4 million new footpaths
- ▼ \$2.9 million new kerb and guttering
- ▼ \$4.0 million buildings renewal, and
- ▼ \$4.0 million playground and sportsfield renewal.¹³

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

3 How did we reach our decision?

We assessed Wollondilly Shire Council's application against the criteria in the Guidelines. In making our assessment we also considered the council's most recent IP&R documents, as well as a range of comparative data about the council (set out in Appendix C).

Wollondilly Shire Council has applied on the basis of its adopted IP&R documents, in particular its *Community Strategic Plan, Delivery Program, Long Term Financial Plan (LTFP)* and *Asset Management Plan (AMP)*.

The rate increases for which the council has applied are significant over four years, particularly given that it follows on from a cumulative increase of 19.10% from the special variation over the last three years. We carefully considered, among other things, the council's need for the increase, its consideration of the community's priorities, capacity and willingness to pay, and the impact of the rate increase on ratepayers.

¹³ Wollondilly Shire Council, *Application Part A, Worksheet 6*.

We found that the application generally met all of the criteria. In particular, we found:

1. The need for the proposed revenue is demonstrated in the council's IP&R documents in particular Wollondilly Strategic Plan 2033 (*Community Strategic Plan*), Wollondilly Shire Council Revised Delivery Plan 2013/14-2016/17 (*Delivery Program*), Long Term Financial Plan for the years ending 30 June 2024 (*LTFP*) and Asset Management Plans (*AMP*), and reflects community priorities. The council generally made realistic assumptions concerning its projected service delivery and budget.
2. The Council provided evidence that it consulted widely with the community on its plan to apply for a special variation. We note that Wollondilly Shire Council did not include cumulative percentage rate increases in its mail-out to ratepayers. However, the council did include the cumulative dollar increase and projected rates in its mail-out.
3. The impact of the proposed rate rises on ratepayers is significant though reasonable, given the purpose of the special variation and that the council has taken account of ratepayers' willingness and capacity to pay. Wollondilly Shire Council has a detailed hardship policy that includes a 50% discount on waste collection services for pensioners over and above the standard \$250 pensioner rates discount. Council also gives a further \$45 discount on rates for pensioners and 100% discount on the stormwater management charges for pensioners.
4. The Council exhibited and adopted the IP&R documents consistent with the Guidelines.
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. Sections 3.1 and 3.2 discuss our findings against criteria 2 and 3 respectively in more detail.

Table 3.1 Summary of IPART’s assessment against criteria in the Guidelines

Criterion	IPART findings
<p>1. The need for and purpose of a different revenue path for the council’s General Fund (as requested through the special variation) is clearly articulated and identified in the council’s IP&R documents, including its Delivery Program, Long Term Financial Plan and Asset Management Plan where appropriate. In establishing need for the special variation, the relevant IP&R documents should canvas alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan by including scenarios both with and without the special variation.</p>	<p>IP&R documents identified the need for additional revenue to maintain current infrastructure, consistent with community priorities outlined in the Delivery Program and Asset Management Strategy.</p> <ul style="list-style-type: none"> ▼ The LTFP base case indicates an operating deficit exceeding 17% over the next 10 years - well below the benchmark operating deficit of 4%. TCorp’s most recent financial sustainability rating for Council was <i>weak</i> with a <i>neutral</i> outlook.
<p>2. Evidence that the community is aware of the need for and extent of a rate rise. The IP&R documentation should clearly set out the extent of the General Fund rate rise under the special variation. The council’s community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure an opportunity for community awareness and input to occur.</p>	<p>The council engaged in detailed and widespread consultation with the community. Its consultation included, mailouts, dedicated website, community meetings, train station information booths, newspaper and radio information and shopping centre information stalls. Community feedback to consultation includes:</p> <ul style="list-style-type: none"> ▼ 165 written submissions to council, 39 supportive, 107 opposed and 19 were non-committal. ▼ A commissioned representative phone survey of 407 ratepayers showed that 70% of respondents preferred either a 10.8% for 4 year, or a 8.5% for 4 year special variation over just the rate peg option IPART has received five submissions. These opposed the increase on affordability grounds.
<p>3. The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. The IP&R processes should:</p> <ul style="list-style-type: none"> ▼ clearly show the impact of any rises upon the community ▼ include the council’s consideration of the community’s capacity and willingness to pay rates, and ▼ establish that the proposed rate increases are affordable having regard to the local community’s capacity to pay. 	<p>The council concluded that the rise was affordable based on:</p> <ul style="list-style-type: none"> ▼ The council’s 2012/13 average residential rate is similar to other peer councils.^a ▼ Vulnerable socio-economic groups, including pensioners, are covered under council’s hardship policy and its voluntary pensioner concessions on the environmental levy and domestic waste charge and extra rate discount. ▼ A SEIFA ranking (124 out of 153). Wollondilly Shire is in the highest 20% of LGAs for socio-economic advantage. ▼ Overdue rates ratio of 7.14%, in the middle of the target range and declining. ▼ The unemployment rate at the last census was 4.2%. Compared to the state average of 4.9%

