



Independent Pricing and Regulatory Tribunal

## **Special Variation Application Form – Part B**

**For applications for 2014/15**

**Issued October 2013**

**Tenterfield Shire Council**

Date Submitted to IPART: 24 February 2014

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# 1 In

## 2 troduction

Each council must complete this application form (Part B) in order to apply for a special variation to general income. The same Part B form is to be used for applications made either under section 508A or under section 508(2) of the *Local Government Act 1993*.

IPART assesses each application against the criteria set out in the Division of Local Government (DLG) *Guidelines for the preparation of an application for a special variation to general income for 2014/2015* (the Guidelines). Councils should refer to these guidelines before completing this application form. They are available at [www.dlg.nsw.gov.au](http://www.dlg.nsw.gov.au).

We also publish Fact Sheets on our role in local government rate setting and special variations and on the nature of community engagement for special variation applications. The latest Fact Sheets on these topics are dated September 2013. They are available on our website at [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au).

Councils must complete this Part B form with a relevant Part A form, also posted on our website. The relevant Part A form is either:

- ▼ *Section 508(2) Special Variation Application Form 2014/15 – Part A* for a single percentage variation under section 508(2) or
- ▼ *Section 508A Special Variation Application Form 2014/15 – Part A* for more than one percentage variation under section 508A.

The amount of information to be provided is a matter for judgement, but it should be sufficient for us to make an evidence-based assessment of the council's application against each criterion. This form includes some questions that the application should address, and guidance on the information that we require. As a general rule, the higher the cumulative percentage increase requested, and the greater its complexity, the more detailed and extensive will be the information required.

### 2.1 Completing the application form

To complete this Part B form, insert the council's response in the boxes and the area which is highlighted, following each section or sub-section.

Councils may submit additional supporting documents as attachments to the application. The attachments should be clearly identified in Part B and cross-referenced. We prefer to receive relevant extracts rather than complete publications, unless the complete publication is relevant to the criteria. Please provide details of how we can access the complete publication should this be necessary.

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 - Focus on Integrated Planning and Reporting
- ▼ 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 - Other information
- ▼ Section 9 – Checklist of contents
- ▼ Section 10 – Certification.

## 2.2 Submitting the application

IPART asks that all councils intending to apply for a special variation use the Council Portal on our website to register as an applicant council and to submit their application.

The Portal is at [http://www.ipart.nsw.gov.au/Home/Industries/Local\\_Govt](http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt). A [User Guide](#) for the Portal will assist you with the registration and online submission process.

Councils intending to submit an application should notify us of their intention to apply by **cob Friday 13 December 2013**.

Councils should also submit their applications, both Part A and Part B and supporting documents, via the Portal. File size limits apply to each part of the application. For Part B the limit is 10MB. The limit for the supporting documents is 120MB in total, or 70MB for public documents and 50MB for confidential documents. These file limits should be sufficient for your application. Please contact us if they are not.

We also ask that councils also submit their application to us in hard copy (with a table of contents and appropriate cross referencing of attachments). Our address is:

Local Government Team  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVB Post Office NSW 1230

Level 17, 1 Market Street, Sydney NSW 2000.

We must receive your application via the Council Portal and in hard copy no later than **cob Monday 24 February 2014**.

We will post all applications (excluding confidential documents) on our website. Councils should also post their application on their own website for the community to read.

### 3 Focus on Integrated Planning and Reporting

How a council considers and consults and engages on a special variation as part of its Integrated Planning and Reporting (IP&R) processes is fundamental to our assessment of the application for a special rate variation. Such a focus is clear from DLG's September 2013 *Guidelines*.

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

A council's suite of IP&R documents may also include supplementary and/or background publications used within its IP&R processes. As appropriate, you should refer to these documents to support your application for a special variation.

Briefly outline how the council has incorporated the special variation into its IP&R processes. Include details of and dates for community consultation, key document revisions, exhibition period(s) and the date(s) that the council adopted the relevant IP&R documents.

#### **Council Response**

##### **Special Rate Variation**

Council, at its Ordinary Meeting 27 November 2013 (Attachments 13 & 14), considered a report to determine a Special Rates Variation Application to IPART. A Special Rates Variation had already been included in Council's Integrated Planning and Reporting (IP&R) framework & documents when adopted in June 2013, including the Community Strategic Plan (Attachment 2), Delivery Program (Attachment 3) and the Long Term Financial Plan (Attachment 8). Council also conducted extensive community consultation, prior to the 27 November 2013 meeting. Council resolved to make application for a Special Rates Variation, commencing in 2014/2015, of 1 year x 12% plus 3 years x 7% (1 year x 15% plus 3 years x 10% including the rate peg) as per Scenario 1 in the Long Term Financial Plan (Attachment 8).

Council is comfortable that the community has been well informed and consulted on the proposed Special Rates Variation and that the increases proposed are accepted as reasonable, necessary and affordable.

Council's Hardship Policy (Attachment 23) and the Revenue Policy (Attachment 4) contained in the 2013/2014 Operational Plan, provides the opportunity for rates and charges relief for those who may find themselves in a position of genuine hardship.

Tenterfield Shire Council is fully compliant with the Integrated Planning and Reporting (IP&R) Framework and has developed a comprehensive set of plans in consultation with the community that reflect community ideals balanced with a realistic assessment of our financial position. A complete list of current IP&R documents can be located on Council's website.

Council's Community Strategic Plan 2013-2023 (Attachment 2), Section 2, Page 10, sets out the process of building the Plan and associated IP&R documents.

The Project Planning Process is shown below:

<b>Stage 1 -</b> Situation Analysis	<ul style="list-style-type: none"> <li>o New Councillor work-shop</li> <li>o Internal Service Delivery Review</li> <li>o Census Data, research and analysis</li> </ul>	October 2012
<b>Stage 2-</b> Community Engagement	<ul style="list-style-type: none"> <li>o Revised Community Engagement Strategy</li> </ul>	November 2012
<b>Stage 3 -</b> Community Engagement	<ul style="list-style-type: none"> <li>o Consult, involve and collaborate with the community through workshops and house hold surveys</li> </ul>	November 2012
<b>Stage 4 -</b> Data Analysis	<ul style="list-style-type: none"> <li>o Synthesise findings</li> </ul>	January/February 2013
<b>Stage 5 -</b> Document revision	<ul style="list-style-type: none"> <li>o Incorporate community feedback, service review, into the Delivery Program</li> <li>o Councillors to determine outcomes within their term in office</li> <li>o Revise Community Strategic Plan and update sections in line with the State Plan</li> <li>o Revise Work force Plan, Asset Management Plans and Long Term Financial Plan</li> </ul>	March 2013
<b>Stage 6 -</b> Future Analysis	<ul style="list-style-type: none"> <li>o Develop the Operational Plan in line with the revised Community Strategic Plan, Delivery Program and associated Resourcing Strategies.</li> <li>o Environmental analysis</li> <li>o Long term Finance and resource projections</li> </ul>	April 2013
<b>Stage 7 -</b> Draft Documents on public exhibition	<ul style="list-style-type: none"> <li>o Present draft Community Strategic Plan and all sub-plans to Council for public exhibition</li> </ul>	May 2013
<b>Stage 8 -</b> Inform and gain feedback from the Community	<ul style="list-style-type: none"> <li>o Disseminate information to community through community forums and ask for submissions</li> </ul>	May/June 2013
<b>Stage 9 -</b> Adoption of revised Planning documentation	<ul style="list-style-type: none"> <li>o Adoption of the community Strategic Plan, Delivery Program, Operational Plan and the Resourcing Strategy: Work Force Plan, Asset Management Plans and Long Term Financial Plan.</li> </ul>	June 2013

Council has incorporated the Special Rate Variation (SRV) into its IP&R process. Specific mention can be located in the following documents:

Community Strategic Plan 2013-2023

- Page 5, 28,

Four (4) Year Delivery Program 2013-2017

- Page 5, 58, 60,

Long Term Financial Plan 2013-2023

- Table of Contents Section 9
- Page 11, 13,14, 24, 26, 28, 29, 36, 37, 39

## 4 Assessment criterion 1: Need for the variation

In the DLG Guidelines, criterion 1 is:

*The need for and purpose of a different revenue path (as requested through the special variation) is clearly articulated and identified through the council's IP&R documents, including its Delivery Program and Long Term Financial Plan. Evidence for this criterion could include evidence of community need/desire for service levels/project and limited council resourcing alternatives and the Council's financial sustainability conducted by the NSW Treasury Corporation. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan applying the following two scenarios:*

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

The response in this section should summarise the council's case for the proposed special variation. It is necessary to show how the council has identified and considered its community's needs, alternative funding options and the state of its financial sustainability.

The criterion states that all these aspects must be identified and articulated in the council's IP&R documents.

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

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

Summarise below the council's need for the special variation. Comment on how the need is captured in the IP&R documents, especially the Long Term Financial Plan (LTFP) and the Delivery Program, and, where appropriate, the Asset Management Plan (AMP). Note that the LTFP is to include both a 'baseline scenario' and an 'SV scenario' as defined in the *Guidelines*.

## Council Response

The need for a Special Rate Variation became evident during the process of Council developing its IP&R documentation for 2013-2014, after the election of a new Council in September 2012. Further, NSW Treasury Corporation (TCorp) released its *“Financial Assessment, Sustainability and Benchmarking Report”* 11 March 2013, (Attachment 15) assessing Tenterfield Shire Council as being *“in a weak financial position with a negative outlook”*.

Extensive community consultation was undertaken before Council considered a final report at its Ordinary meeting 27 November 2013 and resolved to seek a Special Rate Variation for 2014-2015 and the following three years. A copy of the report and resolution is listed below. *See Attachments 13 & 14: Report 27 November 2013 and Minutes 27 November 2013*

Specifically, Council requires a Special Rate Variation to fund Infrastructure maintenance/renewals and to ensure financial sustainability.

Council adopted the Community Strategic Plan (Attachment 2) and associated Plans, including the Long Term Financial Plan (Attachment 8) at the June 2013 Council meeting. The Integrated Planning Framework documentation also includes the Asset Management Plans and the level of service in these plans are reflected and budgeted for in the Long Term Financial Plan (Attachment 8).

In order to be able to carry out the activities, and in particular the asset maintenance and renewal projects, contained within the Integrated Planning Framework, Special Rates Variations of 12%, 7%, 7%, and 7% over four (4) years have been factored into the Long Term Financial Plan (Attachment 8) on top of the assumed 3% rate pegging increase each year.

Council has identified and considered its community’s needs through its community consultation process, as indicated in the Project Planning Process shown in the table on page 5. Further evidence of community consultation is included in the Attachments to this application (See Attachments 19 to 22).

If the special variation seeks funding for contributions plan costs above the development contributions cap, refer to Box 3.1.<sup>1</sup> NOT APPLICABLE

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<sup>1</sup> See Planning Circular 10-025 dated 24 November 2010 at [www.planning.nsw.gov.au](http://www.planning.nsw.gov.au) and for the most recent Direction issued under section 94E of the *Environmental Planning and Assessment Act 1979*. See also Planning Circular PS 10-022 dated 16 September 2010.

