

Independent Pricing and Regulatory Tribunal
New South Wales

Special Variation Application Form – Part B

For 2018-19

Insert Name of Council: Kempsey Shire Council

Date Submitted to IPART: 9 February 2018

Council Contact Person: Craig Milburn

Council Contact Phone: [REDACTED]

Council Contact Email: [REDACTED]

November 2017

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Tribunal Members

The Tribunal members for this review are:

Dr Peter J Boxall AO, Chair

Mr Ed Willett

Ms Deborah Cope

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

Derek Francis (02) 9290 8421

Anthony Rush (02) 9113 7790

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1 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* (the [Guidelines](#)). Councils should refer to these Guidelines before completing this application form.

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

In addition, councils must complete the Part B form with the Part A (spreadsheet) form for both section 508(2) or section 508A 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 Guidelines, new councils created in 2016 (apart from Mid-Coast Council) will be ineligible for special variations for the 2018-19 rating year.

1.1 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](#).

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 – Preliminaries
- ▼ 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.

1.2 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 15 December 2017.

Any councils that did not notify but intend to apply for a special variation for 2018-19 should contact us as soon as possible.

Council notified IPART of its intent to apply for a Special Rate Variation on 1 December 2017 via the Council Portal. A copy of the letter submitted is provided on the next page.

Ref: F12/2079
dbh:lod

1 December 2017

Dr Peter Boxall
Chairman
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

Email: ipart@ipart.nsw.gov.au

Dear Dr Boxall

Intention to Apply for a Special Rate Variation (Renewal of an Expiring Environmental Levy) under Section 508(2)

This letter is to formally notify IPART that Kempsey Shire Council resolved on 17 October 2017 to consider making an application for a Special Rate Variation under Section 508(2) temporary of the *Local Government Act*.

The purpose of the Special Rate Variation is to renew Council's expiring Environmental Levy which has been applied across the Shire for the past 10 years. The current Environmental Levy is due to expire on 30 June 2018.

Council will be applying to have its Environmental Levy continue for a further ten-year period, providing funds to continue further environmental projects within the Shire.

Council's application will be based on the current level of funding from the Environmental Levy (\$764,935) being maintained and increased by the annual rate pegging allowances for the next ten years.

The following table shows estimated rate revenue to be generated over this period from the proposed Environmental Levy.

Year	Year Starting	Environmental Levy Yield	Estimated Annual Rate Peg (%)
1	1 July 2018	\$782,529	2.30
2	1 July 2019	\$802,092	2.50
3	1 July 2020	\$822,144	2.50
4	1 July 2021	\$842,698	2.50
5	1 July 2022	\$863,765	2.50
6	1 July 2023	\$885,359	2.50
7	1 July 2024	\$907,493	2.50
8	1 July 2025	\$930,181	2.50
9	1 July 2026	\$953,435	2.50
10	1 July 2027	\$977,271	2.50
TOTAL	1 July 2028	\$8,766,967	2.50

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The yield from the proposed Environmental levy for 2018/2019 represents an increase in Council's notional general income of approximately 4.20%.

Council will therefore be seeking a total increase to its notional general income of 6.50% for 2018/2019, inclusive of an estimated rate pegging estimate of 2.30%.

I will be Council's principal contact for the proposed SRV, so if you require any further information please don't hesitate to contact me on 02 6566 3323.

Yours sincerely



Daryl Hagger
Acting General Manager

Online submission of applications

All councils intending to apply for a minimum rate increase must use the [Council Portal](#) on IPART's website to register as an applicant council and to submit an application.

You are required to submit the application, via the Council Portal, by **Monday 12 February 2018**.

The [User Guide](#) for the Portal will assist you with the registration and online submission process. If you experience difficulties please contact:

▼ Arsh Suri - Arsh_Suri@ipart.nsw.gov.au or 02 9113 7730

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 70MB for public documents and 50MB for confidential documents. We generally request supporting documents of the same type to be combined and most supporting document categories have a maximum number of 5 documents allowed. 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.

2 Preliminaries

2.1 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.

Supporting Attachments:

- Attachment 1 – Community Strategic Plan
- Attachment 2 – Delivery Program
- Attachment 3.1 – Scenario 2 Long Term Financial Plan (Rate peg + SRV)
- Attachment 3.2 – Scenario 3 Long Term Financial Plan (Rate peg only)

Council's Community Strategic Plan (attachment 1) demonstrates community focus towards restoring damaged environments and removal of environmental threats. Commentary contained in the Community Strategic Plan states:

Page 7 – "Biodiversity: Increased biodiversity leads to improved environmental health. This can take the form of increased variety or the amount of space available for the environment. Increased biodiversity improves the health outcomes for various flora and fauna."

Page 7 – "Environment: The environment we live in can impact on our health. One aspect is where there is pollution in the environment this can have a negative impact on health outcomes. Another aspect is that if the environment supports healthy activities, such as active recreation, this can improve health outcomes."

Page 7 – "Pollution: The level of pollution impacting on the environment determines the ability of the environment to cope with stress. Reducing the impact of pollution allows the environment to improve its health."

*Page 8 – "**Plan for and provide infrastructure that encourages and allows for active lifestyles (HS-01)** A large factor in whether people undertake healthy activities is the built environment and access to the natural environment. This strategy is targeting the need to have infrastructure in place that encourages and promotes healthy life choices. It also covers the ability to maximise the use of the natural environment, as this has been a key driver identified through the community of its healthy lifestyle choices."*

Page 9 – **“Restore damaged environments and removal of environmental threats (HS-03)** The natural environment plays a large role in people enjoying active lifestyles. It also has a large role in reducing stressors, leading to healthier lives. To achieve the goals of the community there is a need to protect and enhance the natural environment.”

Page 9 – **“Minimise risk to the community’s health (HS-05)** A number of activities create potentially great impacts on human habitation and the environment. Active management to ensure this does not occur leads to longer term health of the population and the environment.”

Council’s 2017-2021 Delivery Program (attachment 2) and 2017-2027 Long Term Financial Plan (attachment 3.1 and attachment 3.2) were placed on public exhibition for 28 days from 26 May 2017 to 22 June 2017.

The documents include information that identifies Councils need for the proposed SRV and intention to apply to renew the Environmental Levy for a further 10 years commencing in 2018/2019.

2.2 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	<input checked="" type="checkbox"/>
Enhance financial sustainability	<input checked="" type="checkbox"/>
Environmental services or works	<input checked="" type="checkbox"/>
Infrastructure maintenance / renewal	<input checked="" type="checkbox"/>
Reduce infrastructure backlogs	<input type="checkbox"/>
New infrastructure investment	<input type="checkbox"/>
Other (specify)	<input type="checkbox"/>

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.

Supporting Attachments

- Attachment 9 – Past Instruments of Approval
- Attachment 10 – Ecologically Sustainable Development Strategy

This application relates to continuing the funding provided by the current expiring Special Rate Variation (SRV) that expires in June 2018 (attachment 9). The purpose of the new SRV is to fund significant restoration projects to manage, protect and preserve our waterways and natural environment.

Summary

Council is applying for a SRV of 6.50% consisting of:

- 4.20% temporary ten-year SRV, and
- 2.30% rate peg

This is for the purpose protecting and enhancing the natural environment.

Background

The current Environmental Levy (EL) has been in place since 2008/2009 and is due to expire on 30 June 2018. The cost on average to ratepayers is \$51.95 per annum (or \$1.00 per week). This application is for a continuation (or renewal) of an existing special rate variation, meaning ratepayers will only experience an increase equivalent to the rate peg from their payment in 2018/2019. The EL generated approximately \$765,000 in 2017/2018 to fund environmental restoration projects across the Shire including bush regeneration; repair to local creeks and waterways; weed control; restoration of wildlife habitats and corridors; protection of rare and unique forests, swamps, plant and animal species; drainage improvements; flood mitigation works; environmental education and building/maintaining natural areas for visitors such as walking tracks.

Restoration of our natural assets is important given the impacts of settlement in the Shire. It is also critical to supporting tourism and the economy of the Macleay as well as the well-being of the community.

The Council has used EL funds to attract significant grant funding – securing an estimated \$1.1 million since 2003/2004 from NSW and other government agencies to invest in the environment. Without continuation of the EL, service levels for looking after the natural environment will have to be reduced. Council also has an extensive partnership with community groups, such as Landcare that adds immeasurable additional value and benefits for the revenue received.

The EL was first raised in 2003/2004 at a rate of 4.68% for a five-year period. In 2008/2009 the EL was approved for renewal at a rate of 4.50% for a ten-year period.

Current Status

The current SRV supports progress towards sustainability and the trends in environmental indicators of the core environmental sectors; land – flora, fauna, wildlife habitats, weeds; water, biodiversity and a strategic approach to the delivery of various environmental and sustainability projects.


Projects undertaken over the past 10 years from funds collected through the environmental levy are in the table below. These broadly covered areas relating to water quality, estuary, creek and river ecosystems, beach and dune care, coastal zone management, sea level rise, flood mitigation, drainage, erosion, vegetation and education programs.

