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| Special Variation Application Form – Part B  For 2016-17  Issued January 2016 |
| Insert Name of Council: YASS VALLEY COUNCIL  Date Submitted to IPART: 12 February 2016  Council Contact Person: David Rowe, General Manager  Council Contact Phone: 6226 1477  Council Contact Email: david.rowe@yass.nsw.gov.au |

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# Introduction

IPART will assess each application against the criteria set out in the Office of Local Government’s (OLG) *Guidelines for the preparation of an application for a special variation to general income for 2016/2017* (the Guidelines). Councils should refer to these guidelines before completing this application form.[[1]](#footnote-1)

Each council must complete this Part B application form when applying for a special variation to general income either under section 508A or under section 508(2) of the *Local Government Act 1993*.

In addition, councils must complete the Part B form with the Part A (spreadsheet) form for both s508(2) and s508A applications. The Guidelines also require the council to have resolved to apply for a special variation. You must attach a copy of the council’s resolution. IPART’s assessment of the application cannot commence without it.

If the proposed special variation includes increasing minimum rates above the statutory limit, or is to apply a higher rate of increase to an existing minimum rate than to its other rates, it is not necessary for the council to also complete the separate Minimum Rates Application form. However, this must be clearly identified and addressed in the special variation application. In such circumstances, councils are encouraged to discuss their proposed application with IPART as soon as possible.

As outlined in the OLG’s Guidelines, councils that are the subject of merger proposals will not be eligible for a special variation for the 2016-17 rating year.

## Completing the application form

This form is structured to provide guidance on the information we consider is necessary for us to assess a special variation application. To complete the form, the council will need to respond to questions and insert text in the boxed area following each section or sub-section.

The amount of information that a council provides will be a matter of judgement for the council, but it should be sufficient for us to make an evidence-based assessment of the application. Generally, the extent of the evidence should reflect the size of the variation sought. More complex applications or requests for a high cumulative percentage increase should be supported by stronger, more extensive evidence.

Councils may submit additional supporting documents as attachments to the application (refer to section 8). These attachments should be clearly cross-referenced in Part B. We prefer to receive relevant extracts rather than complete publications, unless the complete publication is relevant to the criteria. If you provide complete documents when only an extract is relevant, we may ask you to resubmit the extract only. (You should provide details of how we can access the complete publication should this be necessary.)

We publish videos and Fact Sheets on how IPART assesses special variations and on the nature of community engagement for special variation applications. These will assist in preparing the application. The latest videos and Fact Sheets on these topics are available on IPART’s website.[[2]](#footnote-2)

We may ask for additional information to assist us in making our assessment. If this is necessary, we will contact the nominated council officer.

This application form consists of:

Section 2 – Preliminaries3333

Section 3 – Assessment criterion 1

Section 4 – Assessment criterion 2

Section 5 – Assessment criterion 3

Section 6 – Assessment criterion 4

Section 7 – Assessment criterion 5

Section 8 – List of attachments

Section 9 – Certification.

## Notification and submission of the special variation application

Notification of intention to apply

Councils intending to submit an application under either section 508(2) or section 508A should have notified us of their intention to apply, via the Council Portal, by Friday, 11 December 2015.

**Any councils that did not notify but intend to apply for a special variation for 2016-17 should contact us as soon as possible.**

On-line submission of applications

All councils intending to apply for a special variation must use the Council Portal on IPART’s website to register as an applicant council and to submit an application.

The Portal is at <http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt>. The [User Guide](http://www.ipart.nsw.gov.au/files/948b8fb1-2e6e-4647-b9d3-a10000a2552a/Local_Government_-_Council_Portal_User_Guide_-_November_2012.pdf) for the Portal will assist you with the registration and online submission process. If you experience difficulties please contact Himali Ranasinghe on (02) 9113 7710 or by email [himali\_ranasinghe@ipart.nsw.gov.au](mailto:himali_ranasinghe@ipart.nsw.gov.au)

File size limits apply on the Council Portal to each part of the application. For this Part B application form the limit is 10MB. The limit for supporting documents is 50MB for public documents and 50MB for confidential documents. These file limits should be sufficient for your application. Please contact us if they are not.

We will post all applications (excluding confidential content) on the IPART website. Confidential content may include part of a document that discloses the personal identity or other personal information pertaining to a member of the public or whole documents such as a council working document and/or a document that includes commercial-in-confidence content. Councils should ensure that documents provided to IPART are redacted so that they do not expose confidential content.

Councils should also post their application on their own website for the community to access.

Hardcopy of application

We ask that councils also submit one hardcopy of their application to us (with a table of contents and appropriate cross-referencing of attachments) at the following address:

**Local Government Team**Independent Pricing and Regulatory Tribunal  
PO Box K35  
Haymarket Post Shop NSW 1240

or

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

We must receive your application via the Council Portal no later than **COB Monday, 15 February 2016.**

# Preliminaries

## Focus on Integrated Planning and Reporting

Councils must identify the need for a proposed special variation to their General Fund’s rates revenue as part of their Integrated Planning and Reporting (IP&R) process. The IP&R documents will need to be publicly exhibited and adopted by the council prior to it submitting its application to us. Also refer to section 6 for a more detailed explanation.

The key IP&R documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and, where applicable, the Asset Management Plan. A council’s application may also include supplementary and/or background publications used within its IP&R processes. You should refer to these documents to support your application for a special variation where appropriate.

Key purpose of special variation

At the highest level, indicate the key purpose(s) of the proposed special variation by marking one or more of the boxes below with an “x”.

|  |  |
| --- | --- |
| Maintain existing services | **X** |
| Enhance financial sustainability | **X** |
| Environmental services or works |  |
| Infrastructure maintenance / renewal | **X** |
| Reduce infrastructure backlogs | **X** |
| New infrastructure investment |  |
| Other (specify) |  |

You should summarise below the key aspects of the council’s application, including the purpose and the steps undertaken in reaching a decision to make an application.

***RESPONSE:***

*The key challenges facing Council, now and in the future, are the need to balance competing demands in an environment of high projected growth, ageing infrastructure, increasing community expectations and limited resources.*

*Historically, Council’s operating costs have been increasing faster than revenue which, over time, has led to a reduction in funds available for both maintenance and renewal of infrastructure. This was highlighted by a timber bridge condition report presented to Council in November 2014 and prompted Council to consider applying for a 10.9% special rate variation for 2015/16 to address immediate infrastructure maintenance issues. Given the tight timeframe for effective community consultation, Council made the decision in February 2015 not to proceed with the SRV, but instead to involve the community in this conversation through the Fit for the Future process.*

*Yass Valley Council’s Fit for the Future (FFTF) Improvement Proposal, submitted in June 2015, was developed after extensive community consultation, including collaboration with a specially formed FFTF Community Working Group of 40 members (plus Councillors), which met on 7 occasions over 25 hours to assist in framing and assessing the range of options outlined in the Fit for the Future Options Paper. Community feedback on the Options Paper indicated that approx. 50% of people recognised the need for an increase in rates to allow the provision of the appropriate levels of service and maintenance of assets.*

*Council recognised through the FFTF process that it must balance its liquidity requirements with the need to invest in the renewal of assets. The infrastructure backlog will continue to increase without adequate funding being provided for renewal through either a significant reduction in operational expenditure, an increase in revenue via an SRV or a combination of the two.* *As identified by TCorp in their 2013 report, Council needs to consider ways of reducing operating expenses or generating additional revenue if it is to achieve financial sustainability.*

*Yass Valley’s high population growth brings opportunities for an increased rate base, but also brings new residents with higher expectations of service levels particularly in relation to rural roads.*

*The FFTF Improvement Proposal demonstrated that Council can be financially sustainable in the long term through a combination of:*

* *rate increases - a special rate variation of 6% p.a. over the rate peg for 5 years;*
* *efficiency gains - $600,000 achieved over 3 years as sustainable ongoing annual savings*
* *sale of land assets - $1M over 2 years; and*
* *loans - $1.5M in 2016/17 to inject funds into the asset maintenance program prior to the effect of the SRV.*

*In spite of satisfying all but one of the FFTF financial criteria, Yass Valley Council was deemed “not fit” by IPART, along with two thirds of the 152 Councils in NSW. Council’s long term financial sustainability, as outlined in the Improvement Proposal submitted to IPART in June 2015, relied on the implementation of a special rate variation (SRV) commencing from 1 July 2016. In August 2015, at it’s Ordinary Meeting Council decided not to apply for the SRV at this time. It would appear that this “unexpected change in approach”, as IPART described it, may have materially impacted on IPART’s assessment due to the revised income projections, ultimately resulting in Council being deemed “not fit”. Given this “not fit” assessment, at its October 2015 Ordinary Meeting, Council* *revisited the need for an SRV from 2016/17 to strengthen its chance of being allowed to remain as a standalone council and resolved to proceed with this SRV application.*

*Subsequent to being deemed “not fit” Council was advised that its treatment of ‘Roads to Recovery’ funding as capital rather than operational income was inconsistent with most other councils and that it had negatively affected the key Operating Performance Ratio. The LTFP was remodelled to treat this funding as operational income, allowing Council to reduce the preferred SRV option from the FFTF process back from 5 years to 4 years.*

*Council consulted with the community during November and December 2015 on the basis of this preferred SRV option i.e. 6% above the rate peg over 4 years (or 8.5% pa) and released a Supplementary Delivery Program for public exhibition. During the exhibition period, IPART advised that the rate peg for 2016/17 had been set at 1.8% rather than the 2.5% Council had been previously been advised to use in its modelling. Council subsequently made the decision to maintain the total rate increase which had been publically exhibited as all financial modelling had been done on the basis of those income levels. While this did not change the proposed total rate increase of 8.5% over 4 years, it changed the breakdown to the following.*

* *2016/17 – 6.7% above the rate peg of 1.8%, a total of 8.5%*
* *2017/18, 2018/19 and 2019/20 – 6% above the projected rate peg of 2.5%, a total of 8.5% p.a.*

*Council’s Fit for the Future community consultation and subsequent submission examined a range of options to address it’s long term financial sustainability. They are addressed elsewhere in this submission and the attachments.*

*The community’s goals and priorities are detailed in the Yass Valley 2030 Community Strategic Plan and were developed after extensive consultation with the community. They will be reviewed during development of the next Community Strategic Plan in 2016.*

## Capital expenditure review

You should complete this section if the council intends to undertake major capital projects that are required to comply with the OLG’s Capital Expenditure Guidelines, as outlined in OLG Circular 10-34. A capital expenditure review is required for projects that are not exempt and cost in excess of 10% of council’s annual ordinary rates revenue or $1 million (GST exclusive), whichever is the greater.