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**Box 4.1 Special variations for development contributions plan costs above the developer cap**

For costs above the cap in contributions plans, a council must provide:

- ▼ a copy of the council's section 94 contributions plan
  - ▼ a copy of the Minister for Planning and Infrastructure'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 seek to use
  - ▼ any reference to the proposed contributions (which were previously to be funded by developers) in the council's planning documents (eg, LTFP and Asset Management Plans (AMP))
  - ▼ any necessary revisions to financial projections contained in the LTFP and AMP to reflect the special variation.
- 

If the special variation seeks funding for contributions plan costs above the development contributions cap, set out below:

- ▼ details explaining how the council has established the need for a special variation to meet the shortfall in development contributions, and
- ▼ how this is reflected in the council's IP&R documents.

NOT APPLICABLE

## 4.1 Community needs

Indicate how the council has identified and considered the community's needs and desires in relation to matters such as levels of service delivery and asset maintenance and provision in deciding to apply for a special variation. The application should include extracts from, or references to, the IP&R document(s) that demonstrate how the council meets this criterion.

### Council Response

Council has identified and considered the community's needs and desires in relation to matters such as levels of service delivery and asset maintenance by conducting community questionnaires and holding community forums.

Community Engagement Forums were held in eight (8) towns and villages (Jubullum was cancelled due to a funeral) in Tenterfield Shire between 28 November 2012 and 3 December 2012, to engage the community and seek their views and guidance into the Community Strategic Plan and asset service levels and priorities. A copy of the media release dated 8 November 2012 is presented below.

## COMMUNITY STRATEGIC PLAN AND ASSETS HAVE YOUR SAY!

Community Engagement sessions in relation to the Community Strategic Plan and assets will be held at each of the venues listed below. At these sessions three questions will be asked:

- 1) *What do you like about living in the Tenterfield Shire (and in your particular area)?*
- 2) *What don't you like about living in the Tenterfield Shire? (and in your particular area)?*
- 3) *What would you like to see in the future? (what would be your 3 priorities?)*

In the asset session we will discuss priorities for our roads, drainage, water supply and liquid waste. This information will guide our asset management planning and ask questions such as;

- 1) *Considering our available resources, how do we balance the maintenance of existing assets vs. improving them or adding to them?*
- 2) *Is a higher standard of road maintenance more important than the regularity at which roads are maintained?*
- 3) *How do we balance the costs of urban and rural stormwater management with an acceptable level of service?*
- 4) *Are their assets where the cost of maintenance exceeds their value, or that can be better used to improve their value?*

Details of meeting location dates and times will also be posted on Council's website, on notice boards in the villages of Urbenville, Drake, Legume, Liston, Torrington, Jubullum and Mingoola.

These sessions will be facilitated by the General Manager, Lotta Jackson and Dennis Gascoigne, Director of Engineering Services.

	DATE	TIME	VENUE
Jennings	Wednesday, 28 November	4.30pm (QLD) 5.30pm (NSW)	Wallangarra School of Arts Hall
Tenterfield	Wednesday, 28 November	7.30pm (NSW)	Tenterfield RSL Pavilion
Legume	Thursday, 29 November	4.30pm (QLD) 5.30pm (NSW)	Community Hall
Liston	Thursday, 29 November	6.30pm (QLD) 7.30pm (NSW)	Community Hall
Torrington	Friday, 30 November	5.00pm (NSW)	Community Hall
Drake	Saturday, 1 December	10.30am (NSW)	Community Hall
Jubullum	Saturday, 1 December	12.30pm (NSW)	Community Hall
Urbenville	Saturday, 1 December	2.00pm (QLD) 3.00pm (NSW)	CWA Rooms
Mingoola	Monday, 3 December	5.30pm (QLD) 6.30pm (NSW)	Community Hall

The following Questionnaire followed the forums:

If you are comfortable with computers, it would be very helpful if you could complete this survey online at:

<https://www.surveymonkey.com/s/TSCCommunity2013>

<b>Name:</b>	_____	<b>My principal address is;</b>	Urban
<b>Address:</b>	_____		Semi rural
	_____		Rural

**What do you like about living in Tenterfield Shire (and in your particular area)?**

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**What don't you like about living in Tenterfield Shire (and in your particular area)?**

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**What would you like to see in the future (what would be your three priorities)?**

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**In which order would you prioritise the following - Number 1 (highest priority) to 9 (lowest priority);**

- |  |   |
|--|---|
| <input type="checkbox"/> Rural road maintenance                        | <input type="checkbox"/> Town drainage maintenance                  |
| <input type="checkbox"/> Town road maintenance                         | <input type="checkbox"/> Maintenance of water supply infrastructure |
| <input type="checkbox"/> Maintenance of sewer supply infrastructure    | <input type="checkbox"/> Maintenance of footpaths and bikeways      |
| <input type="checkbox"/> Upgrading gravel or poor quality sealed Roads | <input type="checkbox"/> New footpaths and bikeways                 |
| <input type="checkbox"/> New stormwater infrastructure                 |   |

## Roads;

	Agree	Disagree	N/A
The Bolivia Hill upgrade is a priority project.			
The Mt Lindesay Highway from Tenterfield to Legume is a priority project.			
The Tenterfield Bypass is a priority project.			
The Mt Lindesay Highway from Legume to Woodenbong is a priority project.			
I would like to know the maintenance cycle for gravel roads I drive on.			
Council should only maintain public roads. No private roads should be maintained.			
The quality of road grading is more important than the length between grades.			
When determining which roads are maintained and how often, the same rules should apply to all roads of the same class and usage.			
Where Council does not maintain a road, we should ensure that Private Works (works paid for by property owners) are made available when crews are in the area.			
Council should investigate different maintenance strategies such as recovering previously graded gravel from verges, different ripping/rolling strategies in order to establish the best cost/benefit mix.			
Roads that service only one property are considered driveways and are not maintained by Council. This is a fair practice.			
If I notice a blocked drain or pipe, I would not mind unblocking it if it could be easily achieved.			
If there is a tree or branch across the road and there is little or no traffic, I have removed it, or would remove it.			
If there is a tree or branch across the road and there is little or no traffic, this is Council's problem, no matter how small the branch is, and how much it costs for after-hours call out.			
A bridge should never be taken out of service, even if there is an alternative route less than 5km longer and retaining it requires several hundreds of thousands of dollars of Council funds.			
I think it is more important that roads accessed by tourists are maintained more regularly and to a higher standard than other rural roads.			
I think better maintained roads will get tourists to other areas of the Shire more often.			

## Urban Stormwater

	Agree	Disagree	N/A
I would be prepared to make the monetary kerb and gutter contribution to have kerb and gutter on my street.			
I have open drains in front of my house and would prefer they were not dug out by Council.			
All stormwater collected on a property is the responsibility of the property owner and cannot be concentrated or collected (such as on a roof or hardstand).			
The property owner is responsible for maintenance of verges in front of properties including maintenance of drains and accesses.			
Council should start replacing old stormwater infrastructure that doesn't perform in large storms, even if it usually does the job.			

## Footpaths and Bikeways;

	Agree	Disagree	N/A
The new footpaths and bikeways along the river are a worthwhile investment for the town.			
I use the existing footpath and bikeway network.			
I would like to see the footpath and bikeway network extended.			
The kerb and gutter and footpaths on the main street should be extended south.			

## Water

	Agree	Disagree	N/A
The additional water charge should be increased to improve the taste of the town water.			
Many of our water supply pipes are old. I would be happy to pay higher water costs to implement a replacement program to PVC.			
Our water treatment plant was built in 1930 and has been found to be at the end of its useful life. I feel it is a priority to build a new water treatment plant within the next 10 years.			
I am happy with the taste, colour and smell of the tap water.			
I think the water supply dam should be opened up to recreational use even though this might mean greater chemical treatment required and increased costs.			
Level 1 water restrictions should be permanent.			
Other water restrictions should be triggered earlier to reduce water usage.			
Tank water (when town water is also available) should be allowed to be used for drinking and showering – current policy excludes this use.			
Council should be investigating other locations for a future dam to allow water supply security and population growth.			
I am conscious of my water use and minimise it wherever possible.			

# Sewer

	Agree	Disagree	N/A
Sewerage management just happens, I never really think about it after that.			
Reducing our pollution through modern effluent treatment techniques is important to me.			
I understand that rags and rubbish cause sewer chokes and drive up the cost of maintaining the sewer network.			
Cooking oils, greases and other non-soluble liquid waste impose large costs on the sewer network. Businesses have to manage this, and residents should try to minimize it too.			
I would be happy to pick up a plastic bag I saw discarded on the ground so it didn't end up in the sewer or stormwater network.			
I would like more money to be spent on relining sewer pipes so stormwater couldn't enter the system and potentially over flow it in high rainfall periods.			
It is completely illegal to connect stormwater (such as downpipes) to the sewer and may result in significant penalties.			
Council should provide more education on what should and shouldn't be put in the sewer system.			
The sewerage treatment plant smells and Council should commit additional funds to reduce the odour emitted.			

## General:

**Please use this space to write more general comments, for example; what are your ideas to improve road maintenance, where do we need footpaths, what can we do to improve stormwater management?**

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Almost 400 surveys were returned and the community responses were sorted and summarised and included in Council's Community Strategic Plan 2013-2023 which was adopted by Council 26 June 2013. (Refer pages 11-13 of the CSP reproduced below "Building the Plan").

## Community consultation - Infrastructure survey

The Roads Asset Management Plan (Attachment 12) incorporates community consultation from Nov 2012 to Jan 2013 on infrastructure and service levels. This has assisted Council and the community in matching the level of service needed by the

community, service risks and consequences with the community's ability to pay for the service.

Key results from the community consultations include:

- Road maintenance is the highest priority infrastructure priority for respondents overall, with 49.2% listing it as the highest or second highest maintenance priority.
- 98% of all respondents support the trial of alternative maintenance techniques such as recovery of verge material, and different ripping and rolling strategies.
- 84% (85% for rural) believe the quality of maintenance is more important than the length between maintenance visits;
- 72% (72% for rural) do not support Council maintaining private roads (this is current practice);
- 85% (81% for rural) believe all roads of the same class and usage should be maintained to the same standard;
- 66% (63% for rural) support the current policy of maintaining roads only to the second last property access;
- 78% believe better roads will improve tourist traffic to outer regions of the shire, but only 37% believe this justifies prioritisation of roads which are tourist routes;
- 57% support removing an expensive-to-replace bridge from service if an alternative route less than 5km longer exists;
- 72% are in support of better communication regarding maintenance cycle timing.

## Building the Plan

Community Engagement is the foundation and key building block of the Community Strategic Plan (Attachment 2).

Council's Community Engagement Strategy (Attachment 1) was structured to enable as many key stakeholders and representative groups to participate as possible and at this time the revised plan included:

- Open community forums
- Community survey questionnaires

The public forums held during November/December 2012 followed a set format in addressing Council's six "Key Focus Areas", which are targeted at addressing the quadruple bottom line considerations - environmental, social, economic and government leadership.

Eight (8) community forums were held and 4000 surveys were distributed to all households in the Shire. Almost 400 of the surveys were returned (9.2%) and the community responses have been sorted into quadruple bottom line considerations.

After identifying all of the best and worst issues facing the community about living in Tenterfield Shire, participants were asked to prioritise their issues and their





Provide extracts from, or references to, the IP&R document(s) which show how the council considered the alternatives.

### **Council Response**

Please refer to Council's IP&R documents and in particular, Council's Long Term Financial Plan 2013-2023 (Attachment 8), for evidence of how Council considered alternative funding options, before making a decision to make application for a Special Rates Variation.