Program Area	Project Location	Description
Drainage Improvements	Spencerville	Improvements to local drainage infrastructure in Spencerville

	South West Rocks – Landsborough Street	Improvements to trunk drainage infrastructure in south of Landsborough Street
	Gross Pollutant Traps	Installation of water quality improvement devices in key locations of the stormwater drainage system
	West Kempsey Cemetery Drainage	Improvements to local drainage system within and adjoining the cemetery
Flood Mitigation	Annual Subsidised Maintenance and Capital Works Program	Provision of Council's contribution under the 2:1 Floodplain Risk Management grant funding program
Environmental Restoration and Planning	East Kempsey – Pola Creek Rehabilitation	Investigation and preparation of remediation strategy and implementation of the strategy
	South West Rocks – Back Beach Process Study	Investigation of the Back Creek Estuary including the interface with stormwater drainage and understanding the sensitivity of the area
	Crescent Head – Killick Creek	Investigation and preparation of remediation strategy and implementation of the strategy
	South West Rocks – Saltwater Creek and Saltwater Lagoon	Investigation and preparation of Estuary Management Plan including study into the opening/closing of the control sandbar and implementation of the plan
	Saltwater Creek	Stabilisation of the bank adjacent to the surf club
	Acid Sulphate Soils	Hotspot remediation and targeted control, implementation of water level controls in drainage structures
	Macleay River Floodplain	Implementation of floodplain management projects
	Beach Watch Program	Routine water quality monitoring program to determine the water quality of popular swimming beaches
	Macleay River Estuary	Investigation and preparation of an Estuary Management plan including studies, community consultation and ongoing implementation
	South West Rocks – Boyters Lane Wetlands	Creation of a wetlands area adjoining Boyters Lane at South West Rocks; including walkways, boardwalks and bird watching hide
	South Kempsey – Gills Creek Restoration	Restoration of Gills Creek which was heavily affected by industrial and residential runoff
	Vegetation Mapping	Preparation of vegetation mapping using aerial photography other modern information sources/techniques
	Weed Control Program	Cyclical targeted weed control of high priority environmental weeds to reduce

		significant impact to native and desirable species within high-use or sensitive areas
	Hat Head – Korogoro Creek	Investigation and preparation of an Estuary Management plan including studies, community consultation and ongoing implementation
	Koala Plan of Management	Development and implementation of a plan to protect core koala habitat and ensure development mitigates against adversely impacting koalas
	Environmental Monitoring	Monitoring of environmental conditions across the shire
	Land Release Strategy	Investigation and preparation of a strategy to manage the release of new development land across the shire
	Coastal Zone Management Plan (CZMP)	Studies into the risks facing the coastal zone including sea level rise and coastal erosion, identification and mapping of hazards, risk assessment culminating in a full CZMP
	Hat Head - Coastal Dune	Protection and stabilisation works on the Hat Head coastal dune structure
	Grassy Head – Beach Access	Improved beach access and viewing platform
Waste Management	Crescent Head Waste Management Centre	Upgrade of waste management centre including leachate control and management system, waste receipt and sorting area, truck wheel wash
	West Kempsey	Environmental monitoring and improvements to the leachate collection and disposal system
	South West Rocks	Closure Plan for former landfill and ongoing monitoring of site adjacent to National Park
	Stuarts Point	Closure of former landfill and ongoing environmental monitoring of land adjacent to SEPP 61 Oyster Production area
Saleyards	Effluent Treatment and Management System	Improvements to the effluent handling and treatment system
Works Depot	Plant washdown bay and water recycling system	Provision of a plant washdown and recycling system
Swimming Pools	Filtration and chemical system upgrades	Upgrades to improve chemical storage and chlorine dosing to reduce the risk of spills as well as the treatment of wastewater prior to discharge into sewer

Whilst it is clear the 2008/2009 SRV has gone a long way toward improving the environment there are many more projects that have been identified to maintain and build on the works already undertaken. If Council are unable to maintain the current level of SRV funding, then



the loss of the current SRV funding would create a significant estimated shortfall in the amount Council is able to allocate each year to environmental programs and would have a significant impact on the progress made and reduce the service levels received by the community.

Expiry of the Current SRV

The current SRV funding will expire as of 30 June 2018. It is important to consider through the following points, the impact the loss of this funding would have on the progress made to date:

- Council would no longer be in a financial position to continue the implementation of the Action Plan of the Ecologically Sustainable Development (ESD) Strategy (attachment 10)
- Ongoing water quality monitoring, estuary management, beach watch, flood mitigation and weed suppression projects would be decreased or ceased
- There would be a significant decrease in the level of service provided to residents and visitors who benefit from the natural environment assets

It is also important to note that this SRV application is to maintain the current level of funding plus rate peg. It will not provide adequate funding to increase the service level for environmental initiatives. However, it will allow for the level of progress made to continue.

Projects to be undertaken over the next 10 years from funds collected through the environmental levy are in the table below. These broadly cover areas relating to water quality, estuary, creek and river ecosystems, beach and dune care, coastal zone management, flood mitigation, erosion, vegetation and education programs.

Program Area	Project Location	Description
Flood Mitigation	Annual Subsidised Maintenance and Capital Works Program	Provision of Council's contribution under the 2:1 Floodplain Risk Management grant funding program
	Clybucca and Collombatti – Hydraulic Modelling	Investigating improvements to floodwater management
	Hat Head – Town Levee	Upgrade
	Lower Macleay	Flood study and Plan for flood infrastructure and ocean outlets
Environmental Restoration and Planning	Rural and Residential Land Release Strategy Review and Implementation	Kundabung, Dondingalong, Yarravel, Yarrahapinni, Collombatti, South Kempsey, Frederickton, West Kempsey, Greenhills
	Crescent Head – Killick Creek	Coastal Zone Management Plan Implementation – Flood study
	Hat Head – Korogoro Creek	Coastal Zone Management Plan Implementation – Flood study
	South west Rocks – Saltwater Creek and Lagoon	Coastal Zone Management Plan Implementation – Flood study
	Coastal Zone Management Plan Implementation	Ensure an appropriate allowance for sea level rise and coastal inundation are incorporated into design and planning standards in the Kempsey DCP
	Coastal Zone Management Plan Implementation	Set aside land for future protection works (on freehold land)
	Coastal Zone Management Plan Implementation	Introduce planning controls on undeveloped land in future hazard zones
	Coastal Zone Management Plan Implementation	Crescent Head and Hat Head flood modelling
	Village Master Plan preparation and implementation	Stuarts Point, Gladstone, Smithtown, Hat Head, Greenhills, Bellbrook, Willawarrin, Kundabung, Jerseyville,
	Macleay River	Arsenic and antimony marine investigation
	River Management	Stage 1 logistical investigation to upgrade Dowlings Falls causeway
	River Management	Implementation of action items from the Ecohealth Report program including nutrient investigation
	Macleay River Catchment Ecosystem	Undertake health monitoring program
	Macleay River Estuary Management Program	Commence stage 1 – scoping study
	Hat Head – Korogoro Creek	Estuary Management Program – South bank project
	Hat Head – Korogoro Creek	Estuary Management Program – Commence stage 1 – scoping study
	Kempsey – Rudder Park	Flying Fox Camp Management Plan – Implement Level 1 actions

As part of its process leading up to the application, Council undertook the following steps:

- Extensive community engagement regarding renewal of the environmental levy, including consideration of community willingness and capacity to pay (attachment 5)
- Obtained Council approval (attachment 8)

2.3 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

If Yes, has a review been done and submitted to OLG?

Yes No

3 Assessment Criterion 1: Need for the variation

Criterion 1 in 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 Government agencies.

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, as well as 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 and the Delivery Program, and, where appropriate, the Asset Management Plan. The purpose of the proposed special variation should also be consistent with the priorities of the Community Strategic Plan.

Council's need for an SRV to continue the environmental restoration and monitoring projects is evidenced in the following attachments and described in section 2.2:

- Attachment 1 – Community Strategic Plan
- Attachment 2 – Delivery Program
- Attachment 3.1 – Scenario 2 Long Term Financial Plan (Rate peg + SRV)
- Attachment 3.2 – Scenario 3 Long Term Financial Plan (Rate peg only)
- Attachment 4 – NSW Treasury Corporation report on financial sustainability
- Attachment 10 – Ecologically Sustainable Development Strategy

3.1 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 Long Term Financial Plan 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 Long Term Financial Plan 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.

Supporting Attachments

- Attachment 3.1 – Scenario 2 Long Term Financial Plan (Rate peg + SRV)
- Attachment 3.2 – Scenario 3 Long Term Financial Plan (Rate peg only)
- Attachment 4 – NSW Treasury Corporation report on Financial Sustainability
- Attachment 11 – Community Engagement Strategy
- Attachment 12 – 2017 KSC Customer Satisfaction Survey Results
- Attachment 13 – Ecohealth Report Card Media Release

Community Engagement

Since 2014 Kempsey Shire Council has invested in quantifiable research to review and assess community satisfaction with Council and expectations of the services we provide. The random telephone survey of 400 local residents, a statistically valid sample of the community, has been conducted in 2014, 2016 and again in 2017.

This benchmark data and the trends shown over the three surveys has helped inform development of Council's Delivery Programs and Operating Plans.

Services funded by the Environmental Levy that are reviewed through the Customer Satisfaction survey include Weed control; Flood management and Environmental protection and monitoring. The 2017 Community Satisfaction Survey (attachment 12) show the level of satisfaction results.

Excerpt from results: Between 2016 and 2017 satisfaction has increased significantly across many services and facilities. These include: weed control, community safety and law and order initiatives, bridges, footpaths and cycleways, unsealed roads, arts, culture and

entertainment facilities and flood management. All other measures remained stable (or at least did not see significant movements).

Table 1.2 from the survey results shows the difference in satisfaction scores comparing the 2016 and 2017 surveys. All environmental related services have shown a positive difference in satisfaction with Weed Control the overall highest at 9% positive satisfaction change and Flood Management at 5% positive satisfaction change.

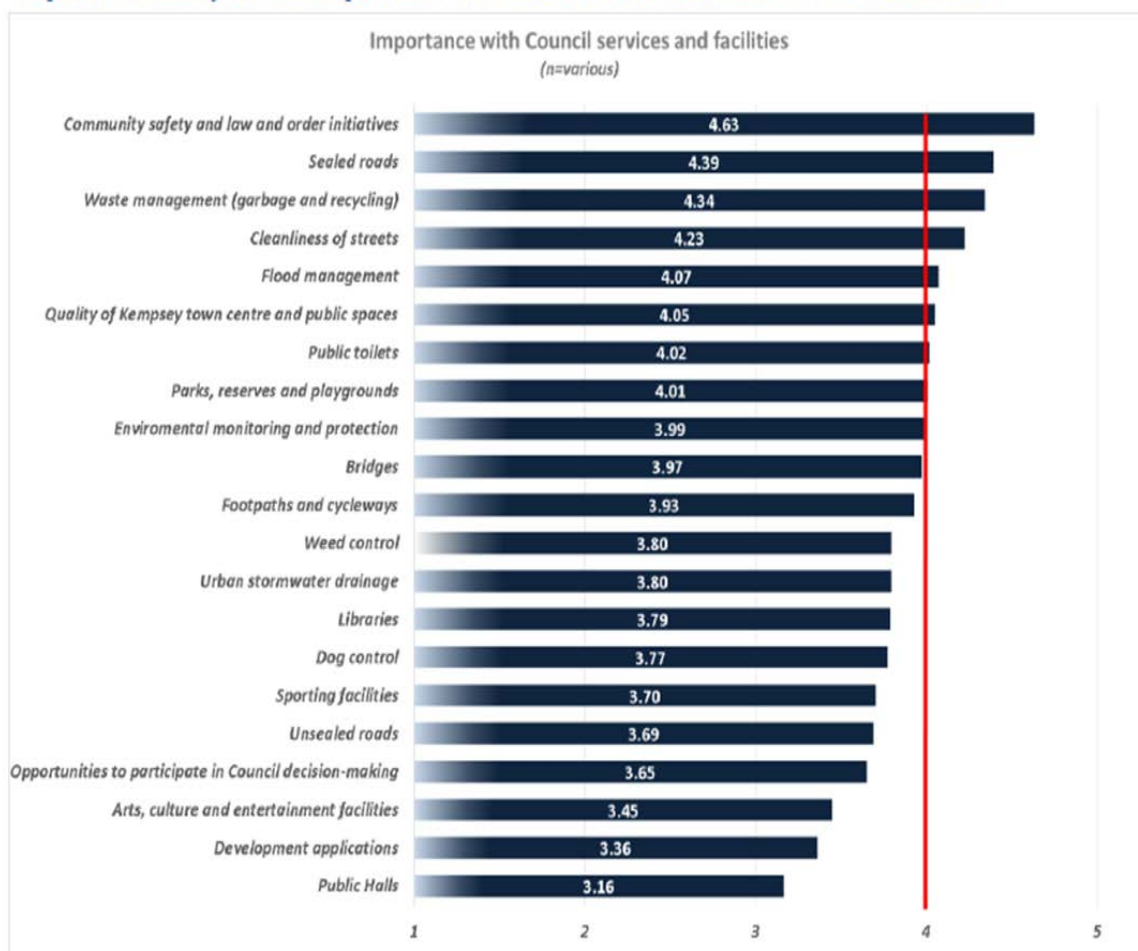
Table 1.2 Difference in satisfaction scores over time