A capital expenditure review is a necessary part of a council’s capital budgeting process and should have been undertaken as part of the Integrated Planning and Reporting requirements in the preparation of the Community Strategic Plan and Resourcing Strategy.

|  |  |  |
| --- | --- | --- |
| Does the proposed special variation require council to do a capital expenditure review in accordance with OLG Circular to Councils, Circular No 10-34 dated 20 December 2010 | Yes | No x |
| If *Yes*, has a review been done and submitted to OLG? | Yes | No |

# 

# Assessment Criterion 1: Need for the variation

Criterion 1 within the OLG Guidelines is:

*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 canvass alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan applying the following two scenarios:*

* *Baseline scenario – General Fund revenue and expenditure forecasts which reflect the business as usual model, and exclude the special variation, and*
* *Special variation scenario – the result of implementing the special variation in full is shown and reflected in the General Fund revenue forecast with the additional expenditure levels intended to be funded by the special variation.*

*Evidence to establish this criterion could include evidence of community need /desire for service levels/projects and limited council resourcing alternatives.*

*Evidence could also include the assessment of the council’s financial sustainability conducted by the NSW Treasury Corporation.*

The response to this criterion should summarise the council’s case for the proposed special variation. It is necessary to show how the council has identified and considered its community’s needs, alternative funding options (to a rates rise).

The criterion states that the need for the proposed special variation must be identified and clearly articulated in the council’s IP&R documents especially the Long Term Financial Plan (LTFP) and the Delivery Program, and, where appropriate, the Asset Management Plan (AMP). The purpose of the proposed special variation should also be consistent with the priorities of the Community Strategic Plan (CSP).

## Case for special variation - community need

Summarise and explain below:

How the council identified and considered the community’s needs and desires in relation to matters such as levels of service delivery and asset maintenance and provision.

How the decision to seek higher revenues above the rate peg was made and which other options were examined, such as changing expenditure priorities or using alternative modes of service delivery.

Why the proposed special variation is the most appropriate option: for example, typically other options would include introducing new or higher user charges and/or an increase in council loan borrowings, or private public partnerships or joint ventures.

How the proposed special variation impacts the LTFP forecasts for the General Fund and how this relates to the need the council identified. Our assessment will also consider the assumptions which underpin the council’s LTFP forecasts.

In addressing this criterion, you should include extracts from, or references to, the IP&R document(s) that demonstrate how the council meets this criterion.

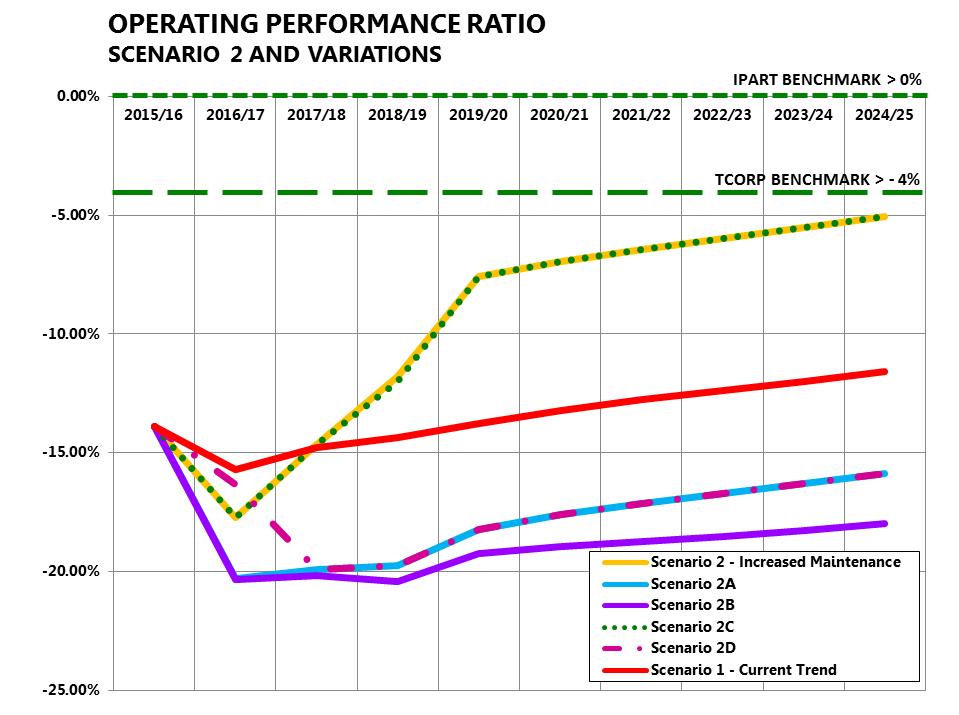
***RESPONSE:***

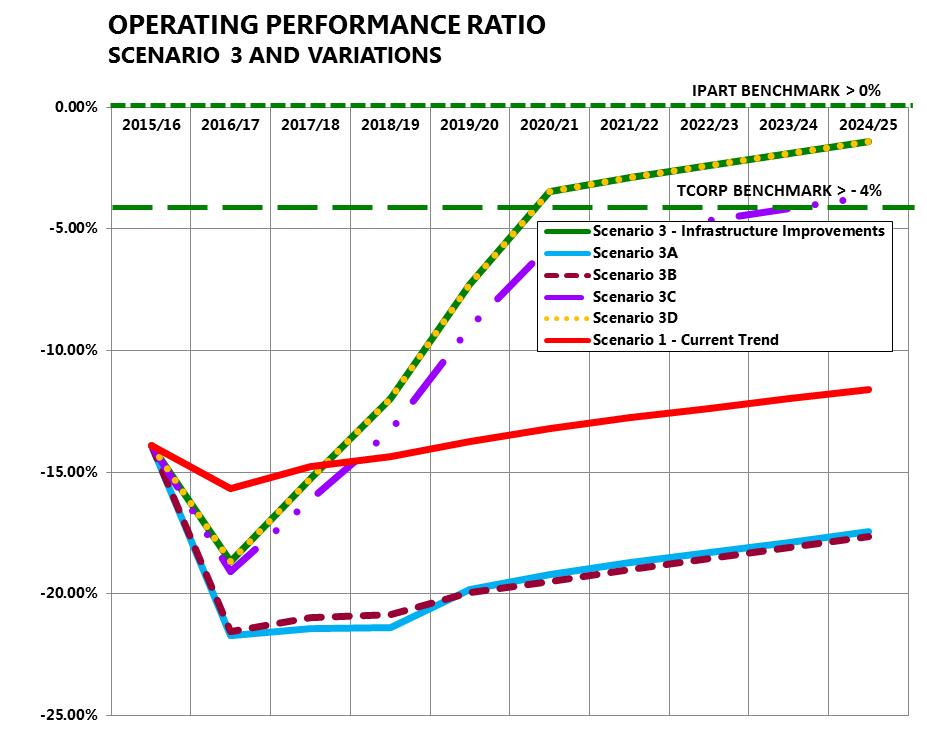
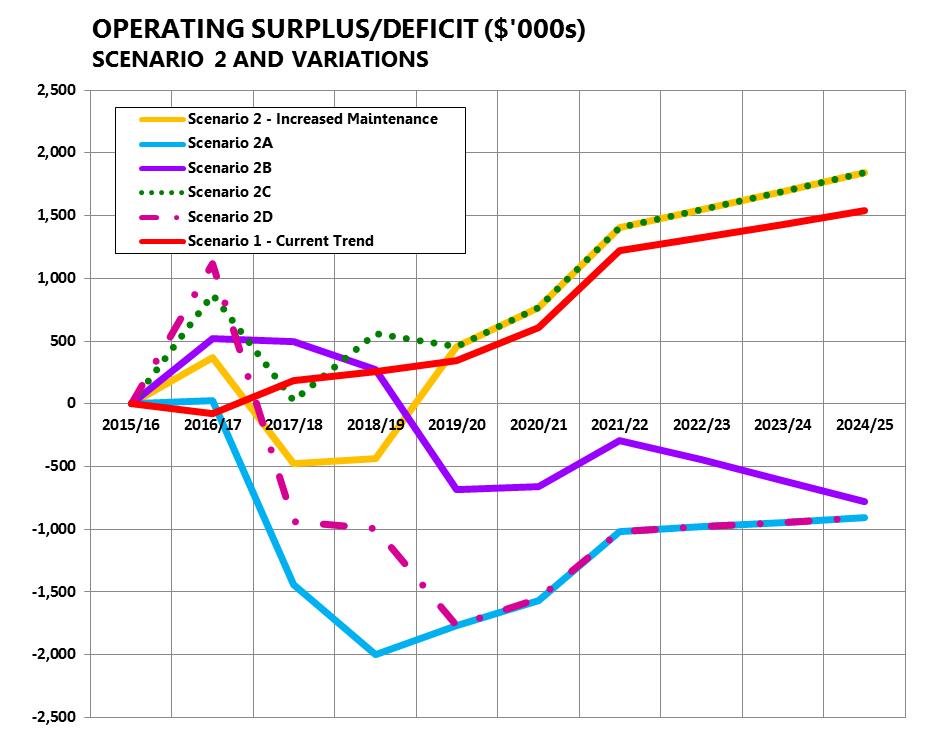
*Council first formally identified and considered the community’s needs and desires in relation to matters such as levels of service delivery and asset maintenance and provision through its extensive consultation in developing the inaugural Yass Valley 2030 Community Strategic Plan during 2010. The current Community Strategic Plan is about to undergo substantial revision but is provided at Attachment A(a). The results of a community survey undertaken in November 2013 as part of the ongoing development of Council’s IPR documents is provided as Attachment A(b.)*