The decision to seek a Special Rates Variation was made during the IP&R process. Council explored every avenue in its aim to increase revenues and decrease expenditures. For example, User Fees & Charges represent 9% (2012) of Council's income compared to the Group 10 Average of 18.18% (2010/11 data). Council decided to increase Fees and Charges by 10% per annum over each of the next four years (Attachment 6).

With regard to Borrowings, Tenterfield Shire Council has low levels of debt and proposes to use debt funding in future years for large non-current capital works that will deliver economic benefits to future generations.

Council completed a "road show" presenting the challenges facing the Tenterfield Shire in maintaining and improving assets in Nov/Dec 2012. As part of this process, and through subsequent surveys mailed to every Tenterfield Shire Resident (also available online), the service expectations and level of understanding regarding asset management were determined.

The Long Term Financial Plan (Attachment 8) is based on providing agreed levels of service. The levels of service Council proposes to provide are detailed in Council's Asset Management Plans. They reflect a standard that meets legislative and technical requirements, as well as the reasonable expectations of the community. The Asset Management Plans (available on Council's website [www.tenterfield.nsw.gov.au](http://www.tenterfield.nsw.gov.au)) have been linked to the Long Term Financial Plan.

Council has made cuts to expenditure in 2013/14 in all areas except Roads that flows into subsequent years of the Long Term Financial Plan as recommended by NSW Treasury Corporation (TCorp).

Council has undertaken a comprehensive review of its assets and the costs of maintaining and renewing existing infrastructure. The costs associated with these works are significantly greater than available budgets due to accumulated renewal obligations, increasing maintenance costs and reductions in grant funding (in real terms).

The shortfall in funding has been managed through a number of strategies including;

- Changes to target levels of service through community consultation resulting in lower maintenance and renewal cost obligations (Community Strategic Plan)

- Organisational restructure to focus on maintenance and renewal obligations by reducing management overhead
- Removal of new asset / asset upgrade programs including road sealing from operational strategies, except where a clear business case exists.

Council's main infrastructure challenge is in roads and bridges. No meaningful increase to revenue is possible for these assets through increasing charges. Similarly, there is no prospect for Joint Ventures or Public Private Partnerships as the road network consists of 1700km of relatively low traffic volume rural roads.

Not only does Council have limited options with regards alternatives for raising revenue in the General fund, it has had to contend with a reduction in revenue from grants in real terms. For example, the roads to recovery grant has remained at \$750,000 – the same as when introduced ten years ago. This is an effective reduction of around 50% in purchasing power over that time. In recent years, since 2008, this has been offset by Disaster Recovery grants from flooding events, however this revenue is no longer available and is not a reliable source of revenue for core services (Attachment 8, Page 18).

### 4.3 State of financial sustainability

The special variation may be intended to improve the council's underlying financial position, 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.

The application should set out the council's understanding of its current state of financial sustainability, as well as long-term projections based on alternative scenarios and assumptions about revenue and expenditure. Such evidence can be drawn from the LTFP and from any external assessment, eg by auditors or TCorp.

Explain the council's view of its financial sustainability as it relates to the application for a special variation.

Explain how TCorp's recent Report on the council's financial sustainability is relevant in supporting the decision to apply for a special variation.

How will the special variation affect the council's key financial indicators over the 10-year planning period? Key indicators may include:

- ▼ Operating balance ratio excluding capital items (ie, net operating result before capital 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 (net debt service cost divided by revenue from continuing operations)
- ▼ Broad liabilities ratio (total debt plus cost to clear infrastructure backlogs (Special Schedule 7) divided by operating revenue)
- ▼ Asset renewal ratio (asset renewals expenditure divided by depreciation, amortisation and impairment expenses).

**Council Response - Performance Indicators**

<b>Consolidated Funds</b>											
		<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
Net Operating Result for the Year	SRV	<b>879,955</b>	<b>4,602,955</b>	<b>4,737,174</b>	<b>5,156,483</b>	<b>5,195,192</b>	<b>5,760,891</b>	<b>2,622,892</b>	<b>2,558,050</b>	<b>1,925,462</b>	<b>2,553,336</b>
	No SRV	879,955	4,267,106	4,165,950	4,320,294	4,061,306	4,592,989	1,419,952	1,319,022	649,263	1,238,851
Net Operating Result Before Grants and Contributions provided for Capital Purposes	SRV	<b>(2,210,577)</b>	<b>(1,892,022)</b>	<b>(1,369,193)</b>	<b>(993,253)</b>	<b>(543,147)</b>	<b>(284,291)</b>	<b>(143,271)</b>	<b>(295,954)</b>	<b>(156,143)</b>	<b>148,866</b>
	No SRV	(2,210,577)	(2,227,871)	(1,940,417)	(1,829,442)	(1,677,033)	(1,452,194)	(1,346,210)	(1,534,982)	(1,432,341)	(1,165,619)

<b>General Fund</b>											
		<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
Net Operating Result for the Year	SRV	<b>354,992</b>	<b>3,652,212</b>	<b>3,554,507</b>	<b>3,530,542</b>	<b>3,840,395</b>	<b>3,889,960</b>	<b>539,897</b>	<b>241,237</b>	<b>194,186</b>	<b>454,775</b>
	No SRV	354,992	3,316,363	2,983,283	2,694,353	2,706,509	2,722,058	(663,043)	(997,791)	(1,082,013)	(859,710)
Net Operating Result Before Grants and Contributions provided for Capital Purposes	SRV	<b>(2,235,540)</b>	<b>(2,079,014)</b>	<b>(1,801,860)</b>	<b>(1,719,194)</b>	<b>(1,397,944)</b>	<b>(1,405,222)</b>	<b>(1,476,265)</b>	<b>(1,862,768)</b>	<b>(1,887,418)</b>	<b>(1,949,695)</b>
	No SRV	(2,235,540)	(2,414,863)	(2,373,084)	(2,555,383)	(2,531,830)	(2,573,125)	(2,679,205)	(3,101,796)	(3,163,617)	(3,264,179)

Without a SRV Council will have sustained operating deficits before Grants and Contributions provided for Capital Purposes. NSW TCorp noted in its report on the “Financial Sustainability of the NSW Local Government Sector” (2013) that “continuing deficits will not allow Councils to maintain or expand their assets and services, or address their Infrastructure Backlog” (pg. 60). On a consolidated basis, by 2022/23, with a SRV Council will achieve a positive net Operating Result before Grants and Contributions provided for Capital Purposes of \$148,000 while without a SRV a deficit of \$1,165,000 is projected.

When considering only General Fund activities, a SRV will reduce the expected deficit before Grants and Contributions from \$3,264,000 to \$1,949,000 in 2022/23, although over the period of the LTFP there is some year to year fluctuation. Notably, without a SRV, the Net Operating Result (including Capital Grants and Contributions) will be in deficit from 2019/20.

Eighty percent (80%) of the additional income raised from the Special Rates Variation over 10 years will be directed toward the renewal of roads, bridges and causeways through investment in resheeting, resealing, bridge renewal and main street renewal programs.

Area	Amount (\$000)	(%)
Buildings Renewal	\$ 584	6%
Road Construction	\$ 70	1%
Road Resheeting	\$ 2,104	21%
Road Resealing	\$ 879	9%
Drainage Improvements	\$ 120	1%
Bridge Renewal Program	\$ 3,740	37%
Saleyards Renewal	\$ 250	2%
Recreation Facilities Renewal	\$ 450	5%
Cemeteries Improvements	\$ 290	3%
Main Street Renewal*	\$ 1,533	15%
<b>Total</b>	<b>\$10,020</b>	<b>100%</b>

\*Interest and Principal Payments

Council's Road Network Asset Management Plan (Attachment 12, page 24) has identified the funding gap that will occur if Council is not able to direct more funding to the road network.

Financial Year Ending	Projected Renewals (\$000)	Planned Renewal Budget (\$000)	Renewal Funding Shortfall (\$000)	Cumulative Shortfall (\$000)
2013	\$2,358	\$820	-\$1,538	-\$1,538
2014	\$2,609	\$796	-\$1,813	-\$3,351
2015	\$4,182	\$773	-\$3,409	-\$6,760
2016	\$3,661	\$750	-\$2,911	-\$9,670
2017	\$3,289	\$729	-\$2,560	-\$12,230
2018	\$3,392	\$707	-\$2,685	-\$14,915
2019	\$3,375	\$687	-\$2,689	-\$17,604
2020	\$3,534	\$667	-\$2,867	-\$20,471
2021	\$3,469	\$647	-\$2,821	-\$23,293
2022	\$3,022	\$628	-\$2,393	-\$25,686

The additional income raised through the SRV will only partially address the funding shortfall.

## Performance Indicators

<b>Consolidated Funds</b>											
		<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
<b>Operating balance ratio</b>	<b>SRV</b>	<b>-14.85%</b>	<b>-12.01%</b>	<b>-8.15%</b>	<b>-5.63%</b>	<b>-2.92%</b>	<b>-1.47%</b>	<b>-0.71%</b>	<b>-1.44%</b>	<b>-0.73%</b>	<b>-0.67%</b>
	No SRV	-14.80%	-14.46%	-11.96%	-10.88%	-9.60%	-7.96%	-7.14%	-7.93%	-7.13%	-5.57%
<b>Unrestricted current ratio</b>	<b>SRV</b>	<b>3.42</b>	<b>2.92</b>	<b>2.66</b>	<b>2.73</b>	<b>2.61</b>	<b>2.98</b>	<b>3.8</b>	<b>4.33</b>	<b>5.18</b>	<b>6.99</b>
	No SRV	3.42	2.68	2.01	1.41	0.52	0.15	-0.45	-0.78	-1.16	-0.74
<b>Rates and annual charges ratio</b>	<b>SRV</b>	<b>35.25%</b>	<b>31.57%</b>	<b>33.33%</b>	<b>34.87%</b>	<b>36.72%</b>	<b>36.66%</b>	<b>42.68%</b>	<b>43.36%</b>	<b>45.30%</b>	<b>45.01%</b>
	No SRV	35.25%	30.52%	31.62%	32.50%	33.63%	33.62%	39.49%	40.20%	42.15%	41.91%
<b>Debt Service ratio</b>	<b>SRV</b>	<b>5.81%</b>	<b>6.30%</b>	<b>7.02%</b>	<b>6.19%</b>	<b>6.10%</b>	<b>6.48%</b>	<b>6.27%</b>	<b>5.22%</b>	<b>5.03%</b>	<b>4.44%</b>
	No SRV	5.81%	6.45%	7.28%	6.52%	6.52%	6.93%	6.70%	5.58%	5.37%	4.73%
<b>Asset renewal ratio</b>	<b>SRV</b>	<b>1.56%</b>	<b>2.25%</b>	<b>2.30%</b>	<b>2.08%</b>	<b>2.03%</b>	<b>2.03%</b>	<b>1.38%</b>	<b>1.28%</b>	<b>1.06%</b>	<b>0.96%</b>
	No SRV	1.56%	2.25%	2.30%	2.08%	2.03%	2.03%	1.38%	1.28%	1.06%	0.96%