Council Service	2016- Satisfaction	2017- Satisfaction	Satisfaction % change
Weed control	2.63	2.87	9%
Community safety and law and order initiatives	2.51	2.69	7%
Bridges	3.41	3.64	7%
Footpaths and cycleways	2.74	2.91	6%
Unsealed roads	2.29	2.43	6%
Arts, culture and entertainment facilities	2.76	2.91	6%
Flood management	3.19	3.34	5%
Sealed roads	2.45	2.56	4%
Quality of Kempsey town centre and public spaces	3.34	3.48	4%
Public Halls	3.08	3.21	4%
Garbage and recyclables	3.65	3.80	4%
Parks, reserves and playgrounds	3.59	3.73	4%
Development applications	2.57	2.62	2%
Sporting facilities	3.59	3.66	2%
Environmental monitoring and protection	3.04	3.07	1%
Public toilets	2.47	2.49	1%
Cleanliness of streets	3.40	3.43	1%
Libraries	4.10	4.07	-1%
Opportunities to participate in Council decision-making	2.43	2.41	-1%
Dog control	2.97	2.91	-2%
Urban stormwater drainage	N/A	3.05	N/A
Council's overall performance	2.81	2.99	6%

The graph below reviews the importance ranking that residents gave each service and while it shows that all services are considered important, Flood Management and Environmental Monitoring and Protection rank at numbers five and nine of the 21 services assessed.

Graph 1.2 from the survey results: Summary of mean importance scores for 21 different Council services and facilities.

Graph 1.2: Summary of mean importance scores for 21 different Council services and facilities



The importance of and satisfaction with the environmental services Council provides has provided evidence for Council to continue to maintain the service levels and program commitment to these services and therefore seek a continuation of the current EL SRV.

This data has also been backed by industry recognition of the programs Kempsey Council conduct.

In December 2016 long term employee Ron Kemsley, Senior Natural Resources Officer was the recipient of the NSW Coastal Management 'Local Government Award'. The Award recognised Ron and Council's work in environmental management, particularly weed management and tree planting as well as Ron's considerable expertise in acid sulphate soils and flood plain management.

December 2016 Article Macleay Argus: Environmental Award.

Kempsey Shire Council employee Ron Kemsley recognised with state environmental award

News

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An unwavering dedication to the environment and his role at Kempsey Shire Council has earned long-term staff member Ron Kemsley a state award.



Kempsey Shire Council's senior natural resources officer Ron Kemsley recently received a NSW Local Government Award.

Ron, who has been a senior natural resources officer at Council since January 2000, is the recipient of a NSW Coastal Management 'Local Government' Award.

He was formally recognised at the awards held as part of the 25th annual NSW Coastal Conference in Coffs Harbour earlier this month.

The chair of the awards committee, professor Bruce Thom, said normally the award is given to a council, but in this instance, the Coastal Panel decided it would be fitting to acknowledge an individual.

Ron was recognised for his dedication to environmental management, particularly weed management and tree planting on various projects, often before and after his office based work, and his expertise in acid sulphate soils and floodplain management.

Mr Thom said Ron had worked diligently over the years to implement coast and estuary plans for all systems within the Kempsey Shire.

Mr Thom was able to observe Ron's work during a recent trip to the Macleay where he and Angus Gordon from the NSW Coastal Panel toured the region in consideration of the Shire-wide Coastal Zone Management Plan.

Ron said while the award had taken him completely off guard, he was humbled by the recognition.

"I was unaware that I was even nominated and I couldn't attend the conference this year," he said. "It certainly came as a surprise.

"A highlight of my work is being able to make positive environmental impacts."

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- 6 Art scene volunteers



Significant levels of media and community interest were also demonstrated in May 2017 when Council worked with the Local Land Services, University of New England and other government agencies to release the findings of the Eco Health Report Card into the Macleay Catchment (attachment 13).

The Report and subsequent C- health rating received media coverage on all local radio, television and print news media outlets, indicating the level of importance placed on environmental management of the Macleay River. Example below of online coverage from ABC Radio.

ABC Mid North Coast added 7 new photos. May 5, 2017

How healthy do you think the waterways where you live are? The results may surprise you. Would you be happy with a C-?

That's what the Macleay Catchment has scored for its first report card released by the Ecohealth program which measures the key indicators of aquatic ecosystem health.





Researchers from the UNE Aquatic Ecology and Restoration Research Group assessed 44 sites across the catchment, with the results ranging from good to poor condition.

Kempsey Shire Council's senior natural resources officer, Ron Kemsley, said the sites of concern are areas where there is the most human interaction.

"We've got areas that are relatively poor and areas that are relatively pristine and those correlate with the extent of which there's human activity connected to them.

"Agriculture for example, floodplain drainage and cropping and so on and so on.

The full report is here:
<http://www.kempsey.nsw.gov.au/.../2017-02-21-appendix-q-item-...>



Council has used this baseline data and anecdotal support as the foundation for conducting more specific community engagement associated with the IP&R development cycle and specifically the intention to apply for a rate variation. These components are further detailed in Assessment Criteria 2.

Council's Financial Capacity and the Most Appropriate Funding Option

The expenditure required to address environmental initiatives is required on an ongoing basis. As such, it is necessary for any revenue stream to also be ongoing.

To date, this expenditure has been funded by the special rate variation plus rate peg which was approved in 2008/2009. This is due to expire at the end of June 2018.

In determining the most appropriate funding option alternative mechanisms and also rating principles has been considered.

Council has taken into account the rating benefits principle i.e. Kempsey Shire Council considers that it is appropriate to fund projects which is for public use, or has characteristics of "public goods" from rates. Environmental activities are viewed by Council as being a public good.

Alternative Revenue Streams Considered Included:

- a) User fees and charges – This was not considered feasible as it would not be practical to implement a user fee. Environmental projects works to be undertaken is seen as having the characteristics of a public good, and hence use of rates is a more appropriate funding source.
- b) Borrowing – Borrowing was not considered feasible as the majority of expenditure is recurrent and is required on an ongoing basis. Continual borrowing to fund this expenditure would not be sustainable. Council is constantly assessing its borrowings and the most appropriate source of funding.
- c) Reserves – Kempsey Shire Council held cash reserves as at June 2017 totalling \$41.93 million in cash and reserves. Predominantly, these reserves are all allocated for specific purposes, with 62.52% of these reserves legally only being able to be used for the purpose for which they were collected (for example for water and sewer). The remaining reserves are also predominantly held for specific purposes (for example, to fund projects which have already commenced or employee leave entitlements). The balances of these reserves are audited annually and published in Council's financial statements. The level of reserves held by Kempsey Shire Council is not disproportionate to other similar Councils, noting that different Councils provide different services. Not all Councils provide water and sewer services for example which require significant capital investment.
- d) Productivity Improvements – Over the four years of the 2012-2016 Delivery Program Kempsey Shire Council has implemented a long-term productivity review aiming to identify and realise financial savings through efficiency. This review was highlighted in Council's Fit for the Future proposal and has formed a key pillar of the resulting Organisational and Cultural review commenced in March 2017.

Excerpt from FFF submission:

Linked to this productivity review has been a series of cost cutting exercises and significant changes to how the road and bridge network have been managed. \$3.2 million per annum has been reallocated from the general fund budgets, equating to around a 20% reduction in manageable costs. Council also stopped undertaking new debt for minor improvement works and is paying down existing debt to release a further \$2.5 million per annum over time.

Impact of SRV on Council's Long Term Financial Plan Forecast

The SRV is being sought to fund specific programs of expenditure. The primary purpose of the SRV are:

- Maintain existing services
- Enhance financial sustainability
- Environmental services or works
- Infrastructure maintenance / renewal

As part of Council's Long Term Financial Plan, Council has modelled three (3) scenarios. These are:

Scenario 1 – Include (rate peg + SRV of 4.00% for four years commencing in 2018/2019 + SRV to replace expiring SRV) – a new SRV of 4.00% for four years is included to support additional maintenance works. Additionally, the expiring special rate variation is replaced by a new ten-year temporary year special rate variation maintaining the current level of funding.

Scenario 2 – Maintain (rate peg + SRV to replace expiring SRV) – the expiring special rate variation is replaced by a new ten-year temporary year special rate variation maintaining the current level of funding. Under scenario 2, the expiring SRV is replaced with a new SRV.

Scenario 3 – Reduce (rate peg only, current SRV expires) – this scenario excludes both the special rate variation and the expenditure associated with it. This scenario results in a net reduction in rates due to the impact of the expiring special rate variation. Under this scenario the funding for environmental projects reduces which impacts the service level provided to the community.

It was determined not to consider the implementation of scenario 1 further at this time following the substantial staffing change at senior leadership level due to the organisational restructure implemented in July 2017 and which will remain ongoing till June 2018. The previous structure of four Directors was replaced with two Directors. The General Manager and four Directors chose not to remain with Council. Recruitment has been undertaken to fill vacant positions of General Manager and two Directors. In addition, three Manager positions have been vacant for more than 12 months in the areas of finance and community engagement. This has led to a very challenging period.