Criterion	IPART findings
4. The relevant IP&R documents must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation to its general revenue.	The Delivery Program was publicly exhibited between 18 November to 19 December 2014. It was adopted by Council on 9 February 2015. The LTFP was also adopted on 9 February 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.	Council has been achieving efficiencies through: <ul style="list-style-type: none"> ▼ Cooperative electricity contracts with other councils. ▼ Insurance coverage, ▼ Tendering. ▼ Pursuing energy efficiencies in lighting and IT procurement. ▼ Council's ongoing SEE change and Success Management Projects. The SEE Change and Success Management projects constantly seek to document where more efficient methods are found to build organisation information and continually seek suggestions from staff for better, more efficient methods of operation.
6. IPART's assessment of the size and resources of the council, the size of the increase, current rate levels and previous increases, the purpose of the special variation and other relevant matters.	The majority of the infrastructure spending that the special variation will allow council to undertake will be on roads and bridges. Wollondilly Shire has 19 metres of road per capita. Its relatively large proportion of expenditure on roads and bridges compares with neighbouring councils which have the follow road metres per capita, Camden 8 metres, Campbelltown 5 metres, Penrith 6m and Hawkesbury 16 metres per capita.

^a Other group 6 councils are, Camden and Hawkesbury Note: Wingecarribee is not in the OLG Group 6 but it a neighbouring Council to Wollondilly with very similar population.

Note: SEIFA ranking of 124, please refer to Appendix C, Table C.2.

Sources: Wollondilly Shire Council, *Application Part A* and *Application Part B*; OLG, Unpublished data; NSW Treasury Corporation (TCorp); *Wollondilly Shire Council Financial Assessment, Sustainability and Benchmarking Report*, October 2012; Wollondilly Shire Council Delivery Program 2013-17; Wollondilly Shire Council Long Term Financial Plan 2015-2025, Australian Bureau of Statistics.

3.1 Consultation

Wollondilly Shire Council went to significant lengths in engaging and consulting with its residents and ratepayers. We noted this included:¹⁴

- ▼ Mail-out to all ratepayers
- ▼ Community hall meetings
- ▼ Information and drop-in sessions
- ▼ Train station engagement
- ▼ Shopping centre information booths
- ▼ Information kits at council buildings, libraries and mobile consultation
- ▼ Media releases and newspaper advertisement
- ▼ Radio and social media
- ▼ Wollondilly 2033 website.

There was one minor issue with the information provided to ratepayers. Wollondilly Shire Council's mail-out to over 16,000 ratepayers was detailed but did not include the cumulative percentage increase in the rates over the four years of the special variation. However, the mail-out did present the cumulative dollar increase in rates over the four years. We also note that each page of the mail out directed readers to the special variation website that included both cumulative dollar and percentage increases.¹⁵

We are satisfied that the community has been adequately consulted.

3.2 Reasonable impact on ratepayers

Wollondilly Shire Council has applied for a 50.72% increase in its general rate revenue over the next four years. This is a large relative increase and, whilst IPART is satisfied as to the need and purpose of the application, we were concerned about the affordability of the special variation for Wollondilly ratepayers, particularly given that a 6.00% pa special variation over three years has just been fully integrated into the rate base.