<b>General Fund</b>											
		<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
<b>Operating balance ratio</b>	<b>SRV</b>	<b>-22.24%</b>	<b>-19.74%</b>	<b>-16.17%</b>	<b>-14.80%</b>	<b>-11.41%</b>	<b>-11.13%</b>	<b>-11.41%</b>	<b>-14.19%</b>	<b>-14.02%</b>	<b>-14.09%</b>
	No SRV	-22.24%	-23.68%	-22.45%	-23.70%	-22.77%	-22.46%	-28.83%	-26.10%	-25.95%	-26.06%
<b>Unrestricted current ratio</b>	<b>SRV</b>	<b>6.14</b>	<b>5.03</b>	<b>4.9</b>	<b>5.06</b>	<b>4.6</b>	<b>4.38</b>	<b>5.41</b>	<b>5.19</b>	<b>5.19</b>	<b>6.08</b>
	No SRV	6.14	4.65	3.81	2.81	1.05	0.49	0.19	0.13	0.11	0.10
<b>Rates and annual charges ratio</b>	<b>SRV</b>	<b>21.19%</b>	<b>19.04%</b>	<b>20.71%</b>	<b>22.35%</b>	<b>23.78%</b>	<b>23.92%</b>	<b>29.54%</b>	<b>29.90%</b>	<b>30.18%</b>	<b>29.77%</b>
	No SRV	21.19%	17.33%	17.87%	18.30%	18.49%	18.52%	23.38%	23.69%	23.94%	23.59%
<b>Debt Service ratio</b>	<b>SRV</b>	<b>3.60%</b>	<b>4.27%</b>	<b>4.83%</b>	<b>3.87%</b>	<b>2.98%</b>	<b>2.89%</b>	<b>2.83%</b>	<b>1.35%</b>	<b>1.32%</b>	<b>1.28%</b>
	No SRV	3.80%	4.43%	5.12%	4.21%	3.32%	3.22%	3.15%	1.51%	1.47%	1.43%
<b>Asset renewal ratio</b>	<b>SRV</b>	<b>1.60%</b>	<b>2.41%</b>	<b>2.47%</b>	<b>2.17%</b>	<b>2.24%</b>	<b>2.16%</b>	<b>1.29%</b>	<b>1.19%</b>	<b>1.20%</b>	<b>1.12%</b>
	No SRV	1.60%	2.41%	2.47%	2.17%	2.24%	2.16%	1.29%	1.19%	1.20%	1.12%

The performance indicators show that Council will have to reduce service levels in some areas without an SRV. Within the next 4 years (by 2017/18) Council will have liquidity problems trying to fund asset renewal. As detailed in Council's Asset Management Plans, (available on Council's website [www.tenterfield.nsw.gov.au](http://www.tenterfield.nsw.gov.au)) many Council assets are approaching the later years of their life and require replacement. The useful life of assets is decreasing and maintenance costs are increasing. Council's present funding levels are insufficient to continue to provide existing services at current levels in the medium or long term. For the road network, the service level reduction may include downgrading of sealed roads to gravel, removal of through access where a bridge is taken out of service and reduction in cycle times for planned maintenance of gravel roads (Attachment 12 – Road Asset Management Plan). Councils Asset Management Plans demonstrate responsive management of assets (and services provided from assets), compliance with regulatory requirements, and communicates funding levels needed to provide the required levels of service.

The Financial Assessment, Sustainability and Benchmarking Report released by NSW TCorp in March 2013 (Attachment 15), noted that Councils "Capital expenditure is below what is required to maintain assets at an acceptable standard over the forecast period. Council is reliant on capital grants for future expenditure and if these funds do not become available then Council's infrastructure will deteriorate significantly" (page 27). A SRV would generate funds to provide the levels of service and infrastructure agreed with the community by reducing the funding shortfall. A SRV also enhances Council's financial capacity, reflected in improved performance indicators measured against industry benchmarks.

#### 4.4 Capital expenditure review

Councils undertaking major capital projects are required to comply with the DLG's Capital Expenditure Guidelines, as outlined in DLG 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 as such 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 you to do a capital expenditure review in accordance with DLG Circular to Councils, Circular No 10-34 dated 20 December 2010?

Yes  No

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

Yes  No

## 5 Assessment criterion 2: Community awareness and engagement

In the DLG Guidelines, criterion 2 is:

*Evidence that the community is aware of the need for and extent of a rate rise. This must be clearly spelt out in IP&R documentation and the council must demonstrate an appropriate variety of engagement methods to ensure opportunity for community awareness/input. The IP&R documentation should canvas alternatives to a rate rise, the impact of any rises upon the community and the council's consideration of the community's capacity and willingness to pay rates. The relevant IP&R documents must be approved and adopted by the council before the council seeks IPART's approval for a special variation to its general revenue.*

To meet this criterion, councils must provide evidence from the IP&R documents<sup>2</sup> that the council has:

- ▼ Consulted and engaged the community about the 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
- ▼ considered and canvassed alternatives to the special variation
- ▼ provided opportunities for input and gathered input/feedback from the community about the proposal
- ▼ considered the impact of rate rises on the community
- ▼ considered the community's capacity and willingness to pay.

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

- ▼ the proposed cumulative rate increases including the rate peg (including in both percentage and dollar terms)
- ▼ the annual increase in rates that will result if the special variation is approved in full (and not just the increase in daily or weekly terms)
- ▼ the size of any expiring special variation (see Box 4.1 below)
- ▼ alternative rate levels that would apply without the special variation
- ▼ proposed increases in any other council charges (eg, waste management, water and sewer), especially if these are likely to exceed the increase in the CPI.

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#### **Box 5.1 Where a council is renewing or replacing an expiring special variation**

The council should have explained to its community:

- ▼ that there is a special variation due to expire at the end of this financial year or during the period covered by the proposed special variation
- ▼ that, if the special variation were not approved so that only the rate peg applied, the year-on-year change in rates would be lower, or that rates may fall
- ▼ if applicable, that the expiring special variation is being continued (in full or in part), in the sense that it is being replaced with another that may be either temporary or permanent, or that the value is included in the percentage increase being requested in the following year.

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<sup>2</sup> The relevant documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and, where applicable, Asset Management Plan

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More information about how community engagement might best be approached may be found in the *DLG Guidelines*, the IP&R manual, and our Fact Sheet *Community Awareness and Engagement*, September 2013.

## 5.1 The consultation strategy

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

Please provide relevant extracts of the IP&R documents that explain the council's engagement strategy and attach relevant samples of the council's consultation material.

### Council Response

Tenterfield Shire Council's "Our Community Engagement Strategy" "Listening and Learning" (Attachment 1) provides an overview of Council's approach to engaging with the Tenterfield Shire community for the purpose of discussing issues of interest to the community and in reviewing the Community Strategic Plan. It also provides the detailed outcome of the extensive community engagement held in 2012-2013 for the update of the 10 year Community Strategic Plan.

There is a difference between community consultation and community engagement. Community engagement calls for a more comprehensive approach, and is built on the principle that all members of the community have an opportunity to contribute to their community's future. The document identifies the stakeholder groups within the community that may be engaged and the engagement methodology employed.

Council's Community Engagement Strategy discusses Council's Engagement Methodology (Section 2) and Community Engagement Outcomes (Section 3).

Public forums were held during November/December 2012 and followed a set format in addressing Council's six "Key Focus Areas", which are targeted at addressing the quadruple bottom line considerations - environmental, social, economic and government leadership.

Eight (8) community forums were held and 4000 surveys were distributed to all households in the Shire. Almost 400 of the surveys were returned (9.2%) and the community responses have been sorted into quadruple bottom line considerations.

After identifying all of the best and worst issues facing the community about living in Tenterfield Shire, participants were asked to prioritise their issues and their thoughts. A summary of the key issues brought up by the community were as follows:

### **Likes:**

Climate;  
Warm and friendly community;  
Nature, parks and gardens;  
Lifestyle  
Heritage.

**Don't like:**

Condition of the roads;  
Council disunity;  
The deterioration of the main street;  
Lack of businesses and employment;  
No recycling.

**Future:**

Economic Development;  
Upgrade of the Main Street;  
Tourism;  
New Hospital/more doctors;  
Better roads;  
Heavy vehicle by-pass;  
Recycling;  
Attention to villages and their infrastructure needs;  
More services for Youth and children;  
Councillors that work together, and a dedicated Council working for the entire Shire.

Pages 12-26 of the Strategy provide details of all the outcomes from these various engagement processes that influenced the development of the Tenterfield Shire Community Strategic Plan. The Strategy also includes the following sample Questionnaire:

Tenterfield Shire Council Community Consultation

If you are comfortable with computers, it would be very helpful if you could complete this survey online at: <https://www.surveymonkey.com/s/TSCCommunity2013>

Name:

My principal address is;

Urban

Address:

Semi rural

Rural

What do you like about living in Tenterfield Shire (and in your particular area)?

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What don't you like about living in Tenterfield Shire (and in your particular area)?

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What would you like to see in the future (what would be your three priorities)?

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In September 2013, Council wrote to all Rate Payers (4,700), provided media releases (Attachment 18) on Council's proposed application for Special Rates Variation and invited members of the public to attend any of the Public Forums held across eight (8) locations in the Shire. The letter and media releases included the following guidance regarding Council's strategies for future financial sustainability:

**Reduction in operating costs and levels of service** – Council has already reduced operational costs in the 2013/14 budget however, further reductions in current operational costs, and reductions in the levels of service may be necessary;

**Productivity improvements** – Council has recruited a new senior management team and an organisational restructure was adopted by Council in June 2013. Many productivity improvements have already been achieved. This structure will support further improvements to productivity throughout Council's operations;

**New revenue opportunities** – Council has already identified properties surplus to Council's requirements, some of which have been sold, and reviewed leases to increase revenue. Further reviews of Council's assets are underway to identify additional opportunities for sale of Council properties, and the potential for leases, licences and other opportunities.

**Rates Income** – Council proposes to lodge an application for a Special Rates Variation to raise an additional 12% in 2014/15 and a further 7% for each of the following three (3) years. This is in addition to the forecast 3% increase under the rate peg.

Council completed its round of community consultations at Tenterfield and the villages of Legume, Liston, Drake, Jennings, Torrington, Urbenville and Mingoola to discuss the proposed Special Rates Variation for 2014 to 2018, and its role in Tenterfield's long term financial sustainability. The meetings were well attended with over 325 community members present across the eight (8) locations. Council's Presentation to the Community meetings in October/November 2013 is included as Attachments 19 to 22. The results of the presentations were reported to Council's Ordinary Meeting of 27 November 2013 (see Attachments 13 & 14).

## 5.2 Alternatives to the special variation

Indicate the range of alternatives to the requested special variation that the council considered and how you engaged your community about the various options.

### Council Response

Council's presentation to the community was based on two Scenarios included in the Long Term Financial Plan 2013-2023:

- Scenario 1 (Attachment 9) Base Model SRV 15% in 2014/15 plus 10% for the following three years. The percentages included an anticipated Rate Peg of 3% per annum.
- Scenario 3 (Attachment 11) No SRV

Council's Presentation to the Community meetings in October/November 2013 is included as Attachment 19 to 22. The results of the presentations were reported to Council's Ordinary Meeting of 27 November 2013 (see Attachments 13 & 14).

Council discussed the 'no SRV' alternative at its community forums. It was explained that, as additional revenue is necessary to meet basic maintenance and renewal obligations rather than for funding new infrastructure, the only alternative would be to not fully maintain and renew existing infrastructure to the community agreed service levels which would lead to its deterioration and ultimate failure.

Council explained this option to the community using the analogy of the abandoned rail infrastructure in northern NSW as an example. The inland rail north of Armidale was abandoned by NSW in the 1980's and has now deteriorated to the stage that it cannot be bought back into service.

The community agreed that a deterioration of our existing asset infrastructure below the already reduced service level targets in the Asset Management Plans was not an acceptable result.