The Long Term Financial Plan incorporates a rate peg of 2.30% for 2018/2019 then 2.50% ongoing and SRV of 4.20%. This resulted in scenario 2 including additional rate income for each of the ten years as follows:



Proposed SRV Income Above Rate Peg			
Year	Year Starting	Environmental Levy Yield (\$)	Estimated Annual Rate Peg (%)
1	1 July 2018	787,653	2.30
2	1 July 2019	807,344	2.50
3	1 July 2020	827,528	2.50
4	1 July 2021	848,216	2.50
5	1 July 2022	869,422	2.50
6	1 July 2023	891,157	2.50
7	1 July 2024	913,436	2.50
8	1 July 2025	936,272	2.50
9	1 July 2026	959,679	2.50
10	1 July 2027	983,671	2.50

As a consequence of income being fully expended the operating shortfall /surplus is the same in both scenarios. In scenario 2 both expenditure and income increase by an equal amount as shown in the above table compared to scenario 3.

Impact on Cashflow (Shortfall)/Surplus

The net result of the SRV on the Long Term Financial Plan general fund is that both Scenario 2 and 3 have a similar (shortfall)/surplus funding position.

Net Increase (Decrease) in Cash	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Scenario 2 - Maintain (Rate Peg + SRV)	(2,650,100)	39,998	(362,490)	301,579	(601,102)	838,618	848,900	1,223,279	889,518	1,708,165
Scenario 3 - Reduce (Rate Peg Only)	(2,650,100)	57,729	(362,046)	302,033	(600,636)	839,096	849,389	1,223,780	890,032	1,708,692
Favourable/(Unfavourable)										
Change in Scenario 2	-	(17,731)	(443)	(454)	(466)	(478)	(489)	(501)	(514)	(527)

A sustainable cash flow surplus is evident from 2022/2023 which will be used to address the building and Infrastructure renewal and backlog as detailed in the Long Term Financial Plan ration in section 3.2. The General Fund position demonstrates a shortfall in available funds, indicating the need for the rate increase based on current expenditure levels. Similarly, the income statement projects a loss before grants and contributions until 2022/2023 under scenario 2 and 2026/2027 under scenario 3.

Impact on Operating Performance

Whilst the SRV does not impact the funding shortfall or surplus, it does impact the operating performance due to the portion of the expenditure on capital which is a cash outlay but non-profit item. The improvement in Scenario 2 is shown below.

Net Operating Result before Capital Grants & Contributions	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Scenario 2 - Maintain (Rate Peg + SRV)	(1,876,018)	(509,595)	(377,958)	(518,908)	(139,282)	3,992	179,675	(45,950)	413,398	558,009
Scenario 3 - Reduce (Rate Peg Only)	(1,876,018)	(897,248)	(685,301)	(846,436)	(487,498)	(365,430)	(211,482)	(459,386)	(22,873)	98,330
Favourable/(Unfavourable)										
Change in Scenario 2	-	387,653	307,344	327,528	348,216	369,421	391,157	413,436	436,272	459,679

The SRV results has minimal impact in asset ratios as described in section 3.2.

3.2 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 (e.g. by auditors, NSW Treasury Corporation). Indicate how such assessments of the council's financial sustainability are 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.

Supporting Attachments

- Attachment 2 – Delivery Program
- Attachment 3.1 – Scenario 2 Long Term Financial Plan (Rate peg + SRV)
- Attachment 3.2 – Scenario 3 Long Term Financial Plan (Rate peg only)
- Attachment 4 – NSW Treasury Corporation report on financial sustainability

The SRV is being sought to fund specific programs of expenditure. The primary purposes of the SRV are:

- Maintain existing services
- Enhance financial sustainability
- Environmental services or works
- Infrastructure maintenance / renewal

Council's long term financial position in its long term financial plan has been assessed using the rate peg announced of 2.30% for 2018/2019 and then an estimated 2.50% for the ensuing periods.

To ensure the average increase to rates for the community is equal to the rate peg increase only (2.30%), Council is applying to continue the current SRV funding plus rate peg amount. This involves an application of 6.50% (4.20% plus 2.30% rate peg).

Additionally, there is a proposal to vary the percentage rate yield collected from rating categories between 2017/2018 and 2018/2019 as follows:

- Residential 72.70% in 2017/2018 to 72.01% in 2018/2019
- Business 11.31% in 2017/2018 to 12.33% in 2018/2019

- Farmland 15.99% in 2017/2018 to 15.66% in 2018/2019

Using the current data, the approval of the SRV will result in increases in 2018/2019 for the average rates in each category as follows:

- Average residential rate increasing by approximately \$17.60, which is a 1.55% increase
- Average Business rate increasing by approximately \$323.25, which is a 11.78% increase
- Average Farmland rate increasing by approximately \$8.00, which is a 0.37% increase

Following this, the annual increase would be rate peg only unless future SRVs are considered by Council.

Long Term Financial Plan

Two scenarios have been included:

- Scenario 2 – Maintain (rate peg + SRV to replace expiring SRV)
- Scenario 3 – Reduce (rate peg only, current SRV expires)

As described in section 3.1 as a consequence of income being fully expended the operating shortfall /surplus is the same in both scenarios. In Scenario 2 both expenditure and income increase by an equal amount compared to Scenario 3. The net result of the SRV on the Long Term Financial Plan general fund is that both Scenario 2 and 3 have the same shortfall/(surplus) funding position.

Council has cashflow shortfalls predicted until 2022/2023 for scenario 2 and 2026/2027 for scenario 3. These shortfalls are considered manageable, however, without the special rate variation the expenditure available to be spent on environmental works reduces. The impact the loss of this funding would have is as follows:

- Council would no longer be in a financial position to strategically manage its natural environment, and its condition would deteriorate year on year
- Council would be forced to revert to a reactive approach to environmental matters

There would be a significant decrease in the level of service provided to residents by these assets.

External Assessment of Council Financial Sustainability

Although dated 2013, the NSW Treasury Corporation Report 'Financial Assessment and Benchmarking' identified Council to be unsustainable if current service levels are continued within the General Fund.

Recommendations from the NSW Treasury Corporation Report on the following key points:

- Once Council's LTFP is updated with the accurate depreciation figures, significant operating deficits are expected to continue throughout the forecast period, with Council unable to raise sufficient revenues to meet their ongoing expenses

- This will lead to Council being unable to fund asset maintenance, renewals and additional assets, with the Net Asset base deteriorating and the Infrastructure Backlog increasing

In addition, the NSW Treasury Corporation Report recommend that the following points be considered:

- Council is fully aware of the financial position that they face and are being pro-active by investigating and applying for a SRV to boost their revenues as they look to maintain the current service levels provided
- Council will benefit from the LTFP being updated for depreciation expense to a more accurate forecast operating position so that they can review their operational plan, delivery program and capital works schedule
- Council's refinement of their AMP and review of how the depreciation expense is calculated is ongoing, with the accuracy likely to improve. Potentially, with the ongoing review and refinement of the AMP, depreciation numbers may vary from current forecast or actual 2012 levels which could impact forecast operating results.

These recommendations were adopted and addressed with the approval of a 4-year SRV of a cumulative 37.54% from 2014/2015 to 2017/2018 and recalculation of the depreciation expense in the 2015/2016 financial year.

In the Long Term Financial Plan under scenario 2 – Maintain, General fund rate income increases by the amount of the SRV plus growth and future rate peg. This is shown below, noting a rate peg of 2.30% has been allowed in 2018/2019 then an assumed rate peg of 2.50% in the ensuing years.

General Fund rates under each scenario										
Year	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Maintain	18,787,000	19,219,101	19,699,578	20,192,067	20,696,869	21,214,291	21,744,648	22,288,264	22,845,471	23,416,608
Reduce	18,787,000	18,436,572	18,897,486	19,369,923	19,854,171	20,350,526	20,859,289	21,380,771	21,915,290	22,463,173
Variance	-	782,529	802,092	822,144	842,698	863,765	885,359	907,493	930,181	953,435

The result of these initiatives is reflected in the significant improvement in financial ratios over the past four years as demonstrated below.



Source Document	Fit for the Future Proposal June 2015		Annual Statements
	2013/14 Actual	2016/17 Estimate	2016/17 Actual
Operating Performance Ratio	-41.90%	-16.11%	2.65%
(Benchmark - Greater than 0%)			
Debt Service Cover Ratio	8.36	6.71	6.32
(Benchmark - Greater than 2x)			
Rates & Charges Outstanding Ratio	4.34%		5.95%
(Benchmark - Less than 10%)			
Own Source Operating Revenue Ratio	63.35%	64.06%	64.92%
(Benchmark - Greater than 60%)			
Building & Infrastructure Renewal Ratio	32.22%	72.39%	45.95%
(Benchmark - Greater than 100%)			
Infrastructure Backlog Ratio	16.37%	8.17%	4.45%
(Benchmark - Less than 2%)			
Asset Maintenance Ratio	0.60	0.55	0.93
(Benchmark - Greater than 1x)			

The ratios under each scenario for general fund are copied below. As can be seen with a special rate variation operating performance improves compared to Scenario 3.