*Further understanding of the community’s needs and desires has been gained through the annual Yass Valley Connect community forums and now through its Fit for the Future community consultation in the first half of 2015.*

*In excess of 50 options were modelled as part of the FFTF consultation to identify the most appropriate combination of strategies to meet the Fit for the Future Criteria. In consultation with the 40 member community working group and councillors, it was agreed to publically exhibit the 3 options outlined in the Fit for the Future Options Paper. See table and graphs below and Attachment E(a) for more details on each option and the impact.*

***Scenarios and Variations considered at the Final Workshop of the Community Working Group Options – 4 June 2015***

**

**

*At the final meeting of the Community Working Group on 4 June 2015, after the public exhibition of the Fit for the Future Options Paper had closed, a series of variations to Scenarios 2 and 3 were considered as shown on the next page.*

*It was ultimately determined that the most appropriate model for inclusion in the submission was Scenario 2 revised to include an SRV of 8.5% over 5 years rather than 4 years to ensure a positive operating ratio in 2024/25. . This has been further refined to take into account the work undertaken by Jeff Roorda and Associates in reviewing our infrastructure depreciation and backlog, concurrent with the FFTF consultation.*

*While this model does not provide sufficient revenue or surpluses to allocate funds towards infrastructure upgrades and address the infrastructure backlog within the required timeframe it does provide an acceptable compromise between the competing objectives of minimal financial impact on ratepayers, maintaining minimal acceptable service levels in key services, particularly roads.*

*As noted elsewhere, this SRV application has been adjusted back to 4 years following a decision to treat Roads to Recovery funding as operational rather than capital income.*

## Financial sustainability

The proposed special variation may be intended to improve the council’s underlying financial position for the General Fund, or to fund specific projects or programs of expenditure, or a combination of the two. We will consider evidence about the council’s current and future financial sustainability and the assumptions it has made in coming to a view on its financial sustainability.

You should explain below:

The council’s understanding of its current state of financial sustainability, its long-term projections based on alternative scenarios and assumptions about revenue and expenditure.

Any external assessment of the council’s financial sustainability, eg, by auditors, Treasury Corporation. Indicate how such assessments of the council’s financial sustainability is relevant to supporting the decision to apply for a special variation.

The council’s view of the impact of the proposed special variation on its financial sustainability.

***RESPONSE:***

***The following pages are extracted from the Delivery Program.***

***WHY DO WE NEED A SPECIAL RATE VARIATION?***

*Rates make up 39% of Council’s general income and help pay for essential maintenance and renewal of community infrastructure. The NSW government, through IPART, sets a limit on how much these rates can increase each year by setting the rate peg, however, this does not cover the increasing costs of looking after infrastructure such as roads, bridges, pools, parks, sporting grounds, halls, libraries and delivering services. The Local Government Reform Panel, in its report, expressed the view that “many more councils should have been applying for Special Rate Variations to restore and strengthen their revenue base”.*

*In contrast to other Councils in our region, some of which have had multiple applications approved, Yass Valley Council has never applied for a special rate variation to increase rates above the approved rate peg. Council did however consider lodging an application for a 10.9% SRV in 2015 to address immediate concerns with timber bridges and road deterioration.*

*There are a number of challenges facing Yass Valley that impact on our long term financial sustainability.*

1. ***Costs are rising faster than revenue***

*For the past 37 years the NSW Government has limited the amount Councils can increase their rate income regardless of increases in actual costs. For the 2015/16 year, rates are pegged at 2.4%, but material and contract costs are expected to rise 4%, employment costs will rise 2.7% per the Award, insurance costs (excluding workers comp) are estimated to rise 7% and the cost of electricity which has doubled over the past 10 years remains uncertain although predicted to be ‘flat to slightly increasing’ over the next 3 years (ref: Australian Market Energy Report – Dec 2015).*

1. ***Large geographic area relative to the population***

*Yass Valley Council covers an area of 3,999km2, including 9 dispersed towns and villages and a population of only 16,433 and only 7100 rate assessments from which to generate rate income.*

1. ***Growing population***

*Between 2006 and 2011 Yass Valley was one of the fastest growing Local Government Areas in regional New South Wales. Over this period Yass Valley’s growth rate was 2.3%, compared to the state average of 1.4% (Source: ABS Regional Population Growth).*

*Population forecasts from demography and spatial analysis firm .id in 2014 suggest that the population is forecast to increase by 9,057 between 2011 and 2036 representing an average annual change of 1.85% and an overall growth of 58.07% over this time. NB: the growth rate over the next 10 years is estimated to be 1.94% annually.*

1. ***Large portfolio of assets to maintain***

|  |  |
| --- | --- |
| * *75 kilometres of urban roads* * *400 kilometres of rural sealed roads* * *600 kilometres of rural unsealed roads* * *175 kilometres of regional roads* * *55 road bridges, including timber bridges* * *35 kilometres of stormwater pipes* * *33 kilometres of footpaths* * *70 kilometres of kerb and guttering* * *587 culverts* * *32 causeways* * *7 waste management centres* * *16 playgrounds & 12 sports fields* * *250 parks, reserve and parcels of land* | * *8,000m2 of public carparks* * *16 public amenities blocks* * *2 swimming centres* * *2 libraries and I mobile library* * *5 Community centres/halls* * *1 multi-purpose sport complex* * *7 cemeteries* * *1 livestock storage facility* * *1 visitor information centre* * *1 water supply dam* * *165 kilometres of water pipes* * *78 kilometres of sewer pipes* * *1 sewerage treatment facility* |

1. ***Large range of services to provide to the community***

|  |  |
| --- | --- |
| * *4,000 kerbside waste collections per week* * *4,000 kerbside recycling collections per fortnight* * *10,700 business waste collections per year* * *3,400 business cardboard collections per year* * *4,700 street bin collections per year* * *28,000 loads of rubbish received at 6 transfer stations per year* * *55,000 individual visits to the 2 swimming pools each season* * *70 burial plots per year* * *350 development applications processed per year* * *520 planning certificates issued per year* | * *200 food shop inspections per year* * *160 dogs impounded per year* * *25,000 visitors provided with information each year at the visitor information centre plus 1,800 email and 3,700 phone enquiries* * *60,000 visits per year to Council’s tourism website and 120,000 to the library’s homepage* * *5,000 visits to, or trips with, clients of our aged care and disability services per annum* * *32,000 stock items (books and other resource materials) held at the library* * *80,000 library items loaned annually* |

1. ***Funding reductions from the federal government***

*The Federal Assistance Grants have been capped at 2014/15 levels for 3 years, permanently lowering the base going forward. This is expected to cost Yass Valley at least $1.3m over the next 10 years.*

1. ***Financial sustainability***

*To ensure long term financial sustainability, Council must ensure a positive Operating Performance Ratio (OPR) in 2024/25. A special rate variation was one of the fundamental elements of its Fit for the Future submission and Councils decision in August 2015 to defer its implementation resulted in a negative OPR being projected for 2024/25 . The following graph demonstrates that the proposed SRV of 8.5% over 4 years (including the rate peg) delivers a positive Operating Performance Ratio in 2024/15.*

**

**IPART Benchmark > 0%**

Reflects the impact of additional Roads to Recovery Grants in 2015/16 and 2016/17

***WHAT WILL THE SPECIAL RATE VARIATION FUND?***

*The additional income from the special rate variation provides funds to be spent on essential asset maintenance, specifically roads and timber bridges, as well as maintaining service levels across other key services and providing funds for community projects.*