### **5.3 Feedback from the community consultations**

Summarise the outcomes of, and feedback from, your community engagement activities. Such 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 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 special variation during the engagement process, the application should set out the views expressed in those submissions. It should also identify and document any action the council has taken, or will take, to address issues of common concern.

#### **Council Response**

All rate payers (4700) were provided with a Proposed Special Rates Variation factsheet letter (see attachment 17) with an invitation to attend one of the eight (8) community forums held across the Shire. In the subsequent media release 15 November 2013 (see attachment 18) the following was stated as a summary of the results:

"Council has recently completed its round of community consultations at Tenterfield and the villages of Legume, Liston, Drake, Jennings, Torrington, Urbenville and Mingoolla to discuss the proposed Special Rates Variation for 2014 to 2018, and its role in Tenterfield's long term financial sustainability. The meetings were well attended with around 325 present across the 8 locations.

"It was great to see such a good turnout and so many good ideas. The great majority of people were there to inform themselves of Council's proposal and we had many positive comments following the presentations. It has been critical for the community to gain an

understanding that the increases are to renew infrastructure and not to fund ongoing Council operations or employ new staff," said Mayor Peter Petty. "There were of course those who object to the SRV in principle, regardless of the rationale or need, and the community was able to hear those opinions expressed in the forums as well."

Community discontent of the proposed Special Rates Variation has been experienced through the unincorporated Tenterfield Progress Association which is a group of at least three (3) members who has continually written to Council, individual Councillors and the local media opposing the proposed special rates variation. Their main suggestion is that Council reduces all salaries by 16%. Their protest letter can be seen in the link:

[http://www.tenterfield.org.au/uploads/2/4/5/5/24554089/letter\\_of\\_protest.pdf](http://www.tenterfield.org.au/uploads/2/4/5/5/24554089/letter_of_protest.pdf)

A detailed report on Council's community forum, including feedback from the community, was presented in a report to Council's 27 November 2013 Ordinary Meeting. A total of 37 written submissions were received and these are summarised in the report. (see Attachments 13 & 14).

In summary, out of the opportunity for 4700 ratepayers and 325 individuals attending the community forums to provide a submission, only 37 submissions were received and some of those were in full support or partial support 1/4 with the majority 3/4 having concern focussing on staff and productivity, pensioner rebate and detailed operational matters. Council has already conducted, and will continue to address, continuous improvement of productivity and staffing. See below for details of submissions and Council's response.

No.	Submitter	Submission Issues	Response / Recommendation
1	Graham & Michelle Hood	Expectation that Council acts responsibly. Otherwise agreed in principle.	Comments are noted.
2	Andrew Seaton	Charge rates according to services provided per case, and focus Council services on encouraging and supporting residents in taking more responsibility for themselves, and supporting community productivity, cohesion and well-being. Inspire and support people instead of controlling and taking from them without giving back. <i>"the only sustainable path forward is in supporting greater self-reliance and community solidarity."</i>	Comments are taken on board and Staff and Councillors will continue to work closely with Progress Associations across the Shire and facilitate and support community volunteering through (for example) the use of mowers and fuel paid by Council, and the volunteering at the School of Arts.
3	Victoria Ferguson	Rate payers do not mind paying more for services if the level of those services remain the same or improve. Question the cost of senior management and recruitment. Council staff need to work more efficiently.	The proposed special rates variation will be needed for the current service levels to remain. Comment on staffing costs are noted. Council staff are continuously looking at ways of working more efficiently and a review of all staff was conducted in 2012/13.
4	Robyn Bell	Small population, large Shire require other levels of	Council is very reliant on State and Federal Grants and needs to increase its own

No.	Submitter	Submission Issues	Response / Recommendation
		<p>Government to rectify the problem.</p> <p>New Senior Management Team.</p> <p>Tenterfield is not a wealthy town and many do not have capacity to pay more.</p>	<p>source of funding. Even so, staff are continuously looking for external funding for projects.</p> <p>The “new” senior management team is replacing the “old” senior management team and is not in addition to approved staff positions.</p> <p>Council understands the hardship situation of many residents and this has been factored into the alternative recommendation.</p>
5	Paul Varley	<p>Reduction in operating cost by utilising volunteers at the front Counter.</p> <p>Productivity Improvements - all staff to work one day for free per week.</p> <p>New revenue opportunities - selling of Council properties.</p> <p>Rates income - does not support increases above 3%</p>	<p>Council employ one staff member for the front counter. Volunteers cannot replace permanent staff.</p> <p>Council staff have the legal right to be remunerated according to the relevant Award conditions.</p> <p>Identifying surplus assets with no strategic importance for sale is already a Council strategy.</p> <p>Noted.</p>
6	Michelle Ferguson	<p>New resident describing the area as relaxed feel, a sense of place and comfortable.</p> <p><i>“Thank you for the work you do, and the efforts you obviously are making to ensure the Shire remains viable”</i></p>	<p>Comments are noted.</p>
7	Tenterfield Rate Payers Association	<p>To consider a less onerous burden on ratepayers, a 7% increase over 7 years is proposed,</p>	<p>Comments have been considered. Calculation for this option means a shortfall of \$3 million in revenue. A similar proposal is included as an option in this report.</p>
8	Mr & Mrs Royall	<p>Strongly object to the special rates variation.</p> <p>Pensioners cannot afford the increases.</p>	<p>Comments noted and included in revised option.</p>
9	Candace Racicot	<p>Fix the Leslie Creek Road.</p>	<p>Comments noted.</p> <p>Leslie Creek Road is a condition 4 gravel, condition 3 sealed road which can only be resheeted with SRV funding and is included in the Long Term Financial Plan to be undertaken with the funds raised.</p>
10	Margaret Simmons	<p>Little or no improvement in Drake to warrant rate increases.</p>	<p>New public amenities constructed in 2012/13. Drainage work for 2013/14, significant rural road maintenance expenditure.</p> <p>Comment noted.</p>

No.	Submitter	Submission Issues	Response / Recommendation
11	Scott Watson	Maintenance of Leslie Creek Road	Refer 9
12	Philip Haynes	Due to minimum services in Drake does not deserve a rates increase.	Refer 10
13	David Laws	We are receiving very little services - rate rise not warranted.	Refer 10
14	Philomena	Stop wasting money on poor investments. Start Grading our side roads 4 x a year	Comments noted.
15	Neal & Stephanie Taylor	Congratulate Council on the presentation and management of the Tenterfield meeting. "Presentation was clear and concise and the message was clear" 80% of business comes from travellers - "Tenterfield is a lower socioeconomic area and our businesses depend on the dollars spent by travellers and there are a lot of people in this town who fail to understand this" "as business owners we are very keen on the renovation of the main street".	Comments noted.
16	George Hardcastle	Land is not as productive as Glen Innes. Would support a single 10% increase in rates.	Land valuations are determined by the Valuer General and the valuations vary greatly across the Shire. The case for the SRV is not based on valuations, but on the costs of maintaining infrastructure.  Comments noted.
17	Glen Cichon	1) Enable rate payers to pay by direct debit over 11 months (excluding December so that Christmas is free) 2) Outsource some of the Shire's activities such as waste collection 3) TAFE facility could be taken over by the Shire as a training facility.	Local Government Act specifies payment of rates and charges over four instalments.  Currently Information Technology is outsourced. Waste services were tendered but no clear reduction in cost was apparent.  Comment noted.
18	Andrew Douglas	Support of the logic in Council's approach to financial sustainability. Would be happy to work with council; Interested in purchasing surplus	Comments are noted.

No.	Submitter	Submission Issues	Response / Recommendation
		council owned land.	
19	Sandor von Kontz	Completely reject the proposed rate rise based on human rights - food and shelter. Problem is not due to lack of money but lack of staff supervision of road works.	Comment noted.
20	B.M Flint	Farmers and Pensioners cannot cope with such an exorbitant rate rise. Increases should be distributed over a number of years.	Comments considered in revised proposal.
21	Vicki Little	Do not agree with special rates variations. Submission discussed restricted funds rates as well which are not relevant to ordinary rates.	Comments noted.
22	JW. Landers	Comments relating to Land Values and other council areas as comparisons. Roads/bridges maintenance has suffered at the cost of Industrial estate. Does not support special rates variation.	Refer 16.  The SRV considers only the task now faced, not the decisions of previous Councils.
23	Peter van Schaik & Susan Butterfield	Supportive of Special rates variation because "we love this town and want to see the benefits of this measure". Lived 15 years in Tenterfield - now see a talented and contentious Council, steering the town's direction into the future with hard work, planning and diligence. Community involvement was never there in the past. "I greatly admire the fortitude shown by representatives of the Council from the GM down, in publicly making the case for a rate hike in an open forum."	Comments noted.
24	Glen Lamb, David Lamb	Concerned about the amount of rates rise proposed but not totally opposed. Request Council to reconsider the proposed special rates variation to reflect a more modest increase applied over a longer period of time.	Comment considered favourably. Revised proposal is for lower % over a larger number of years.
25	Drake Progress Association	Thanking Council for presentation. Association disagrees with the 84% compounded increase over 10 years.	Unfortunately, 3% per annum is an unsustainable option. Total would be 34% allowing for compounding and does not even match the construction cost index.

No.	Submitter	Submission Issues	Response/Recommendation
		<p>Would agree to a more modest 30% (3% per year which is in line with the rate peg).</p> <p>Highlights pensioner hardship as a factor.</p> <p>Level of Accountability of Council seen as poor.</p> <p>Greater transparency is needed particularly what roads are included for Drake and for the cost associated with 95 full-time equivalent staff.</p>	<p>Comments noted. Additional details of proposed works will be included in the revised asset management plans following a decision on any SRV.</p>
26	Richard Holland	<p>Abolition of rates and instead: Reduce staff spending by 16%;</p> <p>Voluntary funding through donations i.e. Brisbane City Hall</p> <p>Volunteers to build infrastructure Give back infrastructure</p> <p>Require landholders to maintain their own infrastructure and reduce rates.</p> <p>Wait for the State Government to fund the infrastructure</p> <p>Replace most full-time workers with casual staff</p> <p>Replace full-time workers with contract workers</p> <p>Charge tolls for using public infrastructure</p>	<p>Council staff have the legal right to be remunerated according to the relevant Award conditions.</p> <p>Brisbane is a higher socio economic community and the example project raised less than \$1/person in the 2012 budget. The majority of the work was funded from Council funds;</p> <p>These are professional occupations requiring a reliable full time work force. Work health and safety laws and insurances must also be considered.</p> <p>These are largely public roads, accessible and useable by the public. Which infrastructure would be removed and how would this be assessed?</p> <p>It would be irresponsible to run down services in the hope of funding to come forward from the State Government.</p> <p>This would reduce productivity as fixed costs of machinery and equipment ownership would remain and output decrease. Casual employment is also more expensive than full time per hour. The majority of future infrastructure investment using funds from the SRV will be contracted.</p> <p>Regulatory and economic development issues aside, the cost of implementation is far greater than the revenue.</p>
27	Graham Rossington	<p>Council should complete and lodge the application for SRV as proposed (42% increase over current rates by 2017/18). No point of deferring the rate rise. The Councillors elected should</p>	<p>Comments noted</p>