General Fund Ratios

Kempsey Shire Council - Long Term Financial Plan Ratios										
Scenario 2 - Maintain (Rate Peg + SRV)										
Ratio	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Operating Performance Ratio (Benchmark - Greater than 0%)	-4.17%	-1.11%	-0.80%	-1.08%	-0.28%	0.01%	0.35%	-0.09%	0.76%	1.00%
	✘	✘	✘	✘	✘	✔	✔	✘	✔	✔
Debt Service Cover Ratio (Benchmark - Greater than 2x)	6.00	6.89	6.97	7.40	6.51	6.94	7.07	10.15	10.53	10.72
	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Rates & Charges Outstanding Ratio (Benchmark - Less than 10%)	4.00%	4.06%	4.06%	4.06%	4.06%	4.06%	4.06%	4.06%	4.06%	4.06%
	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Own Source Operating Revenue Ratio (Benchmark - Greater than 60%)	76.06%	75.46%	75.87%	77.49%	77.53%	77.56%	77.58%	77.77%	77.80%	77.89%
	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Building & Infrastructure Renewal Ratio (Benchmark - Greater than 100%)	70.73%	73.03%	72.37%	72.53%	73.56%	74.28%	75.22%	77.84%	78.53%	79.39%
	✘	✘	✘	✘	✘	✘	✘	✘	✘	✘
Infrastructure Backlog Ratio (Benchmark - Less than 2%)	4.03%	3.46%	2.93%	2.41%	1.85%	1.31%	0.78%	0.78%	0.73%	0.74%
	✘	✘	✘	✘	✔	✔	✔	✔	✔	✔
Asset Maintenance Ratio (Benchmark - Greater than 1x)	0.78	0.78	0.78	0.78	0.78	0.78	0.78	0.78	0.78	0.78
	✘	✘	✘	✘	✘	✘	✘	✘	✘	✘

Kempsey Shire Council - Long Term Financial Plan Ratios										
Scenario 3 - Reduce (Rate Peg Only)										
Ratio	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Operating Performance Ratio (Benchmark - Greater than 0%)	-4.17%	-1.99%	-1.48%	-1.78%	-1.00%	-0.74%	-0.42%	-0.88%	-0.04%	0.18%
	✘	✘	✘	✘	✘	✘	✘	✘	✘	✔
Debt Service Cover Ratio (Benchmark - Greater than 2x)	6.00	6.71	6.83	7.24	6.37	6.78	6.90	9.89	10.26	10.44
	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Rates & Charges Outstanding Ratio (Benchmark - Less than 10%)	4.00%	4.13%	4.07%	4.01%	3.96%	3.90%	3.85%	3.80%	3.74%	3.69%
	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Own Source Operating Revenue Ratio (Benchmark - Greater than 60%)	76.06%	75.05%	75.46%	77.10%	77.15%	77.17%	77.19%	77.39%	77.42%	77.50%
	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Building & Infrastructure Renewal Ratio (Benchmark - Greater than 100%)	70.73%	73.03%	72.37%	72.53%	73.56%	74.28%	75.22%	77.84%	78.53%	79.39%
	✘	✘	✘	✘	✘	✘	✘	✘	✘	✘
Infrastructure Backlog Ratio (Benchmark - Less than 2%)	4.03%	3.46%	2.93%	2.41%	1.85%	1.31%	0.78%	0.78%	0.73%	0.74%
	✘	✘	✘	✘	✔	✔	✔	✔	✔	✔
Asset Maintenance Ratio (Benchmark - Greater than 1x)	0.78	0.78	0.78	0.78	0.78	0.78	0.78	0.78	0.78	0.78
	✘	✘	✘	✘	✘	✘	✘	✘	✘	✘

3.3 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 Long Term Financial Plan, 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).

Supporting Attachments

- Attachment 2 – Delivery Program
- Attachment 3.1 – Scenario 2 Long Term Financial Plan (Rate peg + SRV)
- Attachment 3.2 – Scenario 3 Long Term Financial Plan (Rate peg only)

General Fund

Operating Performance Ratio

Under the reduce scenario Council meets this target from 2025/2026. This is caused by revenue not increasing in line with cost increases. Under each scenario there is an improvement in this ratio due to part of increased revenue being spent on capital. Council expects to go close to meeting this ratio in most years in the maintain scenario, and to slightly exceed it from 2022/2023.

Debt Service Cover Ratio

Council will exceed the benchmark for this ratio in each outer year under both scenarios. Borrowing was not considered feasible as the majority of expenditure is recurrent and is required on an ongoing basis. Continual borrowing to fund this expenditure would not be sustainable. Council is constantly assessing its borrowings and the most appropriate source of funding.

Rates & Annual Charges Outstanding Ratio

This ratio is expected to meet the benchmark in each scenario and continue to improve. Under the higher revenue scenario (Scenario 2: maintain) it is not expected that the slightly

higher average rates will impact on the collectability of the rates, hence the ratio is improved by the higher revenue.

Own Source Operating Revenue Ratio

Council exceeds this benchmark in each future year under both scenarios.

Asset Ratios

Building & Infrastructure Renewal Ratio

This ratio is difficult for Council to meet as it is in a growing area which requires both new and renewal expenditure. Additionally, Council often increases the capacity of an asset whilst it is being renewed, however this is not factored into this ratio.

Council has not met the benchmark for this ratio in any year covered by the LTFP. This ratio remains consistent for both scenarios. Asset renewals for this ratio represent the replacement or refurbishment of existing assets to an equivalent capacity or performance.

Infrastructure Backlog Ratio

This ratio steadily improves under each scenario in years covered by the LTFP. Under the reduce scenario Council meets this target from 2023/2024 whilst under the maintain scenario the ratio is met from 2021/2022.

Following the organisational culture and structure review it is expected this ratio will significantly improve.

Asset Maintenance Ratio

It is unlikely that the benchmark for this ratio will be met unless there is an injection of funding. This ratio is anticipated to improve following the organisational culture and structure review.

Council's large asset base combined with the limits on revenue make it difficult to meet this benchmark without major injections of funding specifically dedicated to maintenance and renewal. This ratio remains steady around 78% for the years covered by the LTFP for each scenario.

3.4 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:¹

- ▼ 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, Long Term Financial Plan and Asset Management Plan AMP).

Not applicable.

¹ See Planning Circular 10-025 dated 24 November 2010 at 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.

4 Assessment criterion 2: Community awareness and engagement

Criterion 2 in the 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. The IPART fact sheet includes guidance to councils on the community awareness and engagement criterion for special variations. In particular, councils need to communicate the full cumulative increase of the proposed SV in percentage terms, and the total increase in dollar terms for the average ratepayer, by rating category

Our fact sheet on the requirements for community awareness and engagement is available on the IPART website.²

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 Guidelines, the IP&R manual and our fact sheet.

² <https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/For-Councils/Apply-for-a-special-variation-or-minimum-rate-increase>

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.

4.1 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.

Supporting Attachments

- Attachment 2 – Delivery Program
- Attachment 5.1 – IP&R Engagement - Media & Council website
- Attachment 5.2 – Specific SRV Engagement - Media & Council website
- Attachment 11 – Community Engagement Strategy

Introduction

Council undertakes a program on consistent and measurable community engagement combining an Annual Community Satisfaction Survey, the IP&R document suite and project specific engagement.

The environmental services funded through the EL have been assessed for satisfaction, community importance and expectations in the three Community Satisfaction Survey's

conducted since 2014. Results of these surveys are outlined against Criteria 1 - Community Need.

Council's Strategy for engaging with the community regarding extension of the EL involved two stages, the development of the IP&R documents and then specific engagement to increase community awareness of the proposed SRV and the impact on ratepayers.

IP& R Engagement

Community Satisfaction Survey results, Councillor workshops and a review of the Community Strategic Plan were used to develop the draft IP&R suite. Council resolved to place the suite on public exhibition from 26 May 2017 to 22 June 2017 with the engagement approach below highlighted in the business paper;

Excerpt: May 25, 2017 IP&R Draft document suite

Community Engagement:

A significant level of community engagement and promotion is planned during the proposed public exhibition period. This will involve a number of engagement methods including:

- Documents available online using Your Say Macleay and hardcopies available at Council offices
- Online submission, survey and moderated Question and Answer tools available through Your Say Macleay
- Media releases and print advertising to promote the opportunity to review Council's plans and make comment
- An information stall at the June 3, Kempsey Riverside Markets
- Targeted communication to community groups and agency contacts promoting the opportunity to comment

If the suite of Integrated Planning documents are adopted in June 2017 as proposed, further community engagement will be undertaken in the second half of 2017 regarding the potential rate rise that is included in the financial modelling for implementing the Delivery Program. This will involve community workshops and attendance at meetings of community groups in addition to the engagement activities described above. This issue specific engagement is a requirement of Council's application to the Independent Pricing and Regulatory Tribunal (IPART) for a rate increase.

The Delivery Program (Attachment 2) and Long Term Financial Plan (Attachment 3) both referenced Council's consideration of applying to continue the EL. Pages 15 and 21 of the Delivery Program explain the purpose of the SRV and the funding approach.

Attachment 5.1 provides the compilation of the above-mentioned engagement materials.

Specific SRV Engagement

The four-week community engagement program undertaken to seek the communities feedback on the proposed Environmental Levy SRV adhered to the Community Engagement Strategy that was endorsed by Council (attachment 11). Engagement activities included:

- Creation of a project specific website using Council's specialist engagement software program. The site included background information, surveys, fact sheets, a quick poll a timeline to clarify expectations and related images
- Face to face engagement at the November Community Meeting of Upper Macleay Landowners; Gladstone Markets November 19; and Kempsey Riverside Twilight Markets December 2
- Hardcopies of the survey and fact sheets available at Council's Customer Service Centre and Libraries

The community were made aware of the opportunity to have a say through a variety of promotional channels designed to target multiple age groups, locations and sectors of the community. Promotion was achieved through:

- Media Release – Seeking Community Feedback on Environmental Levy
- Advertising in Council notices – published in the Macleay Argus and Macleay Valley Happynings on November 21, November 22, November 29, December 5, December 6 and December 12
- Social media posts on Facebook that reached 1081 people
- Direct email newsletter to 428 members of Your Say Macleay
- Mayoral Column inviting the community to have a say – published in the Macleay Argus and Macleay Valley Happynings, November 27 and 28
- Posters distributed to Customer Service Centre, Libraries and community facilities

Fact Sheets


A critical device in the engagement documents were the fact sheets that summarised the activities related to the previous environmental levy, and the intended projects if the levy was continued.

Fact Sheet 1

FACT SHEET - WHAT HAS THE ENVIRONMENTAL LEVY PAID FOR?

Initially in place for five years from 2003/2004 and then extended for a further 10 years until June 2018, the Environmental Levy has allowed significant works to be carried out over this fifteen-year period, right across the Shire.

Council has also been able to use Environmental Levy funds to attract additional grant funding. It is estimated that an \$1.1 million has been secured from NSW and other



government agencies to invest in the environment since 2003/2004, due to the leverage of the funds Council had available from the Environmental Levy.

Many of the environmental projects carried out have been in partnership with community groups such as Landcare or Dunecare, which adds immeasurable additional social value and benefits beyond the funding received.

The table below provides examples of the projects carried out in recent years.