*The following table categorises the projects being funded from the special rate variation. Details of individual projects can be found in the Identified Projects section later in the Delivery Program (see Attachment B).*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *Description* | *2016/17*  *$* | *2017/18*  *$* | *2018/19*  *$* | *2019/20*  *$* |
| *Rural Road Resealing* | *92,000* | *209,303* | *214,853* | *221,298* |
| *Timber Bridge Rehabilitation* | *178,937* | *190,565* | *408,992* | *380,272* |
| *Gravel Resheeting* | *178,937* | *366,822* | *375,992* | *387,272* |
| *Road Rehab/Upgrade* |  | *200,000* | *360,000* | *844,666* |
| *Total Road Infrastructure Funding* | *449,874* | *966,690* | *1,359,837* | *1,833,508* |
| *Community Projects* |  |  | *198,485* | *400,000* |
| *Total Funding available from SRV* | *449,874* | *966,690* | *1,558,322* | *2,233,508* |

***WHAT WILL HAPPEN WITHOUT A SPECIAL RATE VARIATION?***

*IPART has deemed Yass Valley Council as “not fit” given that it does not satisfy the financial sustainability criteria under the Fit for the Future assessment.*

*Even though the NSW Government has determined that Yass Valley Council can stand alone, rather than merge with one or more other councils, it must still convince the Government that it can address this issue of financial sustainability through a positive Operating Performance Ratio by 2024/25. This cannot be achieved without a special rate variation or a dramatic reduction is services. Whilst there have been some public comments received that Council should reduce services rather than increase rates, this position has not been supported by the wider community with many representations seeking an increase in service levels particularly in relation to rural roads maintenance.*

*The impacts of no special rate variation are summarised below, but should be read in the context that without an SRV long term financial sustainability will almost be impossible to achieve:*

1. ***Financial impact***

* *Rates increase by rate peg only (as determined by IPART), which is less than inflation, most fees and charges as well as grants are will rise in line with inflation and investment income reduces in line with low interest rates*
* *Expenses are projected to rise faster than income, largely due to the increasing costs of materials and contracts and fixed increases in staff wages under the Local Government Award.*
* *Reserves are depleted to cover operational expenses*
* *Does not achieve long term financial sustainability i.e does not generate a positive Operating Performance Ratio by 2024/25*

1. ***Impact on infrastructure***

* *Council will be faced with a significantly larger deficit to continue the same level of service or current levels of service will have to be reduced. We would be forced to draw from our dwindling cash reserves to address critical infrastructure maintenance issues and ensure that existing services are maintained.*
* *Our infrastructure will continue to deteriorate as funds available for maintenance dwindle, in particular for unsealed roads, rural sealed roads, essential repair work on our timber bridges will be delayed*
* *There will be no funds for the improvement or replacement of assets or investment in new infrastructure.*
* *Maintenance backlog will increase*

1. ***Impact on services***

* *Limited capacity to support and advocate for community services & events*
* *Community and recreational facilities will continue to deteriorate*
* *Service levels will reduce resulting in DAs and other planning*

***TCORP ASSESSMENT***

*In April 2013 TCorp released its Financial Assessment, Sustainability and Benchmarking Reports**on NSW Councils.*

*In relation to Yass Valley Council, TCorp considered Council to be moderately sustainable in the short to medium term, but in a deteriorating position in respect of its longer term sustainability.*

*In respect of the long term sustainability TCorp observed that Council could not continue to generate operating deficits, was not spending enough on asset renewal, impacting on the quality of assets and provision of services and needed to address the needs of an increasing population by generating additional revenue or reducing expenditure.*

*The following key issues were identified by TCorp.*

* *Council has not addressed its declining financial position over the review period based on the following observations:*
* *Council has incurred increasing operating deficits (excluding grants and contributions for capital purposes), while Council’s underlying operating results (measured using EBITDA) have declined from $6.3m in 2009 to $5.9m in 2012*
* *Council’s Infrastructure Backlog is on an upward trend, and Council has been unable to fund the required asset maintenance or asset renewal amounts*
* *Council has not agreed on service levels with its community*
* *Council reported $19.7m of Infrastructure Backlog in 2012 which represents 11.8% of its infrastructure asset value of $166.5m. A significant portion of the backlog (64.2%) is related to roads*

*Key observations from the review of Council’s 10 year forecasts for its General Fund were:*

* *Council’s financial forecast is in real dollars. The problem with presenting or analysing forecasts in real dollars is in situations where revenues and expenses are not increasing at the same or similar rates. For example, in the case of Yass Valley, revenues over the past four years have increased by 10.0%, whilst expenses have increased by 24.3%. If this disparity in growth rates is projected over the 10 year financial forecast period, Council’s financial results will be considerably worse than the current forecast position.*
* *The current forecast shows deficit positions are expected in all 10 years when capital grants and contributions are excluded. This is Council’s weakest forecast ratio and highlights that over the longer term Council faces sustainability issues.*
* *Council has to balance meeting liquidity requirements with the need to invest in its infrastructure (particularly roads). However, as noted above, Council does not have sufficient resources in the foreseeable future to make any significant reduction in their Infrastructure Backlog and it is likely that the Backlog will continue to increase. Council is aware of their asset backlog and the need to address their revenue sources.*

*In TCorp’s view, Council did not have the capacity to undertake additional borrowings, although it acknowledged that this was a difficult judgement to make given the difference in forecasting methodology.*

*In respect of the long term sustainability of Council TCorp’s key observations were:*

* *Council’s LTFP for its General Fund forecasts operating deficits of over 20.0% p.a. The forecast annual revenue is lower than historic amounts by over $2.0m due to conservative forecasting of operating grants and contributions. Should Council continue to receive operating grants at historical levels this would allow Council to increase its expenditure on asset maintenance and Council’s prospects for continuing Sustainability*
* *Council is not spending sufficient amounts on asset renewal and this will reduce the quality of assets and impact the provision of services*
* *With an increasing population Council needs to address these issues and consider means of generating additional revenues or reducing operating expenses if it is to achieve Sustainability*

*In respect of the Benchmarking analysis TCorp has compared the Council’s key ratios with other councils in DLG group 11. The key observations were:*

* *Council’s financial flexibility as indicated by the Operating Ratio is below the group average and has been below benchmark in the last three years*
* *Council’s Own Source Operating Revenue Ratio is above the average*
* *Council’s DSCR and Interest Cover Ratio were below the group averages and above the benchmarks over the review period and are forecast to decline below the benchmarks in the medium term*
* *Council was in a sound liquidity position which is expected to decline in the medium term*
* *Council’s performance in terms of its Infrastructure Backlog Ratio was better than the group average but weaker than the benchmark*
* *The Capital Expenditure Ratio was around the group average and above the benchmark*
* *Council’s Building and Infrastructure Asset Renewal Ratio and Asset Maintenance Ratio were below the benchmarks and around or below the group averages*

*It should be noted that Council has addressed the above concerns through its revised long term financial plan which includes the proposed SRV as an integral component.*

## Financial indicators

How will the proposed special variation affect the council’s key financial indicators (General Fund) over the 10-year planning period? Please provide, as an addendum to the LTFP, an analysis of council’s performance based on key indicators (current and forecast) which may include:

Operating balance ratio excluding capital items (ie, net operating result before capital grants and contributions as percentage of operating revenue before capital grants and contributions).

Unrestricted current ratio (the unrestricted current assets divided by unrestricted current liabilities).

Rates and annual charges ratio (rates and annual charges divided by operating revenue).

Debt service ratio (principal and interest debt service costs divided by operating revenue excluding capital grants and contributions).

Broad liabilities ratio (total debt plus cost to clear infrastructure backlogs as per Special Schedule 7 divided by operating revenue).

Asset renewal ratio (asset renewals expenditure divided by depreciation, amortisation and impairment expenses).

***RESPONSE:***

*In responding to this criteria Council has used the benchmarks from the Fit for the Future process. It should be noted that these figures are the outcome of the entire improvement strategy of which the SRV is only one component. For further details, see page 5 and the Delivery Program at Attachment B.*

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Measure/Benchmark** | **2015/16** | **2016/17** | **2017/18** | **2018/19** | **2019/20** | **2020/21** | **2021/22** | **2022/23** | **2023/24** | **2024/25** | **2025/26** |
| **Operating Performance Ratio** (Greater than or equal to breakeven average over 3 years) | -6.9% | -1.7% | -7.1% | -3.7% | -1.2% | -0.8% | -0.5% | -0.3 | 0.2% | 0.5% | 1.0% |
| **Own Source Revenue**  **Ratio** (Greater than 60% average over 3 years) | 63.9% | 64.2% | 69.0% | 70.0% | 70.8% | 71.0 | 71.2 | 71.4 | 71.7 | 71.9 | 72.1% |
| **Building & Infrastructure Asset Renewal Ratio** (Greater than100% average over 3 years) | 95% | 105% | 80% | 90% | 101% | 105% | 106% | 108% | 112% | 115% | 116% |
| **Infrastructure Backlog Ratio** (Less than 2%) | 2.8% | 2.8% | 2.8% | 2.8% | 2.8% | 2.7% | 2.7% | 2.7% | 2.6% | 2.6% | 2.6% |
| **Asset Maintenance Ratio**  (Greater than 100% average over 3 years) | 97% | 111% | 112% | 113% | 114% | 113% | 113% | 113% | 113% | 113% | 113% |
| **Debt Service Ratio**  (Greater than 0% and less than or equal to 20% average over 3 years) | 5.1% | 6.8% | 5.1% | 6.2% | 7.3% | 10.1% | 0 | 0 | 0 | 0 | 0 |
| **Real Operating Expenditure per capita**  A decrease in Real Operating Expenditure per capita over time | $1,240 | $1,260 | $1190 | $1,200 | $1,210 | 1190 | 1180 | 1160 | 1140 | 1150 | 1170 |

## Contribution plan costs above the cap

You should complete this section if the proposed special variation seeks funding for contributions plan costs above the development contributions cap. Otherwise, leave this section blank.