No.	Submitter	Submission Issues	Response / Recommendation
		<p>endorse and approve the said application.</p> <p>Any revenue from assets that Council may sell should be used to pay down debts or placed in a provision account for the future when grant funding becomes available, rather than expended on operational costs.</p> <p>It is important for council to continue to maintain its services to be competitive with neighbouring councils.</p> <p>Senior management to remain prudent with the spending and what programs that are undertaken.</p> <p>Commend the senior management team on conducting the public forums, and allowing the sharing of information for the benefit of all members of the shire.</p>	<p>Agreed that revenue from asset sales should be used on debt or renewal.</p> <p>Agreed.</p> <p>Agreed.</p> <p>Comment noted.</p>
28	Jack Clarke	<p>Appeal against the proposed rate hike:</p> <p>Too many office staff in relation to field staff;</p> <p>Departments could be combined;</p> <p>Too much incompetence;</p> <p>Too many part-time positions;</p> <p>Some positions are overpaid;</p> <p>Cut down on perks for senior officers</p> <p>Improve staff out put</p> <p>Bad debt issue should be addressed</p> <p>Rural areas - local employment would save time and money - also emergency services.</p>	<p>Council's staff are appointed to service functions, including administrative and regulatory. The great majority of Council's staff are field based.</p> <p>Council staff have the legal right to be remunerated according to the relevant Award conditions.</p> <p>Council staff are residents and rate payers of the Shire.</p> <p>Staff receive an annual performance review.</p> <p>Productivity improvement is part of continuous improvement currently in place across all departments.</p>
29	Valerie MJ Muir and Jo Macdonald	<p>Oppose rate increase. Pensioner rebate cap at \$250 should be increased by 70%</p> <p>Bold move to propose compounding rate increases, rates should be reviewed annually after council has explained where the increase in monies has been spent, while taking into account the financial climate at the time.</p>	<p>State Government sets the Pensioner Rebate cap.</p> <p>Comment noted. Council produces an Annual Report in November each year which includes the result of activities as well as the Financial Reports.</p>
30	Andrew Peterson	<p>Consideration needed for the ability to pay - Beef cattle are in real terms at an all time low.</p> <p>T.S.C should approach State Government to pay it's fair share of rates from State Forestry and</p>	<p>NSW Local Government Association is lobbying the State Government for rates contribution from State Forest and National Parks.</p> <p>Affordability comment noted in new</p>

No.	Submitter	Submission Issues	Response / Recommendation
		National Parks. Perhaps weight limits on some strategic infrastructure would help bring State Government to contribute their fair share.	proposal. Comment noted.
31	Not known	3% per year only. Pensioner hardship. Council could borrow money instead.	Affordability comment included in new proposal. Council does consider borrowing for long term infrastructure.
32	The South Family	Several comments around Council's financial reports.  Rate pegging is already appr. 1% above CPI Current asset ratio is flawed - Council needs to change to an outcomes based assessment? Hardship and the farming situation illustrated in depth. Supportive of 7% each year over 7 years.	Rate peg is below construction cost index and NPV of grant funding has decreased. Need for revenue is based on infrastructure going forward. Council must present its figures in the format required by the State Government.  Affordability comment noted in new proposal. Less \$3 million over the period.
33	Mingoola Progress Association	Members hold a range of opinions on the proposed 12%, 7%, 7%, 7% increase but here are some comments: Hardship for farmers; Members see proposed increase as excessive; Any rate increase must be accompanied by significant productivity efficiencies. These must be ongoing and obvious to ratepayers.	Comments are noted and included in proposed new variation.  Continuous improvements and increased productivity is part of Council's plan into the future.
34	J Heffernan	Farmers and Pensioners cannot cope with such an exorbitant rate rise.	Comments considered in revised proposal.
35	Philip & Julia Harpham	Not totally opposed to rate rises, provided they are linked to efficiency gains. Financial burden is an issue.	Comments are noted.
36	Sandra Smith	Not opposed to rate rise in principal as long as efficiencies are also gained. Concerns regarding valuations and impact on rates. Affordability and commodity prices effect on capacity to pay.	Comment noted  Valuations are the responsibility of the Valuer General Comments considered in revised proposal.
37	Eric and Helen Wallace	Farmers and Pensioners cannot cope with such an exorbitant rate rise.	Refer 34

## 5.4 Considering the impact on ratepayers

Indicate how the council assessed the impact of the special variation on ratepayers, and where this was addressed within the community awareness and engagement processes. Where the impact will vary across different categories and/or sub-categories of ratepayers, the council should consider the circumstances of the various different groups.

### Council Response

Council assessed the impact of the Special Variation on ratepayers by first determining the impact in dollar terms on the average ratepayer in the Shire. Council then presented the information at the eight (8) Community Forums across the Shire from 29 October 2013 to 11 November 2013. The complete Power Point presentation presented to the community forums is included in the attachments to this application (Attachment 19). The following extract was included in the presentation.

#### **Own Source Revenue (Rates)**

##### Special Rates Variation (SRV) Application 2014/2015

- Additional 12% in 2014/2015 and a further 7% for each of the following three (3) years. This is in addition to the forecast 3% increase under the NSW State Gov't Rate Peg.
- SRV additional \$9.1 Million over 10 years

In 2014/2015 Additional \$335,849 / 4,701 Rate Assessments = \$71.30 per Rate Assessment. e.g. \$1.37 per week.

When using actual yield and rate assessments from the SRV application the following impact is calculated:

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Increase in Yield		355,423	594,704	864,024	1,166,572	1,166,572	1,166,572	1,166,572	1,166,572	1,166,572	1,166,572
Rate Assessments (as per SRV)		4722	4722	4722	4722	4722	4722	4722	4722	4722	4722
Average per assessment (annual)		75.27	125.94	182.98	247.05	247.05	247.05	247.05	247.05	247.05	247.05
Average per assessment (week)		1.45	2.42	3.52	4.75	4.75	4.75	4.75	4.75	4.75	4.75

Increase in Yield is as per SRV application. In years beyond the period of the SRV, income is the same as the final year of the variation.

<b>SRV 15% + 10% x 3 YRS; then 3%</b>		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Increase %		15%	10%	10%	10%	3%	3%	3%	3%	3%	3%
Example Assessment	1,000.00	1,150.00	1,265.00	1,391.50	1,530.65	1,576.57	1,623.87	1,672.58	1,722.76	1,774.44	1,827.68
Cummulative Increase (%)		15.00%	26.50%	39.15%	53.07%	57.66%	62.39%	67.26%	72.28%	77.44%	82.77%

<b>No SRV</b>		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Increase %		2.30%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Example Assessment	1,000.00	1,023.00	1,053.69	1,085.30	1,117.86	1,151.40	1,185.94	1,221.52	1,258.16	1,295.91	1,334.78
Cummulative Increase (%)		2.30%	5.37%	8.53%	11.79%	15.14%	18.59%	22.15%	25.82%	29.59%	33.48%

Net Cummulative Increase (%)		12.70%	21.13%	30.62%	41.28%	42.52%	43.79%	45.11%	46.46%	47.85%	49.29%
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The Special Rate Variation, if approved, will apply to all ratepayers in the Shire.

The results of the presentations were reported to Council's Ordinary Meeting of 27 November 2013 (see Attachments 13 & 14).

## 5.5 Considering the community's capacity and willingness to pay

Tenterfield Shire Council's socio-economic ranking is 14 as per Comparative Information on NSW Local Government issued by the NSW Premier and Cabinet. This compares with surrounding Councils such as Richmond Valley (7), Kyogle (11), Clarence Valley (13), Inverell (18), Glen Innes (20) who have comparatively more expensive rates than Tenterfield Shire Council. Tenterfield Shire Council rates are much lower than surrounding Councils with similar socio-economic rankings. Details of these rates are outlined in the table below.

Council	Farmland Average	Residential Average
Tenterfield	\$1006	\$317
Richmond Valley	\$1034	\$603
Kyogle	\$1228	\$647
Clarence Valley	\$1132	\$784
Inverell	\$2253	\$821
Glen Innes Severn	\$1875	\$545

Taking the pension rebate into consideration it would see a ratepayer who is a pensioner, who is also on the minimum rate, have a real increase of approximately \$0.86 a week or \$45.00 in the first year.

Council's low percentage of outstanding rates and charges allows Council some leeway in being able to absorb any increase in outstanding rates and charges without adversely affecting liquidity or forecast cash flow projections.

The support of the community for the rate increases was broadly achieved following a series of public meetings throughout the Shire in 2013 and feedback as outlined in 4.3 of this application.

## 6 Assessment criterion 3: Impact on ratepayers

In the DLG Guidelines, criterion 3 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. Council's IP&R process should also establish that the proposed rate increases are affordable having regard to the local community's capacity to pay.*

We are required to assess whether the impact on ratepayers of the council's proposed special variation is reasonable. To do this, we are required to take into account current rate levels, the existing ratepayer base and the purpose of the special variation. We must

also assess whether the council's IP&R process established that the community could afford the proposed rate rises.

## **6.1 Impact on rates**

The impact on rates between the two scenarios with and without the special variation are outlined in the tables below.

# TENTERFIELD SHIRE COUNCIL

## Ordinary Rating Structure 2014/2015 - No SRV

Rate Category	Total No of Assess	Land Value	Minimum Land Value	Minimum Rate Proposed	No of Assess	Minimum Rate Levy	Ad Valorem Land Value	Ad Valorem Dollar Rate \$	No of Assess	Ad Valorem Rate Levy	Total Rate Levy	Actual % Yield per Category
Residential Tenterfield	1533	71,406,220	49,911,330	\$395.00	1257	496,515.00	21,494,890	\$0.00694520	276	149,286.31	645,801.31	22.18%
Mixed Development - Residential			0	\$0.00	0	0.00	0	\$0.00730593	4	0.00		
Mixed Development - Business	4	390,600	0	\$0.00	0	0.00	390,600	\$0.01122545	0	4,384.66		
Residential Tenterfield (Urban)	9	1,474,500	85,200	\$395.00	0	0.00	1,389,300	\$0.00694520	9	9,648.97	9,648.97	0.33%
Residential Other	1293	105,394,750	55,133,020	\$340.00	972	330,480.00	50,261,730	\$0.00315059	321	158,354.10	488,834.10	16.79%
Residential Urbenville	124	3,690,100	3,690,100	\$340.00	124	42,160.00	0	\$0.00315059	0	0.00	42,160.00	1.45%
Residential Jennings	101	3,555,080	3,168,080	\$340.00	98	33,320.00	387,000	\$0.00315059	3	1,219.28	34,539.28	1.19%
Residential Drake	80	2,251,000	2,251,000	\$340.00	80	27,200.00	0	\$0.00315059	0	0.00	27,200.00	0.93%
Farmland General	1333	507,146,690	18,802,350	\$340.00	225	76,500.00	488,344,340	\$0.00284378	1108	1,388,743.87	1,465,243.87	50.33%
Business Tenterfield	189	10,238,810	722,710	\$450.00	37	16,650.00	9,516,100	\$0.01660715	152	158,035.30	174,685.30	6.00%
Business Other	22	1,293,100	576,100	\$350.00	17	5,950.00	717,000	\$0.00347755	5	2,493.40	8,443.40	0.29%
Business Urbenville	14	471,400	471,400	\$350.00	14	4,900.00	0	\$0.00347755	0	0.00	4,900.00	0.17%
Business Jennings	2	106,200	106,200	\$350.00	2	700.00	0	\$0.00347755	0	0.00	700.00	0.02%
Business Drake	6	282,900	174,000	\$350.00	5	1,750.00	108,900	\$0.00347755	1	378.71	2,128.71	0.07%
Mining	12	318,530	111,630	\$425.00	9	3,825.00	206,900	\$0.01528700	3	3,162.88	6,987.88	0.24%
<b>TOTALS</b>	<b>4722</b>	<b>708,019,880</b>			<b>2840</b>	<b>1,039,950.00</b>	<b>572,816,760</b>		<b>1882</b>	<b>1,875,707.48</b>	<b>2,911,272.81</b>	<b>100.00%</b>