Type of work	Project Descriptions
Bush Regeneration	Boyters Lane – development of Plan of Management and completion of wetlands restoration, planting 14,000 native trees, construction of boardwalk and bird hide/ information centre and public carpark. (10 year project)
Repair to local creeks and waterways	<p>Killick Creek – coastal management program (2017)</p> <p>Korogoro Creek - estuary management (2017); riverbank erosion control works (2014), riparian and saltmarsh rehabilitation and walkway(2009)</p> <p>Gills Creek – riparian rehabilitation (2015)</p>
Weed control	<p>Removal of Camphor Laurel, Cockspur Coral and Tecoma from roadside reserves such as SWR road, Belmore River Rd, Saleyards Rd and Lord St.</p> <p>Large and small leaf privet control (Camphor Laurel) on high risk pathways of Council land through Upper and Lower Macleay.</p> <p>Coastal villages weed control including Bitou Bush</p> <p>Maintenance of planted roadside vegetation – Belmore River Rd, Kinchela Rd and Summer Island Rd</p> <p>Field days with Local Land Services, Landcare, Dune care and gardening groups and to promote weed control.</p>
River management	<p>Macleay River Estuary Coastal Management Program, scoping study (2017)</p> <p>Macleay River - Eco Health monitoring, Pelican Island strategy, freshwater macrophyte survey (2016)</p> <p>Upper Belmore River – 5km stretch of riparian rehabilitation (2012-14)</p> <p>Macleay River – riverbank erosion control and construction of public fishing steps Jerseyville (2013)</p> <p>Macleay River – Sherwood Borefield rehabilitation and riparian improvement (2012)</p>
Coastal Zone Management	<p>Hat Head - dune protection works</p> <p>Grassy Head – improved beach access and viewing platform</p> <p>Baseline data study on threatened and migratory shorebirds in the LGA. (2016)</p>
Flood Management	<p>Lower Macleay Flood Risk Study and Plan - stage 1 flood study (2017)</p> <p>Infrastructure condition audits of floodgates and levees (2013-2016)</p> <p>Upgrading flood warning systems at Kempsey, Bellbrook and Georges Creek (2014)</p>

FACT SHEET - WHAT FUTURE PROJECTS WILL BE PAID FOR BY THE ENVIRONMENTAL LEVY?

Council is considering an application to the Independent Pricing and Regulatory Tribunal (IPART) for approval to continue including the Environmental Levy in the rates charges for a further 10 years.

The average ratepayer will be \$53 a year towards the Environmental Levy and for more details about the impact of the Levy on your rates please see Fact Sheet 3.

An outline of the possible projects that the Levy may fund is below.

Type of work	Project Descriptions	Indicative cost
Flood Mitigation	Hydraulic modelling - Clybucca / Collombatti investigating improvements to floodwater management	\$70,000
	Town Levee upgrade – Hat Head	\$200,000
	Flood Study and Plan for Lower Malceay including primary villages, flood management infrastructure and ocean outlets.	\$250,000
Weed Control	<p>Removal and control of noxious weeds on Council owned land and road reserves including Camphor Laurel, Tecoma, Cockspur Coral, Madeira Vine Noogoora Burr and Mother of Millions.</p> <p>Coastal villages weed control including Bitou Bush, Asparagus and other weedy species.</p> <p>Aquatic weed control including Salvinia and Water Hyacinth.</p> <p>Field days with Local Land Services, Landcare, Dune care and gardening groups and to promote weed control.</p>	\$100,000

Type of work	Project Descriptions	Indicative cost
Coastal Management	Implementing actions from the Coastal Zone Management Plan including; <ul style="list-style-type: none"> • Flood modelling Crescent Head • Flood modelling Hat Head 	\$120,000 \$120,000
	Foreshore erosion control and beach access improvements at SWR Surf Club	\$150,000
	Wetland mapping program across the Local Government Area	\$70,000
Estuary Management	Review and upgrade existing Estuary Management Plans for Killick Ck, Korogoro Ck and Macleay River	\$48,000
River Management	Stage 1 logistical investigation to upgrade Dowlings Falls causeway.	\$40,000
	Implementation of action items from Echohealth Report program including nutrient investigation.	\$50,000
	In partnership with University of New England, investigate arsenic and antimony impacts on coast zone of Macleay River.	\$100,000

Community Survey

The survey below was used online in the engagement website and in all face to face consultation. It sought to inform the community of the SRV costs, the impact and the intended use should it be supported by the community and approved.

Have your say on funding environmental projects

1. Please tick which of the following environmental activities and projects conducted by Council that are you are aware of?

- Boyters Lane wetlands walkway and education centre
- Water quality monitoring in Macleay River
- Weed management programs and education presentations
- Coastal Dune restoration Hat Head
- Rehabilitation of Sherwood Borefields
- Killick Creek coastal management

- Coastal Floodplain management
- Macleay River Coastal Estuary Management Program
- Improved beach access and viewing platform – Grassy Head
- Remediation / rehabilitation of former landfill areas
- Improvements to waste management facilities

2. Please rank the following proposed environmental programs in order of your priority? Numbering 1 as highest priority through to 7 as lowest.

- Flood Mitigation works such as modelling of floodwater management practices for Clybucca / Collombatti; Upgrade to Hat Head town flood levee bank; Upgrade to Eden Street flood levee; raising SWR road
- Weed Management programs targeting class four noxious weeds such as camphor laurel and cockspur choral
- Coastal Management such as dune rehabilitation; flood modelling Hat Head; foreshore erosion control SWR surf club
- Estuary Management such as extended planning for management of Killick Creek including flora and fauna survey
- River Management such as conducting actions from the Macleay River Eco Health Report Card
- Stormwater management throughout Kempsey and other urban areas
- Upgrading the Crescent Head Rd Waste Management Centre to achieve greater recycling and support of community groups social enterprise

3. Are there other environmental projects that you think Council should be working on?

4. Which of the following options do you prefer?

- Don't charge an environmental levy – fund environmental works from base rates and reduce other Council services
- Pay a lower levy than the current average per household of \$53 and reduce the environmental services and programs.

- Apply for a 10-year extension to the Environmental Levy at the existing rate of an average of \$53 per household and maintain current levels of service

Thank you

Please complete your details if you would like to be informed of survey results

NAME: _____

Email: _____

Phone: _____

Attachment 5 is the compilation of the engagement and promotional materials used for the specific SRV engagement.

4.2 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.

Supporting Attachments

- Attachment 2 – Delivery Program
- Attachment 6.1 – IP&R Engagement Community Feedback
- Attachment 6.2 – Specific SRV Engagement Community Feedback
- Attachment 11 – Community Engagement Strategy

Council undertakes regular community consultation regarding services and community expectation. In addition, to ensure Council fully consulted with the community, demonstrating the financial impact the proposed SRV would have and allow the community the opportunity to provide feedback, Council undertook specific SRV engagement. A summary of the activities and results is provided below, full detail about the community engagement program Council undertook, including the SRV information presented to the community can be found in attachment 5.2.

Community Engagement

IP&R Engagement

The Draft Integrated Planning and Reporting Framework Documents were placed on public exhibition on 26 May 2017 following the extra ordinary Council meeting on 25 May 2017.

The availability of these documents for public comment was advertised, promoted in local media, placed on Council's website, promoted via social media and at the Riverside markets where approximately 300 people were directly engaged.

An online tool for submissions via the Your Say Macleay site was also promoted resulting in:

- 296 visits to the project page.
- From those visits, 154 people are categorised as informed as they took some form of action relating to the project.
- Five are then categorised as engaged as they completed a submission.
- 137 visitors downloaded documents from the page a total of 334 times. The Operating Plan was downloaded 69 times and the Delivery Program downloaded 68 times.
- Media coverage was achieved in, The Macleay Argus, NBN TV and ABC radio.

11 written submissions were received pertaining to the IP&R documents (attachment 6.1)

Specific SRV Engagement

A community engagement strategy (attachment 11) was developed for community consultation.

There was considerable participation in the engagement opportunity as reported below:

- 279 people visited the Environment Levy page on the Your Say Macleay website
- Staff collected 81 written survey responses from face to face engagement
- 40 participants completed the quick poll question online asking which of the three rating options they preferred. This was the same question as in the detailed survey but didn't require respondent to register as a member of Your Say Macleay to participate
- 41 participants completed the online survey including the question asking which of the three rating options they preferred
- Three participants made written submissions to Council

Engagement Results

- 75% of respondents to the rating options question supported applying for a 10-year extension to the Environmental Levy
- The top three environmental programs that survey respondents are aware of:
 - a) Weed management programs and education presentations
 - b) Water quality monitoring in the Macleay River



- c) Boyters Lane wetlands walkway and educational centre
- The three highest ranked proposed future environmental programs were:
 - a) Flood mitigation works such as modelling of floodwater management practices for Clybucca/Collombatti; upgrade Hat Head flood levee bank; upgrade Eden Street flood levee; raising South West Rocks Road
 - b) Weed management programs targeting class four noxious weeds
 - c) River management and carrying out actions from the Macleay River Eco Health Report Card
- 60 respondents provided further suggestions for other environmental projects Council could be working on with the strongest theme being around weed management. This data will be further analysed in preparing actions identified in future years Operating Plans

Table 1: Breakdown of Rating Options Results

Question: Which of the following options do you prefer?

Source	Option 1: Don't charge an environmental levy – fund environmental works from base rates and reduce other Council services	Option 2: Pay a lower levy than the current average per household of \$53 and reduce the environmental services and programs	Option 3: Apply for a 10-year extension to the Environmental Levy at the existing rate of an average of \$53 per household and maintain current levels of service
Online Quick Poll	4	6	30
Survey (online + hardcopy)	10	21	91
Totals	14	27	121
Percentages	8.6%	16.7%	74.7%

Table 2: Consideration of Submissions

The three written submissions received have been summarised below.

Name	Address	Submission Comments	Response/ Recommendation
Peter Hull	Email provided	<p>Support maintenance of the Environmental Levy. Has been involved in positive actions achieved through funding available from the Environmental Levy as Chairperson of the Hat Head Dune Trust and Hat Head Dune care.</p> <p>Comments ongoing vigilance is essential if we are to protect the valuable natural resources which residents and tourists enjoy.</p>	Acknowledgement and ensure inclusion on Council's email newsletter database.
Peter Worthing	Address provided	<p>Objects to any further Environmental Levy on the grounds that existing programs and works are not best practice, and well managed.</p> <p>Referenced issues with Floodway Zones at Pola Creek East Kempsey and Lindsay Noonan Drive South West Rocks.</p> <p>Requests an audit of flood zones, works associated with Stormwater Levy and explanation of why only ratepayers are hit with such costs.</p>	Acknowledgement, further review of specific issues in line with development of 2018/2019 Operating Plan actions and associated Community Catch-up site inspections.
John Bowell	Email provided	Supports the continuation of the Environmental Levy.	Acknowledgement.

5 Assessment criterion 3: Impact on ratepayers

Criterion 3 in the 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.

5.1 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.

Supporting Attachments

- Attachment 2 – Delivery Program; and
- Attachment 3.1 – Scenario 2 Long Term Financial Plan (Rate peg + SRV)
- Attachment 3.2 – Scenario 3 Long Term Financial Plan (Rate peg only)

The current expiring SRV was approved for a period of ten years and is due to expire on 30 June 2018. The value of the expiring SRV is approximately \$765,000 in additional revenue in

2017/2018. Council is seeking to maintain this funding and the resulting service delivery outcomes.