Please explain how the council has established the need for a special variation to meet the shortfall in development contributions.

For costs above the cap in contributions plans, a council must provide:[[3]](#footnote-3)

a copy of the council’s section 94 contributions plan

a copy of the Minister for Planning’s response to IPART’s review and details of how the council has subsequently amended the contributions plan

details of any other funding sources that the council is proposing to use, and

any reference to the proposed contributions (which were previously to be funded by developers) in the council’s planning documents (eg, LTFP and Asset Management Plan (AMP).

***NOT APPLICABLE***

# Assessment criterion 2: Community awareness and engagement

Criterion 2 within the OLG Guidelines is:

*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. IPART’s fact sheet includes guidance to councils on the community awareness and engagement criterion for special variations.*

Our fact sheet on the requirements for community awareness and engagement are available on the IPART website.[[4]](#footnote-4)

In responding to this criterion, the council must provide evidence that:

it has consulted and engaged the community about the proposed special variation using a variety of engagement methods and that the community is aware of the need for, and extent of, the requested rate increases

it provided opportunities for input and gathered input/feedback from the community about the proposal, and

the IP&R documents clearly set out the extent of the requested rate increases.

In assessing the evidence, we will consider how transparent the engagement with the community has been, especially in relation to explaining:

the proposed cumulative special variation rate increases including the rate peg for each major rating category (in both percentage and dollar terms)

the annual increase in rates that will result if the proposed special variation is approved in full (and not just the increase in daily or weekly terms)

the size and impact of any expiring special variation (see Box 4.1 below for further detail), and

the rate levels that would apply without the proposed special variation.

More information about how the council may engage the community is to be found in the OLG *Guidelines*, the IP&R manual, and IPART’s Fact Sheet *Community Awareness and Engagement for special variation applications*, January 2016.

|  |
| --- |
| Box 4.1 Where a council is renewing or replacing an expiring special variation |
| The council’s application should show how you have explained to its community:  There is a special variation due to expire at the end of the current financial year or during the period covered by the proposed special variation. This needs to include when the expiring special variation was originally approved, for what purpose and the percentage of (General Fund) general income originally approved.  The corresponding percentage of general income that the expiring special variation represents for the relevant year.  Whether the temporary expiring special variation is being replaced with another temporary or a permanent increase to the rate base.  The percentage value of any additional variation amount, above the rate peg, for which the council is applying through a special variation.  If the proposed special variation was not approved ie, only the rate peg applies, the year-on-year change in rates would be lower, or that rates may fall.  The council also must attach, to its application to IPART, a copy of the Instrument of Approval that has been signed by the Minister or IPART Chairman. |
|  |

## The consultation strategy

The council is required to provide details of the consultation strategy undertaken, including the range of methods used to inform and engage with the community about the proposed special variation and to obtain community input and feedback. The engagement activities could include media releases, mail outs, focus groups, statistically valid random or opt-in surveys, online discussions, public meetings, newspaper advertisements and public exhibition of documents.

The council is to provide relevant extracts of the IP&R documents that explain the rate rises under the proposed special variation and attach relevant samples of the council’s consultation material.

***RESPONSE:***

*Community Consultation on the special rate variation was divided into 2 stages.*

*Stage 1 – consultation undertaken in the first half of 2015 as part of the Fit for the Future submission which addressed a range of scenarios for both SRVs and other options to raise revenue or reduce expenditure. A comprehensive Options Paper was exhibited as part of this process. A copy of the Options Paper and all other material has been provided as Attachment E(a).*

*Stage 2 – consultation undertaken in late 2015 in relation to Council’s preferred SRV, including the revised Supplementary Delivery Program and Long Term Financial Plan. Copies of the Delivery Plan which was publically exhibited and all other material which formed part of this community consultation are included at Attachment E(b). Refer also to the project plan (page 30) which includes the consultation activities.*

## Feedback from the community consultations

Summarise the outcomes and feedback from the council’s community engagement activities. Outcomes could include the number of attendees at events and participants in online forums, as well as evidence of media reports and other indicators of public awareness of the council’s special variation intentions. Where applicable, provide evidence of responses to surveys, particularly the level of support for specific programs or projects, levels and types of services, investment in assets, as well as the options proposed for funding them by rate increases.

Where the council has received submissions from the community relevant to the proposed special variation, the application should set out the views expressed in those submissions. Please refer to Section 1.2 concerning how the council should handle confidential content in feedback received from the community. The council should also identify and document any action that it has taken, or will take, to address issues of common concern within the community.

***RESPONSE:***

*Feedback, from both stages of community consultation is included at Attachment F(a). The results of the telephone survey undertaken by Micromex as part of Stage 1 of the community consultation are provided at Attachment F(b).*

*Attention is also drawn to the results of the Community Survey undertaken as part of the development of the Community Strategic Plan. This had been provided at Attachment A(b).*

*Council also received twenty written submissions through the SRV public exhibition process. Submissions received were both for and against the proposed SRV. Some respondents supported Council’s stance to remain ‘standalone’ as Yass Valley council but did not support the proposed rate rise. Some respondents held the view that Council should either amalgamate or cut costs instead of increasing rates. The Wee Jasper Community Association strongly advocated that Yass Valley should remain a standalone Council. A summary of this feedbackis included in Attachment F(a).*

# Assessment criterion 3: Impact on ratepayers

Criterion 3 within the OLG Guidelines is:

*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 willingness to pay rates and*
* *establish that the proposed rate increases are affordable having regard to the community’s capacity to pay.*

The impact of the council’s proposed special variation on ratepayers must be reasonable. To do this, we take into account current rate levels, the existing ratepayer base and the purpose of the proposed special variation. We also review how the council has assessed whether that the proposed rate rises are affordable having regard to the community’s capacity and willingness to pay.

## Impact on rates

Much of the quantitative information we need on the impact of the proposed special variation on rate levels will already be contained in Worksheet 5a and 5b of Part A of the application.

To assist us further, the application should set out the rating structure under the proposed special variation, and how this may differ from the current rating structure, or that which would apply if the special variation is not approved.

We recognise that a council may choose to apply an increase differentially among categories of ratepayers. If so, you should explain the rationale for applying the increase differentially among different categories and/or subcategories of ratepayers, and how this was communicated to the community. This will be relevant to our assessment of the reasonableness of the impact on ratepayers.

Councils should also indicate the impact of any other anticipated changes in the rating structure.

***RESPONSE:***

***RATING STRUCTURE***

*Ordinary rates are applied to properties based on independent valuations supplied to the Council on all rateable properties within the LGA boundaries by the Valuer General. The valuations used in the 2015/16 rating period have a base date of 1 July 2013.*

*In 2015/16 Council adopted a general rate increase of the 2.4% rate peg. The total estimated income yield in 2015/16 from ordinary rates was $7,643,834 as detailed in the following table.*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| ***CATEGORY*** | ***SUB-CATEGORY*** | ***AD VALOREM AMOUNT*** | ***MINIMUM*** | ***BASE*** | ***TOTAL YIELD*** |
| *Farmland* |  | *0.0023546* |  | *$475* | *$3,043,043* |
| *Residential* | *Non Urban* | *0.0019604* |  | *$316* | *$2,289,883* |
| *Residential* | *Yass* | *0.0033695* | *$493* |  | *$1,281,038* |
| *Residential* | *Binalong, Bowning, Wee Jasper, Bookham* | *0.0028896* | *$481* |  | *$173,544* |
| *Residential* | *Murrumbateman* | *0.0023455* | *$493* |  | *$81,929* |
| *Residential* | *Gundaroo* | *0.0011185* |  | *$259* | *$108,952* |
| *Residential* | *Sutton* | *0.0019015* |  | *$259* | *$58,165* |
| *Business* | *Yass and villages (exc. Sutton and Gundaroo)* | *0.0088065* | *$493* |  | *$596,597* |
| *Business* | *Sutton, Gundaroo* | *0.0016667* |  | *$316* | *$10,683* |
| ***TOTAL $7,643,834*** | | | | | |

***Structure of the Ordinary Rate***

*The rating provisions of the Local Government Act 1993 allow Councils to base their ordinary rates either on an ad valorem amount subject to a minimum charge or a base charge to which an ad valorem amount is added. Yass Valley Council has chosen to employ the system of both the base rates and minimum rates as a means of levying rates on all properties throughout the LGA. In accordance with S497 of the Act the structure of the Ordinary Rate must comprise:*

*• a base amount (fixed charge required by statute to be no more than 50% of the total amount of the rate)*

*• a minimum amount (the maximum of the minimum rate is fixed by statute annually)*

*• an ad valorem component (a rate levied on the unimproved land value)*

***Ordinary Base Rate***

*Council has chosen to apply a system of base amounts in an attempt to overcome community concerns over the inequity of the rate burden of a rate levied solely on land values. The uniform base charge reflects that some of the benefits derived by ratepayers from the provision of Council works and services are shared equally by the community, regardless of property valuation.*