# TENTERFIELD SHIRE COUNCIL

## Ordinary Rating Structure 2014/2015 - With SRV

Rate Category	Total No of Assess	Land Value	Minimum Land Value	Minimum Rate Proposed	No of Assess	Minimum Rate Levy	Ad Valorem Land Value	Ad Valorem Dollar Rate \$	No of Assess	Ad Valorem Rate Levy	Total Rate Levy	Actual % Yield per Category
Residential Tenterfield	1533	71,406,220	48,674,330	\$440.00	1235	543,400.00	22,731,890	\$0.00799855	298	181,822.16	725,222.16	22.24%
Mixed Development - Residential				\$440.00		0.00	0	\$0.00799855	4	0.00		
Mixed Development - Business	4	390,600		\$510.00		0.00	390,600	\$0.02188225	0	8,547.21		
Residential Tenterfield (Urban)	9	1,474,500		\$440.00		0.00	1,474,500	\$0.00799855	9	11,793.86	11,793.86	0.36%
Residential Other	1293	105,394,750	72,149,120	\$420.00	1115	468,300.00	33,245,630	\$0.00322575	178	107,242.09	575,542.09	17.65%
Residential Urbenville	124	3,690,100	3,690,100	\$380.00	124	47,120.00	0	\$0.00328575	0	0.00	47,120.00	1.45%
Residential Jennings	101	3,555,080	3,276,080	\$380.00	99	37,620.00	279,000	\$0.00328575	2	916.72	38,536.72	1.18%
Residential Drake	80	2,251,000	2,251,000	\$380.00	80	30,400.00	0	\$0.00328575	0	0.00	30,400.00	0.93%
Farmland General	1333	507,146,690	26,112,350	\$420.00	283	118,860.00	481,034,340	\$0.00313189	1050	1,506,546.64	1,625,406.64	49.85%
Business Tenterfield	189	10,238,810	1,174,510	\$500.00	53	26,500.00	9,064,300	\$0.01698525	136	153,959.40	180,459.40	5.54%
Business Other	22	1,293,100	576,100	\$391.00	17	6,647.00	717,000	\$0.00366977	5	2,631.23	9,278.23	0.28%
Business Urbenville	14	471,400	471,400	\$391.00	14	5,474.00	0	\$0.00366977	0	0.00	5,474.00	0.17%
Business Jennings	2	106,200	106,200	\$391.00	2	782.00	0	\$0.00366977	0	0.00	782.00	0.02%
Business Drake	6	282,900	174,000	\$391.00	5	1,955.00	108,900	\$0.00366977	1	399.64	2,354.64	0.07%
Mining	12	318,530	84,030	\$480.00	8	3,840.00	234,500	\$0.01741230	4	4,083.18	7,923.18	0.24%
<b>TOTALS</b>	<b>4722</b>	<b>708,019,880</b>			<b>3035</b>	<b>1,290,898.00</b>	<b>549,280,660</b>		<b>1687</b>	<b>1,977,942.13</b>	<b>3,260,292.92</b>	<b>100.00%</b>

The yield per rating category, as set out in the table below, is consistent with previous rating structures adopted by Tenterfield Shire Council. This confirms that the yield in each rating category will be historically consistent and no group of ratepayers will be targeted to burden more than others.

Rating Category	2013/2014 Percentage Yield	2014/2015 Percentage Yield With Special Variation
Residential Tenterfield	22.18%	22.24%
Residential Tenterfield Urban	0.24%	0.36%
Residential Other	16.72%	17.65%
Residential Urbenville	1.46%	1.45%
Residential Jennings	1.19%	1.18%
Residential Drake	0.93%	0.93%
Farmland	50.41%	49.85%
Business Tenterfield	5.63%	5.54%
Business Other	0.29%	0.28%
Business Urbenville	0.17%	0.17%
Business Jennings	0.02%	0.02%
Business Drake	0.07%	0.07%
Mining	0.24%	0.24%
Mining Gold	0.27%	0%

As you can see from the tables provided, the yield per category has remained consistent and therefore there has been no major burden on any one rating category.

### 6.1.1 Minimum Rates

The special variation may affect ordinary rates, special rates and minimum rates.

Does the council have minimum rates? Yes  No

As you can see from the details provided below there was no major shift in the minimum percentages. The 10% variance in the Residential Other category was in line with the market commentary provided by the NSW Land and Property Information in regard to the new land values for rural land which showed a moderate-strong decrease in land value for rural land, therefore with the new rating structure more properties were eligible for minimum rating.

RATING CATEGORY	PROPERTIES ON MINIMUM RATES 2013/2014	PROPERTIES ON MINIMUM RATES 2014/2015
Residential Tenterfield	89%	80%
Residential Tenterfield Urban	0%	0%
Residential Other	76%	86%
Residential Jennings	99%	98%
Residential Urbenville	98%	100%
Residential Drake	100%	100%
Farmland	19%	21%
Business	29%	28%
Business Other	71%	77%
Business Jennings	100%	100%
Business Urbenville	100%	100%
Business Drake	100%	83%
Mining	58%	66%
Mining General	0%	0%

Due to low property valuations in the smaller villages and towns, Council's rating structure includes a number of properties that pay the minimum rate currently set at \$330. In the first year of the proposed variation it would rise to approximately \$420.00. This impact would be further reduced in the event that they also may be in receipt of pensioner concessions.

## 6.2 Affordability and community capacity to pay

Show how your IP&R processes have established that the proposed rate rises are affordable for your community, and that affected ratepayers have the capacity to pay the higher rate levels. (Indicators considered in this context may be similar to those cited under criterion 2.)

### Council Response

Please refer to Question 2 of this application with regard to Council's IP&R process and to Question 4.5 with regard to the Tenterfield Shire community's ability to afford rate rises.

In Summary,

- Council's Community Strategic Plan 2013-2023 (Attachment 2), Section 2, sets out the process of building the Plan and associated IP&R documents.
- Council has incorporated the Special Rate Variation (SRV) into its IP&R process. Specific mention can be located in the following documents:
  - Community Strategic Plan 2013-2023 – pages 5, 28
  - Four (4) Year Delivery Program 2013-2017 – pages 5,58,60
  - Long Term Financial Plan 2013-2023 – pages 11, 13,14, 24, 26, 28, 29, 36, 37, 39
- Council has engaged with the community in accordance with its Community Engagement Strategy (Attachment 1)
- Community information sessions of the Draft Operational Plan 2013/14 including the need for Special Rates Variation were held in eight (8) locations in May/June 2013. (Attachment 20)

- Community Forums were held across the Tenterfield Shire in October/November 2013 specifically to engage the community on the proposal to seek a Special Rates Variation. (See Attachments 19 & 22). See Report to Council's Ordinary Meeting 27 November 2013 (Attachments 13 & 14)
- The average cost per ratepayer of the proposed Special Rate Variation increase is estimated to be \$75.27 per annum in 2014/15 (See page 36). For a Pensioner, \$45.00 per annum in the first year.
- Tenterfield Shire Council's Average Farmland and Residential Ordinary Rates are much lower than ratepayers in surrounding Council areas. See below.

Council	Farmland Average	Residential Average
Tenterfield	\$1006	\$317
Richmond Valley	\$1034	\$603
Kyogle	\$1228	\$647
Clarence Valley	\$1132	\$784
Inverell	\$2253	\$821
Glen Innes Severn	\$1875	\$545

- Council's Hardship Policy (Attachment 23) provides relief for ratepayers suffering genuine hardship.

### 6.3 Other factors in considering reasonable impact

In assessing whether the overall impact of the rate increases is reasonable we may use some of the same indicators that you cite in section 5.2 above. In general, we will consider indicators such as the local government area's SEIFA index rankings, average income, and current rate levels as they relate to those in comparable councils. We may also consider how the council's hardship policy might reduce the impact on ratepayers.

#### 6.3.1 Addressing hardship

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

Does the council have a Hardship Policy? Yes  No

If Yes, is it identified in the council's IP&R documents? Yes  No

Please attach a copy of the Policy and explain who the potential beneficiaries are and how they are addressed.

Does the council propose to introduce any measures to limit the impact of the proposed special variation on various groups? Yes  No

Provide details of the measures to be adopted, or alternatively, explain why no measures are proposed.

In addition to attempting to keep rate increases to as affordable level as possible, Council's Hardship Policy (Attachment 23) offers assistance for ratepayers suffering genuine hardship and this has presented Tenterfield Shire Council staff with a strong tool for making sure that its most vulnerable residents are given every possible assistance if and when needed.

## 7 Assessment criterion 4: Assumptions in Delivery Program and LTFP

The DLG Guidelines state this criterion as follows:

*The proposed Delivery Program and Long Term Financial Plan must show evidence of realistic assumptions.*

Summarise below the key assumptions adopted by the council and indicate where they are set out in your Delivery Plan and LTFP. We will need to assess whether the assumptions are realistic. For your information, we will consider such matters as:

- ▼ the proposed scope and level of service delivery given the council's financial outlook and the community's priorities
- ▼ estimates of specific program or project costs
- ▼ projections of the various revenue and cost components.

To also assist us, identify any in-house feasibility work, industry benchmarks or independent reviews that have been used to develop assumptions in the Delivery Program and LTFP if these are not stated in those documents.

## Council Response

The Long Term Financial Plan consolidates each Departments annual service program and associated financial resource requirements. These financial requirements have been determined using a number of planning assumptions.

Planning Assumption	Description
Demographics of the Local Government Area	A population increase index of 0.8% has been used. The proximity to high population areas in South East Queensland and the North Coast of NSW and the relative affordability of housing and land indicates that this growth rate is sustainable.
Economic Growth / Development of the Shire	<p>In response to consistent growth Council has invested in a new sewerage treatment works in Tenterfield and water plant at Urbenville. A new industrial estate has been developed in Tenterfield. Following public consultation a main street masterplan has been developed and works to renew the main street precinct has commenced to revitalise business in Tenterfield.</p> <p>The largest demographic profile in Tenterfield is now age groups under the age of 25 which accounts for nearly 40% of the population. Council is endeavouring to encourage business development to provide opportunities so that young people do not need to leave the area to find employment.</p> <p>Council has now employed a part-time Community Development Officer, an Economic Development Officer and a Tourism Officer.</p>
Economic Growth (From a Local Government Area/State/Country Viewpoint)	A CPI of 2.50% has been used in the LTFP.
Service Delivery	<p>The Community Strategic Plan describes the communities aspirations and priorities it would like to achieve over the next 10 years in the following focus areas -</p> <p>Towns Villages and Economic Growth</p> <ol style="list-style-type: none"> <li>1. Infrastructure</li> <li>2. Environment</li> <li>3. Community</li> <li>4. Sports, Recreation and Culture</li> <li>5. Government Leadership</li> </ol>