This ensures that the community would see an average rate rise of rate peg only. Council proposes to apply the SRV equally across rating categories.

The proposed rating structure with and without is depicted in the table below:

Impact on Ordinary Rates - Residential					
Scenario 2 - Maintain (Rate Peg + SRV)					
Year	Average Rate	\$ change	Cumulative \$ Change	% change	Cumulative % Change
2017/18	1,137.73				
2018/19	1,155.33	17.60	17.60	1.55%	1.55%
2019/20	1,184.21	28.88	46.48	2.50%	4.09%
2020/21	1,213.82	29.61	76.09	2.50%	6.69%
2021/22	1,244.16	30.34	106.43	2.50%	9.35%
2022/23	1,275.27	31.11	137.54	2.50%	12.09%
2023/24	1,307.15	31.88	169.42	2.50%	14.89%
2024/25	1,339.83	32.68	202.10	2.50%	17.76%

Impact on Ordinary Rates - Residential					
Scenario 3 - Reduce (Rate Peg Only)					
Year	Average Rate	\$ change	Cumulative \$ Change	% change	Cumulative % Change
2017/18	1,137.73				
2018/19	1,137.04	(0.69)	(0.69)	-0.06%	-0.06%
2019/20	1,165.47	28.43	27.74	2.50%	2.44%
2020/21	1,194.61	29.14	56.88	2.50%	5.00%
2021/22	1,224.47	29.86	86.74	2.50%	7.62%
2022/23	1,255.08	30.61	117.35	2.50%	10.31%
2023/24	1,286.46	31.38	148.73	2.50%	13.07%
2024/25	1,318.62	32.16	180.89	2.50%	15.90%

Impact on Ordinary Rates - Business					
Scenario 2 - Maintain (Rate Peg + SRV)					
Year	Average Rate	\$ change	Cumulative \$ Change	% change	Cumulative % Change
2017/18	2,744.55				
2018/19	3,067.80	323.25	323.25	11.78%	11.78%
2019/20	3,144.50	76.70	399.95	2.50%	14.57%
2020/21	3,223.11	78.61	478.56	2.50%	17.44%
2021/22	3,303.69	80.58	559.14	2.50%	20.37%
2022/23	3,386.27	82.58	641.72	2.50%	23.38%
2023/24	3,470.93	84.66	726.38	2.50%	26.47%
2024/25	3,557.71	86.78	813.16	2.50%	29.63%

Impact on Ordinary Rates - Business					
Scenario 3 - Reduce (Rate Peg Only)					
Year	Average Rate	\$ change	Cumulative \$ Change	% change	Cumulative % Change
2017/18	2,744.55				
2018/19	2,580.12	(164.43)	(164.43)	-5.99%	-5.99%
2019/20	3,094.03	513.91	349.48	19.92%	12.73%
2020/21	3,171.39	77.36	426.84	2.50%	15.55%
2021/22	3,250.67	79.28	506.12	2.50%	18.44%
2022/23	3,331.94	81.27	587.39	2.50%	21.40%
2023/24	3,415.23	83.29	670.68	2.50%	24.44%
2024/25	3,500.62	85.39	756.07	2.50%	27.55%

Impact on Ordinary Rates - Farmland					
Scenario 2 - Maintain (Rate Peg + SRV)					
Year	Average Rate	\$ change	Cumulative \$ Change	% change	Cumulative % Change
2017/18	2,153.77				
2018/19	2,161.77	8.00	8.00	0.37%	0.37%
2019/20	2,215.81	54.04	62.04	2.50%	2.88%
2020/21	2,271.21	55.40	117.44	2.50%	5.45%
2021/22	2,327.99	56.78	174.22	2.50%	8.09%
2022/23	2,386.19	58.20	232.42	2.50%	10.79%
2023/24	2,445.84	59.65	292.07	2.50%	13.56%
2024/25	2,506.99	61.15	353.22	2.50%	16.40%

Impact on Ordinary Rates - Farmland					
Scenario 3 - Reduce (Rate Peg Only)					
Year	Average Rate	\$ change	Cumulative \$ Change	% change	Cumulative % Change
2017/18	2,153.77				
2018/19	2,131.79	(21.98)	(21.98)	-1.02%	-1.02%
2019/20	2,185.09	53.30	31.32	2.50%	1.45%
2020/21	2,239.72	54.63	85.95	2.50%	3.99%
2021/22	2,295.71	55.99	141.94	2.50%	6.59%
2022/23	2,353.10	57.39	199.33	2.50%	9.25%
2023/24	2,411.93	58.83	258.16	2.50%	11.99%
2024/25	2,472.23	60.30	318.46	2.50%	14.79%

The average impact of the SRV across rating categories and in total will be an increase equal to the rate peg of 2.30%. The SRV application is 4.20% plus 2.30% rate peg = 6.50%.

Using the current data, the approval of the SRV will result in the total average residential rate increasing by approximately \$17.60, which is a 1.55% increase in 2018/2019. Following this, the annual increase would be rate peg only unless future SRV's are considered by Council.

If the SRV is not approved the total average residential rate would decrease by approximately \$0.69, which is a 0.06% reduction in 2018/2019. Following this, the annual increase would be rate peg only unless future SRV's are considered by Council.

These figures relate to average general rates across all residential ratepayers. They exclude other charges and special levies and may vary across individual ratepayers.

5.1.1 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 No

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

- The rate peg percentage
- The special variation percentage
- Another amount Indicate this amount _____

What will minimum Ordinary rates be after the proposed increase? _____

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.

Not applicable.

5.2 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.

Supporting Attachments

- Attachment 2 – Delivery Program
- Attachment 5.1 – IP&R Engagement - Media & Council website
- Attachment 5.2 – Specific SRV Engagement - Media & Council website
- Attachment 6.1 – IP&R Engagement Community Feedback
- Attachment 6.2 – Specific SRV Engagement Community Feedback

Demographics

Kempsey Shire, located approximately 400 kilometres between Sydney and Brisbane on the NSW Mid North Coast, covers an area of 337,874 hectares between the Pacific Ocean in the east; Five Day Creek in the west; and from Grassy Head in the north; to Kundabung in the south.

The Kempsey Shire population forecast for 2016 is 29,454 and is forecast to grow to 33,457 by 2036.

In 2011, Kempsey Shire Council area scored 879.7 on the SEIFA Index of Disadvantage.

In the 2016 Census, there were 28,885 people in the Kempsey local government area (which is forecast to grow to 33,457 by 2036). Of these 50.0% were male and 50.0% were female. Aboriginal and/or Torres Strait Islander people made up 11.6% (NSW 2.9%) of the population.

Age Structure Kempsey Council Area - Total Persons (Usual residence)	2016				
	Age Group (years)	Number	%	New South Wales %	Australia %
Median age	47				
0-4 years	1,538	5.3	6.2	6.3	
5-9 years	1,729	6.0	6.4	6.4	
10-14 years	1,705	5.9	5.9	6.0	
15-19 years	1,653	5.7	6.0	6.1	
20-24 years	1,336	4.6	6.5	6.7	
25-29 years	1,370	4.7	7.0	7.1	
30-34 years	1,305	4.5	7.2	7.3	
35-39 years	1,324	4.6	6.7	6.7	
40-44 years	1,562	5.4	6.7	6.8	
45-49 years	1,703	5.9	6.6	6.8	
50-54 years	2,018	7.0	6.5	6.5	
55-59 years	2,356	8.2	6.3	6.2	
60-64 years	2,372	8.2	5.6	5.6	
65-69 years	2,365	8.2	5.1	5.1	
70-74 years	1,682	5.8	3.9	3.8	
75-79 years	1,219	4.2	2.9	2.8	
80-84 years	775	2.7	2.1	2.0	
85 years and over	867	3.0	2.2	2.1	

Source: Australian Bureau of Statistics, Census of Population, 2016 Census Quickstats

Empty nesters and retirees (aged 60 to 69) make up the largest single age bracket in the Shire, 16.4%, followed by empty nesters and homebuilders (aged 35 to 49) 15.9%.

Community Capacity and Willingness to Pay

The rates and annual charges outstanding ratio is an indication of ratepayer's ability to pay. Council performs well compared to benchmark in this ratio.

In 2016/2017 Council achieved a rates and annual charges outstanding ratio of 6.66% for all of Council consolidated and 5.95% for general fund. This ratio has consistently remained below the Local Government Code of Accounting Practice benchmark for rural areas of 10%

6.66% is a strong result for a regional area.

Community opinion on willingness to continue paying the environmental levy proposed SRV resulted in 162 responses with the following results

- 8.6% – did not want the environmental levy to continue
- 16.7% – wanted to pay a lower levy than currently being charged
- 74.7% – wanted a 10-year extension to the environmental levy at the current rate

5.3 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 <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If Yes, is an interest charge applied to late rate payments?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Does the council propose to introduce any measures to reduce the impact of the proposed special variation on specific groups in the community?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

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).

Supporting Attachments

- Attachment 7 – Hardship Policy

Council has an adopted Rates and Charges Hardship Assistance Policy (attachment 7).

Council's Hardship Policy is available on Council's website however, is not referenced in our IP&R documents. Council is taking steps to rectify this for the 2018/2019 suite of IPR documents.


The Macleay Valley region demographic has a large number of residents over 60 years of age, resulting in a number of residents being reliant on income provided by the pension.

The policy demonstrates Council's commitment to aiding ratepayers who display a genuine inability to pay their rates and other charges in a timely manner and provides a framework to be followed in providing assistance to those ratepayers who are suffering genuine financial hardship.

The hardship policy currently provides assistance to pensioners in hardship. Council also offers statutory pensioner concessions in accordance with the Local Government Act 1993.

Additionally, Council also offers payment arrangements in cases of genuine financial difficulty.

The SRV application is to continue the existing SRV. The average rate rise would be equivalent to rate peg of 2.30% which is less than CPI. Additionally, Council's performance



on rates and annual charges outstanding ratio of 5.95% for general fund, and 6.66% for all of Council consolidated is a strong result. Council's performance on rates and annual charges outstanding ratio result indicates that the community largely has the capacity to pay. On this basis no additional measures addressing hardship are considered necessary at this stage. However, Council will continue to review its hardship policy on an ongoing basis.

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

Criterion 4 in the 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.³

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.⁴ However, it would be expected that the Long Term Financial Plan would be posted, in a prominent location, on the council's website.