Using the latest available data from the OLG database (2012-13) our analysis showed that Wollondilly residential rates are comparable with its neighbouring councils. Wollondilly residential rates are \$1,131 compared to Camden \$1,191, Hawkesbury \$985 and Wingecarribee \$1,103.

¹⁴ Wollondilly Shire Council, *Application Part B*, pp 68-76.

¹⁵ Wollondilly Shire Council, *Application Part B*, Attachment 5.

We note that 70% of Wollondilly ratepayers are supportive of a special variation increase of at least 8.5% for four years.¹⁶ We note that the SEIFA ranking of 124 puts Wollondilly in the highest 20% for socio-economic advantage of NSW LGAs.

Wollondilly Shire Council also has a comprehensive hardship policy that goes beyond NSW Government mandated pensioner rebates. It includes:

- ▼ Standard \$250 pa mandated pensioner rates discount.
- ▼ Additional \$45 pa pensioner rates discount initiated by Wollondilly Shire Council.
- ▼ 50% discount on waste management (garbage) charges for pensioners. This is worth up to \$233 pa.
- ▼ 100% discount on stormwater management charges for pensioners (worth up to \$25 pa).
- ▼ Waiving of interest charges if people have entered into a payment plan.
- ▼ In hardship cases, council can suspend rate increases for a period of up to five years with additional concessions on accumulated interest.¹⁷

4 What does our decision mean for the council?

Our decision means that Wollondilly Shire Council may increase its general income over the 4-year special variation period from \$23.3 million in 2014-15 to \$35.0 million in 2018-19. Table 4.1 shows the annual increases in the dollar amounts to the council's general income. These amounts reflect the percentage increases we have approved and, in 2015-16, adjustments that occur as a result of various catch-up and valuation adjustments.

These increases will be permanently incorporated into the council's revenue base. After 2018-19, the council's permissible general income will increase by the annual rate peg unless we approve a further special variation.¹⁸

¹⁶ Wollondilly Shire Council, *Application Part B*, p 81.

¹⁷ Where ratepayers have real difficulty in pay rates, particularly the new special variation, after investigation, council will allow people to pay a lower amount each year for five years. The unpaid rates will accumulate for five years. In the sixth year the unpaid rates in year one will be waived, and so on into the future. The unpaid rates for the last five years will be recovered on the sale of the property by the vendor or as part of probate.

¹⁸ General income in future years cannot be determined with precision, as it will be influenced by several factors apart from the rate peg. These factors include changes in the number of rateable properties and adjustments for previous under- or over-collection of rates. The Office of Local Government is responsible for monitoring and ensuring compliance.

Table 4.1 Permissible general income of Wollondilly Shire Council from 2015-16 to 2018-19 arising from the special variation approved by IPART

Year	Increase approved (%)	Cumulative increase approved (%)	Annual increase in general income (\$)	Permissible general income (\$)
Adjusted notional income 30 June 2015				23,322,068
2015-16 ^a	10.8	10.80	2,426,618	25,748,687
2016-17	10.8	22.77	2,780,858	28,529,545
2017-18	10.8	36.03	3,081,191	31,610,736
2018-19	10.8	50.72	3,413,959	35,024,695

^a Prior catch-ups, adjustments and valuation objection adjustments that had not been recouped by the time the application was submitted to IPART are to be recouped in 2015-16.

Source: Wollondilly Shire Council, *Application Part A*, Worksheets 1 and 4 and IPART calculations.

The council estimates that over these four years, the additional rates revenue will accumulate to \$21.4 million above the rate peg. This extra income is the amount the council requested to enable it to undertake sufficient maintenance and renewal of its assets.

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, Wollondilly Shire Council indicated that it intended to increase rates over the four years uniformly for each category other than farmland. Council has decided to increase farmland rates by 1.3% in the first year and then the rate peg increase thereafter.¹⁹

The council calculated that:

- ▼ the average residential (town-centre) rate will increase by a cumulative 50.2%, or a cumulative \$527 over four years
- ▼ the average residential (rural) rate will increase by a cumulative 51.2%, or a cumulative \$889 over four years
- ▼ the average business rate will increase by a cumulative 51.2%, or a cumulative \$1,089 over four years
- ▼ the average business (light industrial) rate will increase by a cumulative 51.2%, or a cumulative \$763 over four years, and

¹⁹ Wollondilly Shire Council, *Application Part A*, Worksheet 5A.