*The philosophy behind the base charges is that the base amount should apply to all properties and the total income from the charge should approximate the general administration costs of the Council together with the cost of common services available to each property within the Council area.*

***Ordinary Minimum Rate***

*The minimum rate is applied to residential and business properties, to ensure there is an equitable contribution for services where properties have a relatively low land valuation.*

***Ad Valorem Rate***

*Council has adopted a system of ad valorem rates that will apply to each property valuation to develop a variable charge on each rate notice. The ad valorem charge is multiplied by the land valuation supplied by the NSW Department of Lands to determine the ad valorem charge. The ad valorem amount of the rate is to be levied on the unimproved land value of all rateable land within each rating category on the rates notice.*

***Rateable Land Categories***

*Categorisation of all rateable land in the Council area has been undertaken in accordance with the requirements of chapter 15 of the Act. Council has used the following categories of rateable land.*

*1. Farmland - This is land used genuinely for primary production. The dominant use of the land must be for the business or industry of grazing, and the growing of crops etc. The activities must have a significant and commercial purpose or character and be engaged in for the purpose of profit on a continuous or repetitive basis. Rural residential land will not be categorised as farmland.*

*2. Residential - The Local Government Act 1993 identifies this land as property used for residential accommodation, or in the case of vacant land, property zoned for residential use under an environmental planning instrument (hotels, motels, guesthouses, boarding houses or nursing homes) are specifically excluded from this category. This category also includes rural residential land.*

*3. Business - The Local Government Act 1993 identifies property within this category as land, which cannot be categorised in any of the other categories of farmland or residential.*

***HOW HAS RATE REVENUE GROWN OVER RECENT YEARS?***

*Over the past 7 years our rate revenue has grown as follows.*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ***FINANCIAL YEAR*** | ***RATE PEG*** | ***LAND VALUE*** | ***NO OF ASSESSMENTS*** | ***TOTAL INCOME*** | ***ANNUAL INCREASE*** | ***% INCREASE*** |
| *2009/2010* | *3.5%* | *$1,751,700,610* | *6,673* | *$6,180,590* |  |  |
| *2010/2011* | *2.6%* | *$1,766,373,240* | *6,745* | *$6,391,247* | *$210,658* | *3.41%* |
| *2011/2012* | *2.8%* | *$2,075,834,650* | *6,828* | *$6,633,361* | *$242,114* | *3.79%* |
| *2012/2013* | *3.6%* | *$2,097,105,280* | *6,949* | *$6,950,193* | *$316,831* | *4.78%* |
| *2013/2014* | *3.4%* | *$2,105,687,300* | *6,970* | *$7,211,379* | *$261,186* | *3.76%* |
| *2014/2015* | *2.3%* | *$2,323,638,300* | *7,039* | *$7,422,713* | *$211,334* | *2.93%* |
| *2015/2016* | *2.4%* | *$2,335,940,800* | *7,101* | *$7,643,834* | *$210,896* | *2.84%* |

*The difference between the total increase and the rate peg results from an increase in the number of rateable properties due to the subdivision of land.*

***WHERE DO RATES IN YASS VALLEY COME FROM?***

*In 2015/16 our total rate income of $7,643,837 has come from the following sources.*

|  |  |  |
| --- | --- | --- |
| ***CATEGORY*** | ***NO OF ASSESSMENTS*** | ***INCOME*** |
| *Rural farmland* | *1449* | *$3,043,043* |
| *Residential – Non Urban* | *2360* | *$2,289,883* |
| *Sutton Village* | *64* | *$58,165* |
| *Gundaroo Village* | *180* | *$108,952*  *Note: Rates go into consolidated revenue for Council to determine priories for expenditure across the LGA in consultation with the community. The distribution of expenditure is unrelated to the source of rates, either geographically or by rate category.* |
| *Yass Town* | *2304* | *$1,281,038* |
| *Binalong Village* | *188* | *$90,739* |
| *Bookham Village* | *17* | *$8,177* |
| *Bowning Village* | *107* | *$52,983* |
| *Wee Jasper Village* | *45* | *$21,645* |
| *Murrumbateman Village* | *105* | *$81,929* |
| *Business /Commercial* | *282* | *$607,280* |

***WHAT IS THE IMPACT ON RATES?***



### Minimum Rates

The proposed special variation may affect ordinary rates, special rates and/or minimum rates.

As previously discussed, if the proposed special variation includes increasing minimum rates above the statutory limit, or is to apply a higher rate of increase to an existing minimum rate than to its other rates, it is not necessary for the council to also complete the separate Minimum Rates Application form. However, this must be clearly identified and addressed in the special variation application.

|  |  |  |
| --- | --- | --- |
| Does the council have minimum Ordinary rates? | Yes **X** | No |

If *Yes*, does the council propose to increase minimum Ordinary rates by:

The rate peg percentage

The special variation percentage **X**

Another amount  Indicate this amount \_\_\_\_\_\_\_\_\_\_\_\_\_

What will minimum Ordinary rates be after the proposed increase?

*Residential rates in Yass and Murrumbateman and business rates - $534.90 in 2016/17*

*Residential rates in other villages - $521.90 in 2016/17*

The council must explain how the proposed special variation will apply to the minimum rate of any ordinary and special rate, and any change to the proportion of ratepayers on the minimum rate for all relevant rating categories that will occur as a result.

You should also explain the types of ratepayers or properties currently paying minimum rates, and the rationale for the application of the special variation to minimum rate levels.

***RESPONSE:***

*Given that there is no change being proposed to the rating structure at this time there will be no change to the proportion of ratepayers on the minimum rate for each category as a result of the special rate variation.*

*Minimum rates are applicable to residential properties throughout the LGA and businesses. They are not applicable to rural residential or farmland properties.*

*33% of residential properties and 16% of businesses currently pay the minimum rate. In the smaller villages the proportion is even higher. If the SRV was not applied to the minimum rate a higher increase would be necessary across the other rating categories and an inequity would be generated across ratepayer categories.*

## Consideration of affordability and the community’s capacity and willingness to pay

The council is required to provide evidence through its IP&R processes, and in its application, of how it assessed the community’s capacity and willingness to pay the proposed rate increases. This is to include an explanation of how the council established that the proposed rate rises are affordable for the community.

Evidence about capacity to pay could include a discussion of such indicators as SEIFA rankings, land values, average rates, disposable incomes, the outstanding rates ratio and rates as a proportion of household/business/farmland income and expenditure, and how these measures relate to those in comparable or neighbouring council areas.

As many of these measures are highly aggregated, it may also be useful to discuss other factors that could better explain the impact on ratepayers affected by the proposed rate increases, particularly if the impact varies across different categories of ratepayers.

We may also consider how the council’s hardship policy (see Section 5.3 below) might reduce the impact on socio-economically disadvantaged ratepayers.

***RESPONSE:***

*The unemployment rate within the Yass Valley was 2.4% (2011 Census) compared to the higher NSW rate of 5.9%. Our proximity to Canberra is a large factor in the low level of unemployment, with 19.1% of Yass Valley workers employed within the Public Administration and Safety Sector. Yass Valley also has an average total income of $55 718, which is slightly higher than the NSW average of $54 110.*

*Councils outstanding rates and annual charges has remains within the 10% benchmark and for 2015 was 6.6%. Whether this increases or decreases is likely to depend more on the prevailing economic climate than the implementation of the proposed SRV.*

*14.1 % of the Yass Valley Population is aged over 65 years (2013 ERP) compared to 15.2% across NSW. Older persons are a significant component of the Yass Valley Local Government Area, with 1332 residents being recipients of an aged or service pension (2013). Those relying on superannuation and annuity had an average income of $30 350 compared to the NSW average of $23 208.*

*It is also worth noting that for homeowners paying rates, the average monthly household mortgage payment within the Yass Valley was $2 178 (2011 Census), which is consistent with the NSW average of $2 185.*

*Yass Valleys’ 2011 SEIFA index was 1060.6 – ranked 18  of all LGA’s within NSW, with the second highest index of a regional LGA outside the Metropolitan Area. This demonstrates that Yass Valley enjoys a higher rate of advantage compared to other regional areas when factors such as employment, education and income are taken into account.*

***HOW DO OUR RATES COMPARE WITH OTHER COUNCILS?***

*The following table and graph compares the 2015/16 rates of the councils in the surrounding region across residential, farmland and business and shows that they vary significantly from council to council and between the different rate categories.*

*To meet the governments Fit for the Future financial benchmarks, many councils, including Yass Valley, have indicated a need for an increase in rates over and above those quoted below to remain standalone councils.*

|  |  |  |  |
| --- | --- | --- | --- |
|  | *Average Residential* | *Average Farmland* | *Average Business* |
| *Upper Lachlan* | *$568* | *$1,690* | *$930* |
| *Cooma Monaro* | *$899* | *$1,332* | *$3,105* |
| *Palerang* | *$960* | *$2,222* | *$773* |
| *Young* | *$631* | *$2,283* | *$2,791* |
| *Goulburn Mulwaree* | *$928* | *$1,638* | *$5,006* |
| *Harden* | *$494* | *$2,363* | *$886* |
| *Boorowa* | *$536* | *$2,316* | *$520* |
| *Yass Valley* | *$744* | *$2,100* | *$2,186* |
| *Eurobodalla* | *$871* | *$3,119* | *$1,353* |
| *Bega Valley* | *$1,025* | *$194* | *$2,576* |



## Addressing hardship

In addition to the statutory requirement for pensioner rebates, most councils have a policy, formal or otherwise to address issues of hardship.

|  |  |  |
| --- | --- | --- |
| Does the council have a Hardship Policy? | Yes x | No |
| If Yes, is an interest charge applied to late rate payments? *See below* | Yes x | No |
| Does the council propose to introduce any measures to reduce the impact of the proposed special variation on specific groups in the community? | Yes | No x |

You should attach a copy of the Hardship Policy and explain below who the potential beneficiaries are and how they are assisted.