Supporting Attachments

- Attachment 1 – Community Strategic Plan
- Attachment 2 – Delivery Program

Council at its meeting held on 27 June 2016 adopted the Community Strategic Plan, Delivery Program 2017-2021 and Long Term Financial Plan incorporated in the following resolution:

- 1 That the Macleay Valley 2036 Community Strategic Plan be adopted.
- 2 That the Delivery Program 2017–2021 is adopted with the recommended changes in the report and the addition of;
 - a complete review of the Community Strategic Plan.
 - a review of key performance indicator targets.
 - a review of the 10-year strategic land use plan be undertaken.

³ The relevant IP&R documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and where applicable, the Asset Management Plan.

⁴ Office of Local Government (then Division of Local Government), *Integrated Planning and Reporting Manual for local government in NSW*, March 2013, pp 5-6.

- continuing to work with other agencies on the implementation of the Kempsey Plan.
- 3 That the Operating Plan 2017-2018 be adopted with the recommended changes contained within the report and the addition of;
- funding towards the organisational review.
 - funding towards the implementation of the Communications Strategy.
 - the development of annual key performance indicator targets.
 - additional funding be provided to the Economic Sustainability Services.
 - allocate technical support for community groups/projects.
- 4 That the Long Term Financial Plan as tabled be adopted and be placed on further public exhibition for 2 weeks.
- 5 That the Fees and Charges 2017-2018 be adopted.
- 6 That the Workforce Management Strategy, 10 Year Works Program and Asset Management Plan be adopted.
- 7 That a report be brought back to Council for the items to be reviewed or implemented no later than September ordinary meeting.

Council's Delivery Program and Long Term Financial Plan demonstrate the requirement for an SRV.

Commentary on page 15 of the Delivery Program clearly states Council's intention to apply to retain the existing environmental levy.

Actions contained on page 21 of the Delivery Program highlights the specific SRV information to demonstrate to the community the need for an SRV.

Council's IP&R documents were placed on public exhibition from 26 May 2017 to 22 June 2017. During this time the documents were available for the public to access and lodge a submission with Council.

The availability of these documents for public comment was advertised, promoted in local media, placed on Council's website, promoted via social media and at the Riverside markets (attachments 5.1 & 5.2).

7 Assessment criterion 5: Productivity improvements and cost containment strategies

Criterion 5 in the 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 Long Term Financial Plan.

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.

Supporting Attachments

- Attachment 3.1 – Scenario 2 Long Term Financial Plan (Rate peg + SRV)
- Attachment 3.2 – Scenario 3 Long Term Financial Plan (Rate peg only)
- Attachment 8 – Resolution to apply for the proposed special variation

In July 2016 Council resolved to submit an improvement proposal to the Office of Local Government as part of the NSW Government's 'Fit for the Future' assessment of councils. At the July 2016 Council meeting, Council resolved the following response to this submission:

- 1 That Council's Long-Term Financial Plan be updated to reflect what is needed to meet the requirements to be assessed Fit for the Future.
- 2 That the attached submission be lodged for consideration by the NSW Government.

Taking into account the above Council resolution the following has been undertaken:

Community's capacity to pay

The rates and annual charges outstanding ratio is an indication of ratepayer's ability to pay. Council performs well compared to benchmark in this ratio.

In 2016/2017 Council achieved a rates and annual charges outstanding ratio of 6.66% for all of Council consolidated and 5.95% for general fund. This ratio has consistently remained below the Local Government Code of Accounting Practice benchmark for rural areas of 10%.

6.66% is a strong result for a regional area.

Efficiencies and Financial Realisation of Council's assets

Service Review Project

Over the four years of the 2012-2016 Delivery Program Kempsey Shire Council has implemented a long-term productivity review aiming to identify and realise financial savings through efficiency. This review was highlighted in Council's Fit for the Future proposal and has formed a key pillar of the resulting Organisational and Cultural review commenced in March 2017.

Linked to this productivity review has been a series of cost cutting exercises and significant changes to how the road and bridge network have been managed. \$3.2 million per annum has been reallocated from the general fund budgets, equating to around a 20% reduction in manageable costs. Council also stopped undertaking new debt for minor improvement works and is paying down existing debt to release a further \$2.5 million per annum over time.

The Organisational Culture and Structure Review which commenced in March 2017 is designed to identify and implement several productivity improvements.

The following recommendations have been adopted by Council with the implementation due to be in place by 30 June 2018.

Transformation Recommendations

- 1 Establish the governance and management architecture of a full organisational change program
- 2 Establish a Program Office with an identified and accountable Transformation Director for the change program
- 3 Set clear outcomes and Key Performance Indicators to be achieved from the Transformation Program.
- 4 Establish an Invest to Save Bank to have governance over:
 - Investment needed for the program, expected ROI
 - The investment of any savings gained through the Program
- 5 Identify key workstreams such as:
 - Leadership, people and culture
 - Technology and systems

- Communication
- Structure – recruitment
- Industrial requirements

Structure Recommendations


- 1 Confirm a high level “operating model” consistent with the proposed management structure
- 2 Implement the proposed management structure (levels 1, 2, and 3) in accordance with the Council’s Enterprise Agreement and individual contractual obligations of those affected
- 3 Ensure those appointed to the leadership positions at levels 1, 2, and 3 are charged with, have the capability and are accountable for the identified outputs, with the functions of facilitating the planning processes and performance reporting located within key roles
- 4 Commence the full detailed design of the structure below level 3 based on a volumetric analysis of activities
- 5 Undertake a detailed review into the activities and allocation of resources in the Council’s operations (outdoor workforce)
- 6 Identify required investment for the implementation of the change program and calculate the return on that investment over an acceptable time period

Systems Recommendations

- 1 Undertake an analysis and review of current technological systems, ensuring fitness for current purpose and fitness for the proposed operating model and structure
- 2 Conduct an analysis of the value that customers derive from Kempsey Shire Council's services, in order to inform the scope, manner of delivery, nature, and intensity of services
- 3 Re-engineer the key processes in line with the new operating model and structure
- 4 Establish the customer front end to support internal and external customer service delivery
- 5 Establish the knowledge base to support a “single version of the truth” for processes and customer enquiry
- 6 Establish a centralised transaction hub
- 7 Establish the commissioning approach in line with the operating model

Leadership and Culture Recommendations

- 1 Assess the leadership capability of staff with leadership responsibilities (existing and future) against the recommended leadership capability framework, in order that Council can select and develop capable leaders at all levels to lead the changes necessary in the organisation

- 
- 2 Undertake leadership development of the Executive and Management-level staff to develop the skills to lead change to a consistent level
 - 3 Develop, decide on, and implement a clear and inspiring organisational vision through an engaging process with staff
 - 4 Design and implement an organisational performance system that enables leaders to be held to account for the work of their role and the work of their team(s)
 - 5 Design and implement an individual performance framework that is consistent with the recommended capability framework, salary, and progression systems
 - 6 Undertake a training skills review that reconciles current skills and abilities with the skills necessary to support the organisation in the future, as well as a supporting training strategy and implementation plan
 - 7 Undertake a focused initiative to demonstrably improve relations with the Union
 - 8 Undertake an improvement program for Council's safety systems that engages frontline staff in the ongoing simplification and improvement of safety processes and procedures

Human resource efficiencies have significantly been affected by an organisational restructure to date. This has resulted in a flatter structure that will provide more efficient and flexible work practices as well as more responsive services to our community.

In August 2017, Council resolved to move from a four Director structure to a 2 Director model. This change has provided annual savings in the order of \$350,000 per annum.

When the review is finalised budgeted net operational savings of approximately \$1.5 million per annum is anticipated.

8 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?
Mandatory forms and Attachments	
Part A Section 508A and Section 508(2) Application form (Excel spreadsheet)	<input checked="" type="checkbox"/>
Part B Application form (Word document) – this document	<input checked="" type="checkbox"/>
Attachment 1 – Community Strategic Plan	<input checked="" type="checkbox"/>
Attachment 2 – Delivery Program	<input checked="" type="checkbox"/>
Attachment 3.1 – Scenario 2 – Long Term Financial Plan with projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in Excel format	<input checked="" type="checkbox"/>
Attachment 3.2 – Scenario 3 – Long Term Financial Plan with projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in Excel format	<input checked="" type="checkbox"/>
Attachment 4 – NSW Treasury Corporation report on financial sustainability	<input checked="" type="checkbox"/>
Attachment 5.1 – IP&R Engagement – Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and proposed special variation	<input checked="" type="checkbox"/>
Attachment 5.2 – Specific SRV Engagement – Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and proposed special variation	<input checked="" type="checkbox"/>
Attachment 6.1 – IP&R Engagement – Community feedback (including surveys and results if applicable)	<input checked="" type="checkbox"/>
Attachment 6.2 – Specific SRV Engagement – Community feedback (including surveys and results if applicable)	<input checked="" type="checkbox"/>
Attachment 7 – Hardship Policy	<input checked="" type="checkbox"/>
Attachment 8 – Resolution to apply for the proposed special variation	<input checked="" type="checkbox"/>
Certification (see Section 9)	<input checked="" type="checkbox"/>
Other Attachments	
Relevant extracts from the Asset Management Plan	<input type="checkbox"/>
Attachment 9 – Past Instruments of Approval (if applicable)	<input checked="" type="checkbox"/>

Resolution to adopt the revised Community Strategic Plan (if necessary) and/or Delivery Program	<input type="checkbox"/>
Other (please specify)	<input checked="" type="checkbox"/>
Attachment 10 – Ecologically Sustainable Development Strategy	<input checked="" type="checkbox"/>
Attachment 11 – Community Engagement Strategy	<input checked="" type="checkbox"/>
Attachment 12 – 2017 KSC Community Satisfaction Survey Results	<input checked="" type="checkbox"/>
Attachment 13 – Ecohealth Report Card Media Release	<input checked="" type="checkbox"/>

9 Certification

APPLICATION FOR A SPECIAL RATE VARIATION

To be completed by General Manager and Responsible Accounting Officer

Name of council: Kempsey Shire Council

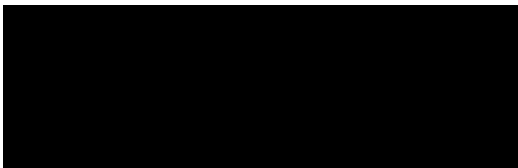
We certify that to the best of our knowledge the information provided in this application is correct and complete.

General Manager (name): Craig Milburn



Signature and Date: 9 February 2018

Responsible Accounting Officer (name): Ron Wood



Signature and Date: 9 February 2018

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