- ▼ the average farmland rate will increase by a cumulative 10.7%, or a cumulative \$266 over four years.

Table 5.1 sets out Wollondilly Shire Council's estimate of the expected increase in average rates in the main ratepayer categories.

Table 5.1 Indicative annual increases in average rates under Wollondilly Shire Council's approved special variation 2015-16 to 2018-19

	Current Rates ^a	2015-16	2016-17	2017-18	2018-19	Cumulative Increase
Residential Town Centre	\$1,049	1,158	1,284	1,422	1,576	
\$ increase		109	125	139	154	527
% increase		10.4%	10.8%	10.8%	10.8%	50.2%
Rural Residential	\$1,736	1,930	2,138	2,369	2,625	
\$ increase		194	208	231	256	889
% increase		11.2%	10.8%	10.8%	10.8%	51.2%
Residential	\$1,343	1,494	1,656	1,834	2,033	
\$ increase		151	161	179	198	690
% increase		11.3%	10.8%	10.8%	10.8%	51.4%
Farmland	\$2,488	2,521	2,596	2,674	2,754	
\$ increase		32	76	78	80	266
% increase		1.3%	3.0%	3.0%	3.0%	10.7%
Business	\$2,121	2,358	2,613	2,895	3,208	
\$ increase		237	255	282	313	1,087
% increase		11.2%	10.8%	10.8%	10.8%	51.2%
Business Light Industrial	\$1,490	1,656	1,835	2,033	2,253	
\$ increase		166	179	198	220	763
% increase		11.1%	10.8%	10.8%	10.8%	51.2%
Mining	\$153,011	168,951	187,197	207,415	229,815	
a \$ increase		15,940	18,247	20,217	22,401	76,804
% increase		10.4%	10.8%	10.8%	10.8%	50.2%

a 2014-15 is included for comparison.

Note: The average rate is includes the ordinary rate and any special rates applying to the rating category.

Note: Some numbers may not add due to rounding.

Source: Wollondilly Shire Council, *Application Part A*, Worksheet 5a.



Appendices

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

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

The council proposed to use the additional special variation revenue of \$81.5 million all on capital works:

- ▼ (Table A.1)
- ▼ (Table A.2), and
- ▼ to improve financial sustainability.

The council will indicate in its Annual Reports how its actual expenditure compares to its proposed program of expenditure.

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

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Special variation income above rate peg	1,959	4,026	6,372	9,029	9,300	9,579	9,866	10,162	10,467	10,781	81,543
Operational Expenditure	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	1,959	4,026	6,372	9,029	9,300	9,579	9,866	10,162	10,467	10,781	81,543
Total	1,959	4,026	6,372	9,029	9,300	9,579	9,866	10,162	10,467	10,781	81,543

Note: Numbers may not add due to rounding.

Source: Wollondilly Shire Council, *Application Part A, Worksheet 6.*

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

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Major Road & Bridge Works	1,159	2,926	4,972	6,879	7,085	7,298	7,517	7,743	7,975	8,214	61,769
Bridges, footpaths, kerb, linemarking renewal	150	250	350	750	773	796	820	844	869	896	6,497
Footpaths - new	100	150	200	250	258	265	273	281	290	299	2,366
Kerb & Gutter - new	150	200	250	300	309	318	328	338	348	358	2,899
Buildings renewal	150	200	250	450	464	477	492	506	522	537	4,048
Parks renewal (playgrounds, sportsfields)	250	300	350	400	412	424	437	450	464	478	3,965
Total Capital Expenditure	1,959	4,026	6,372	9,029	9,300	9,579	9,866	10,162	10,467	10,781	81,543

Note: Numbers may not add due to rounding.