Please provide details of any other measures addressing hardship to be adopted, or alternatively, explain why no measures are proposed.

The council is also to indicate whether the hardship policy or other measures are referenced in the council’s IP&R documents (with relevant page reference or extract provided).

***RESPONSE:***

*Council’s Hardship Policy is provided as Attachment G.*

*While interest is charged on late payments in accordance with other Council policies the Hardship Policy provides for interest charges to be written off under specific circumstances.*

*No other hardship measures are currently proposed. Council has never had an application for relief as a result of hardship and the proposed level of rate increase is not expected to create hardship. It has, however, introduced the policy to provide guidance for affected individuals where necessary.*

# Assessment criterion 4: Public exhibition of relevant IP&R documents

Criterion 4 within the OLG Guidelines is:

*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.*

Briefly outline the significant IP&R processes the council has undertaken to reach the decision to apply for a special variation. Include the details of and dates for key document revisions, public exhibition period(s) and the date(s) that the council adopted the relevant IP&R documents.[[5]](#footnote-5)

You should also include extracts from council minutes as evidence that the documents were adopted.

The council is reminded that the Community Strategic Plan and Delivery Program (if amended), require public exhibition for at least 28 days prior to adoption. Amendments to the Long Term Financial Plan and Asset Management Plan do not require public exhibition.[[6]](#footnote-6) However, it would be expected that the Long Term Financial Plan would be posted, in a prominent location, on the council’s website.

***RESPONSE:***

*There were no amendments made to the Community Strategic Plan.*

*The Supplementary Delivery Program, which includes the preferred SRV option following the Fit for the Future community consultation, was publically exhibited from 20 November to 18 December 2015.*

*The Revised Delivery Program was adopted by Council on 10 February 2016 and is essentially the same as the exhibited Supplementary Delivery Program, except for minor adjustments including those made as a result of the rate peg for 2016/17 which was announced as 1.8%. The Supplementary Delivery Program that went on exhibition incorporated a 2.5% rate peg which Council had been advised to use in its modelling.*

*The full project plan for the Proposed SRV, including community consultation, is provided below.*



# Assessment criterion 5: Productivity improvements and cost containment strategies

Criterion 5 within the OLG Guidelines is:

*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.*

In this section, you must provide details of any productivity improvements and cost containment strategies that you have implemented during the last two years (or longer) and any plans for productivity improvements and cost containment over the duration of the proposed special variation.

These strategies, which may be capital or operational in nature, must be aimed at reducing costs and/or improving efficiency. Indicate if any initiatives are to increase revenue eg, user charges. Please include below whether the proposed initiatives (ie, cost savings) have been factored into the council’s LTFP.

Where possible, the council is to quantify in dollar terms the past and future productivity improvements and cost savings.

The council may also provide indicators of efficiency, either over time or in comparison to other relevant councils. We will make similar comparisons using various indicators and OLG data provided to us.

***RESPONSE:***

*Council outlined a number of productivity improvements and cost containment measures as part of the Revised Delivery Program (SRV Version) which was publically exhibited as part of the community consultation for the SRV and detailed as follows:*

*As identified by TCorp in their 2013 report, Council needs to consider ways of reducing operating expenses or generating additional revenue or if it is to achieve sustainability. This will in turn address the negative Operating Performance Ratio.*

1. ***REDUCE OPERATING EXPENSES***
   1. ***PRODUCTIVITY AND EFFICIENCY IMPROVEMENTS***

*Council continually strives to improve what we do and how we do it in an effort to provide cost effective and efficient services to the community.*

1. ***Service Reviews***

*A framework has been developed to undertake a comprehensive ‘Service Review’ of all Council services to ensure that they are delivered in the most cost effective and efficient manner. This review has commenced in some areas where internal resources or external funding have been available eg development services, library, but has largely been deferred due to staff vacancies over the past 18 months or the demands of major projects such as the Yass Dam and the new Local environmental Plan. In some cases partial reviews have been undertaken where immediate efficiency gains are possible eg restructure of positions where vacancies have occurred, technology improvements, but in many cases these result in increased productivity rather than savings in expenditure.*

*A full review of each service is a demanding and time consuming exercise and encompasses a number of components, including:*

* *Where are we now? – analysis of current direction, service levels and costs*
* *Where do we need to be? – analysis of the drivers for changes to service levels, including community expectations*
* *Gap analysis – identify the gap between current and proposed service levels and investigate options for closing the gap*
* *Stakeholder engagement – Councillors, staff and the community.*
* *Determine affordable service levels and identify performance measures.*

*Comprehensive service reviews are planned to commence as part of our “Fit for the Future” implementation program from July 2015. In some cases they may even determine that Council should not be providing the service at all. We will be looking for external assistance from community members who have a particular interest in individual services to assist us with this process.*

*Service reviews will commence shortly for the Library Services and Home Living Support Services to ensure that these services are meeting community expectations in the most efficient manner. Both of these service reviews are being externally funded.*

1. ***Cultural Change Program***

*A cultural change program has been initiated to assist the development of new processes attitudes and responses to customers and problems. Staff have developed a mission “Working Together for our Community” which has become the ‘cornerstone’ of change process that will continue to be implemented throughout the organisation. Staff workshops have resulted in changes to various aspects of Council’s operations that sharpen our approach to issues. Two outcomes were a comprehensive review of processes within the Waste Services section and a structural review of the works operation. A recent service review of development assessment processes has created a more responsive approach to dealing with development applications. Anecdotal evidence from local customers would suggest that these changes are providing a positive customer experience and productivity improvements in regard to responses.*

1. ***Review of Fleet and Plant***

*Council regularly reviews it plant ownership with respect to its utilisation, appropriateness for the various construction and maintenance tasks and the availability of local contracting plant. A new management system called ‘Ausfleet’ has been implemented to provide a more refined and systematic approach to vehicle repair and replacement. Changeover periods for cars and utilities have been reviewed and will continue to be reviewed with respect to the type of vehicle and the corresponding used car market (changes currently being considered may save approx. $100k p.a. once fully implemented). Reviews of plant and systems of work will often result in the changes to the type of plant being utilised, for example, Council no longer owns a ‘bulldozer’ or an ‘excavator’ but now operates several garbage trucks.*

1. ***Expansion of Competitive Tendering***

*Council now issues tenders for major projects that would once have been undertaken by staff resources. All bitumen resurfacing and heavy patching operations are now annually tendered. The tendering and management of heavy patching contacts has resulted in productivity gains with almost twice the productivity being achieved today when compared to ten years ago. Specialist construction such as bridges, water supply and sewerage infrastructure are generally always put to tender. The recent cleaning contract resulted in significant annual savings to Council.*

1. ***Swimming Pool Operation review***

*Implementation of data collection in relation to times and frequency of pool usage has allowed a restructuring of pool times and services to be more reflective of community needs and allowed a reduction in expenditure of some $15,000.*

1. ***Review of Saleyard Operations***

*The underutilisation of the Saleyards by the local community means that its operation costs $80,000. Recent rationalisation and redeployment of staff will save some $30,000 this financial year. The existence of the Saleyards as an ongoing service to the rural community is one that Council considered in 2015. Council determined that ‘sales’ would no longer be held at Councils existing yards.*

1. ***Technology Improvements***

*IT connection to remote work centres has improved response times and allowed staff to be more informed and up-to-date on emerging issues and customer requests. The recent implementation of computer based maintenance management systems for ‘plant and fleet’, roads, trees and parks is now allowing council to develop a proactive rather than reactive system of management. Installation of GPS tracking in the garbage trucks has allowed the development of more efficient collection runs. The opportunity to use such technology is currently being reviewed for other plant and equipment.*

*A review to telecommunications packages recently resulted in a saving of $20K p.a.*

*Council’s 20 year old phone system has recently been replaced with a web based solution which is expected to yield short term savings of approx. $15k p.a in call costs and longer term savings of up to $50k p.a. if we move to a hosted cloud based solution once NBN is available in Yass.*

*A disaster recovery system has been established in the event of a major catastrophe to the Council administration building.*

*A recent review of our Microsoft software licences resulted in savings of approx. $35k.*

*A new information management system is in the process of being implemented to improve document management, custom request and reporting systems.*

1. ***Emergency Management***

*Proactive emergency management planning has been implemented through Council’s role in the Local Emergency Management Committee. This was demonstrated by the proactive role in community response and recovery to the 2013 Cobbler Road fire near Bookham and the support for the Blazeaid camp.*

1. ***Review of procurement policies and procedures***

*A comprehensive review of all policies and procedures relating to procurement in recent years has ensured the best practice procurement processes are implemented across the organisation, resulting in a better internal control framework and greater purchasing power.*

1. ***Energy Audits***

*Energy audits have been undertaken on key items of Council infrastructure. The main areas of focus being the Council administration building, swimming pool, water and sewerage, caravan park and the works depot that indicate potential savings. Further investigations are to be undertaken to quantify the benefit/cost of implementing changes.*

1. ***Organisation Structure/ Staffing Levels***

*Council’s organization structure needs to be able to deliver the needs of the community and long term financial sustainability. As part of the FFTF program, Council identified a need to review its structure. Review of the structure will be undertaken in 2016 with the emphasis being to deliver an increased focus on long term financial sustainability, performance reporting and service reviews.*

*Council currently has 142.1 EFT (equivalent full time positions) in its structure. All vacancies are now being scrutinised with a view to filling the vacancy only if there are no viable alternatives for delivering the function/service. Four vacancies within the Engineering Services division were not filled in 2015 and will not be replaced in the short term. This will impact on the delivery of some programs however the cost saving of over $300,000 was included in the 2015/16 budget. A restructure of the organisation*

1. ***Internal Audit***

*An internal audit function has been established to provide an independent assurance, on risk assessment, legislative compliance, external accountabilities and the effectiveness and efficiency of internal processes.*

1. ***Collaboration and Partnerships***

*Council is a member of a number of regional organisations particularly the Canberra Region joint organisation (formerly the South East Regional Organisation of Councils, SEROC) and SEATS (South Eastern Australia Transport Strategy Inc) that strive to achieve benefits for our region. We have developed partnerships with neighbouring councils to improve service delivery including the Southern Slopes Noxious Plants Authority, the Illegal Dumping Project (incorporating the ACT, NSW EPA and surrounding Councils), a library cooperative with Goulburn Mulwaree and upper Lachlan Councils and service delivery agreements. The bulk purchasing arrangement for electricity through SEROC via Local Government Procurement Contract has saved an estimated 20% on electricity costs. Bulk purchasing is also achieved through the Library Agreement and LGP (Local Government Procurement).*

1. ***Development Control***

*A preliminary service review undertaken in July/August 2014 removed duplication, double handling and bottlenecks within the internal office processes. The following improvements were introduced.*

* *A revision of Council’s decision making policy so councillors focus on contentious issues and key planning departures*
* *The standardisation of Council Reports to reflect this approach reducing the length of reports from a standard of 10-15 pages to 2-3 pages*
* *The streamlining internal processes so all applications do not go across the Director’s desk but are allocated directly to planning and building staff*
* *Increasing the delegation for staff to determine routine, compliant and non-controversial applications*
* *Introduction of flexibility to the application of Council policy so that proposals which do not comply with a prescriptive standard but achieve the policy objective by an alternate solution are considered on their merit*
* *Incorporated flexibility into standard conditions so that minor variations do not have to go through a formal application process*

*The review has implemented some simple service improvements which have improved productivity rather than being translated into cost savings.*

* 1. ***REDUCE SERVICES***

*Instead of increasing revenue, Council could reduce the current services being provided to the community to a level that reflects current income. Council undertook a Community Satisfaction Survey in 2013 in an effort to understand the issues facing the community and what people thought about the services that were currently being provided by Council. The results of the survey registered a high degree of satisfaction with Council’s performance in the preceding 12 months when compared to regional and state wide benchmarks for other councils.*

*In general it appeared that the community were reasonably happy with the current services being provided by Council and there did not appear to be any appetite to reduce existing services. Some recent feedback has suggested that Council should cut services rather than increase rates. However, this strategy contrasts with the direct feedback that was received from nine community consultation meetings held across for the SRV across the LGA during November and December 2015. There was a consistent message from residents in attendance at these meetings that there is a desire for the level of service provided by Council to be increased in a number of areas, in particular road and bridge maintenance activities.*

*Reduction of existing services is not considered a desirable consequence of ‘balancing the budget’, and in the first instance Council will be endeavouring to maintain all current services. The detailed service reviews programmed to be undertaken may identify some areas where the community may wish to consider a reduction in service level.*

1. ***INCREASE REVENUE***

*Council is looking at a combination of strategies to increase its revenue over the long term*

* 1. ***SALE OF LAND ASSETS***

*Rural councils have limited opportunities to generate additional revenue. In high growth areas land development can be a source of additional income. Yass Valley Council has over the years been involved with residential and commercial development to assist the needs of the community and provide additional financial returns. Examples of such development are Walker Park Residential development, Murrumbateman Heights Subdivision, Mary Reid Estate Subdivision and the Woolworths Project. Council still holds strategic land assets that will assist the long term financial sustainability of Council however these will not address the shortfall in annual ongoing operating costs. Council will be reviewing its property assets in the near future to determine whether it is in the long term interests of the community to retain various properties in its portfolio or dispose of them in the short term.*

*Proceeds from the sale of land assets could be used to fund capital upgrades to existing infrastructure such as parks, halls, roads or bridges, but only provide a one off capital injection, not any funds for ongoing maintenance or operations. It is not considered good practice to expend any return from the sale of capital assets such as land on routine maintenance activities.*

* 1. ***BORROW FUNDS***

*As of 1 July 2015 Council is holding a loan of $3.8M in the General Fund, with an annual expense of $700k in principal and interest repayments funded from general rates. This loan will be fully repaid in 2020/21.*

*Debt is an effective form of financing infrastructure upgrades and addressing infrastructure backlog. It distributes the cost of assets over the term of the borrowing and is an effective strategy to match the cost and benefits of those assets over their useful life. Borrowing is also an effective strategy to bring forward projects that may otherwise be delayed for many years, to the detriment of the community. TCorp, however, has commented that, in their view, Council is not able to incorporate additional loan funding above its existing borrowings in the short to medium term.*

* 1. ***INCREASE RATES***

*There are effectively two mechanisms to increase our rate revenue on a sustainable basis in the long term.*

* + 1. *Our projected population growth will drive an increase in the number of rateable properties over the next 20 years.*
    2. *A special rate variation (SRV)*

# List of attachments

The following is a list of the supporting documents to include with your application.

Some of these attachments will be mandatory to all special variation applications eg, extracts from the Community Strategic Plan.

Other attachments will be required from some, but not all, councils. For example, extracts from the Asset Management Plan would be required from a council seeking approval of a special variation to fund infrastructure.

Councils should submit their application forms and attachments online through the Council Portal in the following order. Councils may number the attachments as they see fit.

|  |  |  |
| --- | --- | --- |
| Item | Included? | *Refer* |
| **Mandatory forms and Attachments** |  |  |
| Part A Section 508A and Section 508(2) Application form (Excel spreadsheet) | ✓ |  |
| Part B Application form (Word document) – this document | ✓ |  |
| Relevant extracts from the Community Strategic Plan |  | *Attachment A(a) (CSP)*  *Attachment A(b) (Community Survey Results)* |
| Delivery Program |  | *Attachment B* |
| Long Term Financial Plan with projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in Excel format |  | *Attachment C(a) (Word version)*  *Attachment C(b) (Excel version)* |
| NSW Treasury Corporation report on financial sustainability |  | *Attachment D* |
| Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and proposed special variation |  | *Attachment E(a) (Stage 1 FFTF)*  *Attachment E(b) (Stage 2 SRV)* |
| Community feedback (including surveys and results if applicable) |  | *Attachment F(a) (Direct feedback from both stages)*  *Attachment F(b) (Micromex survey results from Stage 1)* |
| Hardship Policy |  | *Attachment G* |
| Resolution to apply for the proposed special variation |  | *Attachment H* |
| Certification (see Section 9) |  |  |
| **Other Attachments** |  |  |
| Relevant extracts from the Asset Management Plan |  |  |
| Past Instruments of Approval (if applicable) |  |  |
| Resolution to adopt the revised Community Strategic Plan (if necessary) and/or Delivery Program |  | *Attachment I* |
| Other (please specify) |  |  |

# Certification

**APPLICATION FOR A SPECIAL RATE VARIATION**

**To be completed by General Manager and Responsible Accounting Officer**

Name of council: Yass Valley Council

We certify that to the best of our knowledge the information provided in this application is correct and complete.

General Manager (name): *David Rowe*

Signature and Date:

Responsible Accounting Officer (name): *James Mercer-King*

Signature and Date:

Once completed, please scan the signed certification and attach it as a public supporting document online via the Council Portal on IPART’s website.

1. The Guidelines are available at [www.olg.nsw.gov.au](http://www.olg.nsw.gov.au) [↑](#footnote-ref-1)
2. See [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au). [↑](#footnote-ref-2)
3. See Planning Circular 10-025 dated 24 November 2010 at [www.planning.nsw.gov.au](http://www.planning.nsw.gov.au) and for the most recent Direction issued under section 94E of the *Environmental Planning and Assessment Act 1979*. See also Planning Circular PS 10-022 dated 16 September 2010. [↑](#footnote-ref-3)
4. [http://www.ipart.nsw.gov.au/Home/Industries/Local\_Govt/Special\_Variations\_and\_  
   Minimum\_Rates](http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt/Special_Variations_and_Minimum_Rates) [↑](#footnote-ref-4)
5. The IP&R documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and where applicable, the Asset Management Plan. [↑](#footnote-ref-5)
6. Office of Local Government (then Division of Local Government), *Integrated Planning and Reporting Manual for local government in NSW*, March 2013, pp 5-6. [↑](#footnote-ref-6)