Source: Wollondilly Shire Council, *Part A, Worksheet 6.*

B Wollondilly Shire Council's projected revenue, expenses and operating balance

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

Revenues and operating results in the annual accounts are reported both inclusive and exclusive of capitals and contributions. In order to isolate ongoing trends in operating revenues and expenses, our analysis of the council's operating account in the body of this report excludes capital grants and contributions.

Table B.1 Summary of projected operating statement for Wollondilly Shire Council, 2015-16 to 2024-25 (\$000)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Total Revenue	48,152	51,506	55,423	59,829	62,011	64,603	66,712	69,282	71,765	74,442	623,722
Total Expenses	50,901	53,602	55,133	56,933	58,882	61,096	63,078	65,376	67,850	70,151	603,002
Operating result from continuous operations	-2,749	-2,096	289	2,895	3,129	3,507	3,634	3,906	3,915	4,290	20,720
Net operating result before capital grants and contributions	-5,321	-4,768	-2,383	123	357	635	762	934	943	1,318	-7,400

Note: Numbers may not add due to rounding.

Source: Wollondilly Shire Council, *Application Part A, Worksheet 7*.

C Comparative indicators

Performance indicators

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

Table C.1 shows how selected performance indicators for Wollondilly Shire Council have changed over the four years to 2012-13.

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

Performance indicator	2009-10	2010-11	2011-12	2012-13	Average change (%)
FTE staff (number)	197	201	196	208	1.8
Ratio of population to FTE	220	215	226	213	-1.0
Average cost per FTE (\$)	68,249	69,776	81,997	77,851	4.5
Employee costs as % operating expenditure (General Fund only) (%)	38.5	34.8	37.7	36.1	
Consultancy/contractor expenses (\$m)	7.3	-	-	13.6	23.0
Consultancy/contractor expenses as % operating expenditure (%)	21.0	-	-	30.3	

Note: Except as noted, data is based upon total council operations that include General Fund, Water & Sewer and other funds, if applicable.

Source: OLG, unpublished data.

General comparative indicators

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

As indicated in section 3, Wollondilly Shire Council is in OLG Group 6. Unless specified otherwise, the data refers to the 2012-13 financial year.

Table C.2 Select comparative indicators for Wollondilly Shire Council, 2012-13

	Wollondilly Shire Council	OLG Group 6 average	NSW average
General profile			
Area (km ²)	2,561	-	-
Population	45,322	-	-
General Fund operating expenditure (\$m)	44.9	-	-
General Fund operating revenue per capita (\$)	880	929	2,026
Rates revenue as % General Fund income (%)	57.4	41.3	46.8
Own-source revenue ratio (%)	71.7	55.1	71.1
Average rate indicators^a			
Average rate – residential (\$)	1,131	1,102	712
Average rate – business (\$)	1,621	2,603	2,688
Average rate – farmland (\$)	2,332	2,325	2,194
Socio-economic/capacity to pay indicators^b			
Average annual income for individuals, 2011 (\$)	50,960	51,057	49,070
Growth in average annual income, 2006-2011 (% pa)	4.5	4.3	5.2
Average residential rates 2012/13 to average annual income, 2011 (%)	2.2	2.2	1.5
SEIFA, 2011 (NSW rank: 153 is least disadvantaged)	124		
Outstanding rates and annual charges ratio (General Fund only) (%)	7.6	6.8	6.0
Productivity (labour input) indicators			
FTE staff (number)	208	262	294
Ratio of population to FTE	213	218	127
Average cost per FTE (\$)	77,851	82,913	75,736
Employee costs as % operating expenditure (General Fund only) (%)	36.1	36.9	37.1
Consultancy/contractor expenses (\$m)	13.6	6.7	7.8
Consultancy/contractor expenses as % operating expenditure (%)	30.3	13.5	10.3

^a Average rates equal total ordinary rates revenue divided by the number of assessments in each category.

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

Source: OLG, unpublished data; ABS, *Regional Population Growth, Australia*, August 2013; ABS, *Estimates of Personal Income for Small Areas, 2005-06 to 2010-11*, October 2013; ABS, *Socio-Economic Indexes for Areas (SEIFA) 2011*, March 2013 and IPART calculations.