	The achievement of these strategies relies on a partnership with a number of government agencies at state and federal level. These partnerships are detailed in the plan.
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Planning Assumption	Description
Service Levels	<p>Council completed a “road show” presenting the challenges facing the Tenterfield Shire in maintaining and improving assets in Nov/Dec 2012. As part of this process, and through subsequent surveys mailed to every Tenterfield Shire Resident (also available online), the service expectations and level of understanding regarding asset management were determined.</p> <p>The Long Term Financial Plan is based on providing agreed levels of service. The levels of service Council proposes to provide are detailed in Council’s Asset Management Plans. They reflect a standard that meets legislative and technical requirements, as well as the reasonable expectations of the community. The Asset Management Plans have been linked to the Long Term Financial Plan.</p> <p>Council has made severe cuts to expenditure in 2013/14 that flows into subsequent years of the Long Term Financial Plan as recommended by NSW Treasury Corporation (TCorp).</p>
Rate Pegging	In the development of the plan a rate peg limit of 3.4% was used in 2013/14 and 3% in subsequent years.
Major Planned Expenditure	<p>The following major items of planned expenditure are proposed during the period of the Long Term Financial Plan –</p> <ol style="list-style-type: none"> <li>1. Replacement water supply dam wall (Tenterfield) 2014/15 – project cost \$4.5m; borrowings \$2.25m</li> <li>2. Tenterfield main street project 2014/15 – project cost \$2.2m; borrowings \$1.2m (project reduced in 2013/14 by \$500,000)</li> <li>3. Replacement water treatment plant (Tenterfield) 2017/18 – project cost \$5.5m; borrowings \$2.75m.</li> <li>4. Rebuild the Mt Lindesay Road between Legume and Woodenbong 2014/15 to 2018/19 - \$20m (subject to availability of grant funding).</li> </ol>

The following assumption have been made in the Revenue Forecasts in the LTFP -

Planning Assumption	Description
Rates and Annual Charges (Long Term Financial Plan Page 14)	<p>With a SRV; 15% increase in 2014/15 and then 10% for the following 3 years; and thereafter 3%.</p> <p>Waste: 10% in 2014/15, 2015/16 and 2016/17 and 5% per annum thereafter to fund significant remediation works.</p> <p>Water: 7% per annum to fund loan repayments on borrowings of \$5m and to build reserve funds (refer auditors comments 2012 and 2013 Financial Statements).</p> <p>Sewerage: 5% per annum to achieve operating surpluses and build reserve funds in accordance with Auditors recommendations (refer 2012 and 2013 Financial Statements).</p>
User Charges and Fees	<p>Council has decided to increase fees and charges by 10% per annum over the 4 years commencing 2013/14.</p> <p>Statutory and regulatory fees have been budgeted to increase by 2.5% per annum.</p>
Interest and Investments	<p>For the purpose of the LTFP Council used an interest rate of 4.25% for 2013/14 as an average based on a (then) cash rate of 2.75%; and 4.50% thereafter.</p>
Other Revenues	<p>Other revenues have been forecast to increase annually 2.50%.</p>
Grants	<p>The assumption for operating grants is that grants that have been received in the past will continue from year to year and have been indexed at 2.5%. Where Council has been required to make a co-contribution, the contribution has been indexed at 2.5%.</p> <p>In respect of major grants; the Financial Assistance Grant was indexed by 2.2% in 2013/14 and thereafter by 2.5%. The Roads to Recovery Grant was not indexed for the years 2013/14 to 2018/19 as no increase in the grant was provided but for the following grant round commencing in 2019/20 the grant was indexed to reflect an annualised indexation of 2.5%. For the RMS Repair Grant an annualised indexation of 2.5% was applied to each 5 year program. An amount of \$250,000 per annum indexed by 2.5% has been included in the LTFP for flood recovery grants.</p> <p>In respect of the Water Fund; 50% funding by the NSW Office of Water has been included in the LTFP for the construction of a new dam wall in 2014/15 and the construction of a new water treatment plant in 2017/18.</p>

Planning Assumption	Description
Borrowings	<p>New borrowings are proposed in the Long Term Financial Plan for the following purposes -</p> <ol style="list-style-type: none"> <li>1. Replacement water supply dam wall (Tenterfield) 2014/15 - borrowings \$2.25m.</li> <li>2. Tenterfield main street project 2014/15 - borrowings \$1.2m (applied through LIRS)</li> <li>3. Replacement water treatment plant (Tenterfield) 2017/18 - borrowings \$2.75m</li> </ol>
Net Gain from the Disposal of Assets	<p>The Long Term Financial Plan includes profit from the sale of surplus property, and from the sale of land at the Industrial Estate in Tenterfield. In respect of the Industrial Estate, profit calculations have been based on a recent independent professional assessment of the market value of the properties. A marketing campaign including television advertising commenced in May 2013. Council will continue to review its property holdings and continue to dispose of surplus property.</p> <p>Council will routinely continue to trade plant and equipment and the LTFP assumes that this will be generally on a cost recovery basis and no significant gain/loss will be made.</p> <p>Council is presently undertaking an audit of all Council land and buildings with the potential to sell or lease including rationalization of facilities such as road reservations, open spaces and community halls.</p>

The following assumption have been made in the Expenditure Forecasts in the LTFP -

Planning Assumption	Description
Employee Costs	Employee costs have been indexed at 3.5% in the LTFP (CPI 2.5% + 1%).
Borrowing costs	There are new projects to be funded by borrowing in the Long Term Financial Plan as detailed below - <ol style="list-style-type: none"> <li>1. Replacement water supply dam wall (Tenterfield) 2014/15 - borrowings \$2.25m. Interest Rate 7%.</li> <li>2. Tenterfield main street project 2014/15 - borrowings \$1.2m. Interest Rate 6%.</li> <li>3. Replacement water treatment plant (Tenterfield) 2017/18 - borrowings \$2.75m. Interest Rate 7%.</li> </ol>
Materials and Contracts	For the purpose of the LTFP materials and contracts costs have been indexed by 2.5% annually.
Depreciation	Depreciation costs for each year in the LTFP have been indexed by 2.5%. The impact of future revaluations has not been factored into depreciation calculations.
Other Expenses	For the purpose of the LTFP, an indexation rate of 2.5% has been used.

In response to extensive community consultation and assessment of available resources, it is evident that Council must focus on maintaining existing assets as its priority. This is detailed in the Community Strategic Plan and reflected throughout the IP&R documentation (see Attachment 12). As a result Council has budgeted only for essential maintenance and renewal, not new capital works or expenses associated with new infrastructure or programs. When establishing the cost of maintenance/renewal, service levels were reviewed in consultation with the community to establish minimum acceptable standards. The service levels agreed with the community reduced the future forecast costs of renewal and maintenance significantly, however they still cannot be funded from existing revenue levels.

Details on service levels and assumed asset management costs are included in detail in Councils Asset Management Plans (available on Council's website [www.tenterfield.nsw.gov.au](http://www.tenterfield.nsw.gov.au)) which form part of our Integrated Planning and Reporting.

The great majority of future maintenance and renewal costs to be funded by the SRV are for engineering infrastructure (roads, bridges and drainage). Estimates of infrastructure maintenance and renewal costs were established from first principle estimates by a qualified civil engineering estimator with 15 years private and public industry experience. Costs of works and construction rates were determined primarily from the recent costs of undertaking works (where available) and industry standard rates from publications including Rawlinsons

where no recent historical rates could be sourced. The same methodology was also used for valuation of Council's road assets and formally scrutinized by Council's auditors.

## 8 Assessment criterion 5: Productivity improvements and cost containment strategies

The DLG Guidelines state this criterion as follows:

*An explanation of 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, provide details of any productivity improvements and cost containment strategies that you have implemented in the last 2 years (or longer) and any plans for productivity improvements and cost containment during the period of the special variation. These plans, capital or recurrent in nature, must be aimed at reducing costs. Please also indicate any initiatives to increase revenue eg, user charges. Identify how and where the proposed initiatives have been factored into the council's resourcing strategy (eg, LTFP and AMP).

Where possible, quantify in dollar terms the past and future productivity improvements and savings.

You may also use indicators of efficiency, either over time or in comparison to other relevant councils. We will make similar comparisons using various indicators and the DLG Group data provided to us.

### **Council Response**

Council conducted community consultation (Attachments 21) in October/November 2012 to set service levels as part of the IP&R Asset Management Plans and Community Strategic Plan update. In order to align Council's business with the community's expectations, Council's Engineering Department undertook a review and restructure to ensure the department's focus aligned with the community's priorities.

The Asset Management planning process and community engagement made it clear that Council's infrastructure efforts must be directed at maintenance and renewal rather than the construction of new infrastructure unless there was a clear and well established business case for a new asset.

Council's Engineering Department responded by reducing management staff through the reallocation of asset management functions to individual department heads in preference to a dedicated asset management department. Departmental supervision was streamlined with personnel instead allocated to key frontline services. Crews previously focussed on new asset construction (Construction Grader Crew) were reallocated maintenance responsibilities thus reducing expenditure on contract resources.

New Organisational Structure in line with Community Strategic Plan and also with the view of multi-functions of individual staff in other departments: Strategic Planning and Environmental Services and also in Corporate Services

All staff have multi-functions and assist other staff. For example The Manager Finance also does Information Technology and Public Liability Insurance; the Executive Assistant to the Mayor and General Manager is also the media officer and general administration assistant for the Corporate Services team; the Operational Supervisor is also a Ranger, supervises the Parks and Gardens team and the position is also responsible for the saleyards and the swimming pool. The General Manager coordinates the Integrated Planning and Reporting Framework each year including the Community Forums for the draft Operational Plan and the Annual Report outcomes, and all the Directors are also involved in day to day operations as well as strategic matters.

## 9 Other information

### 9.1 Previous Instruments of Approval

If you have a special variation which is due to expire at the end of this financial year or during the period of the proposed special variation, when was it approved and what was its purpose?

Please attach a copy of the Instrument of Approval that has been signed by the Minister or IPART Chairman.

**NOT APPLICABLE**

### 9.2 Reporting to your community

The *Guidelines* set out reporting mechanisms that show your accountability to your community. Please tell us how you will go about transparently reporting to the community on the proposed special variation, should it be approved. Also indicate the performance measures you will use to demonstrate how you have used the additional funds (above the rate peg) generated by the special variation.

#### **Council Response**

Council and the community will receive (as they are now) monthly progress reports for the Engineering Department and the Department of Strategic Planning and Environmental Services as well as quarterly reviews against the Operational Plan and Delivery Program and in the Annual Report. Council will also communicate the special rates variation in the rates notices issued in July 2014, in the Council Communication newsletter and through Media Releases.

Council will also continue to annually hold at least two (2) community forums in each of the 8 locations across the Shire in May/June for the draft Operational Plan (including budget) inviting submissions and for the results in the Annual Report (including financials) in Nov/Dec.

The performance measures will be the targets set in the Operational Plan each year and according to the Asset Management Plans.

#### Transparently Reporting to the Community.

Council's Communication Policy (Attachment 25) guides Council on what form of media release is appropriate for transparently reporting on a Special Rating Variation. Being an important matter which affects every rate payer in the Shire, every available avenue will be utilised, such as:

- Local and regional newspapers
- 10FM radio
- Mail out to all ratepayers
- Monthly, quarterly and annual reporting to Council
- Draft Operational Plan
- Six monthly community forums
- Council's website
- Village community notice boards
- Rate Notices issued in July
- Council Communication Newsletter issued in February, May, August and November

#### Performance Measures.

Council will use the following performance measures to demonstrate how the additional special rate variation funds will be used.

- Quarterly Reviews in the Operational Plan and Delivery Program
- Council's Annual Report in November
- Targets established in the Operational Plan and Asset Management Plans
- Monthly Engineering, Strategic and Environmental Planning and Corporate Services reporting to Council Ordinary Meetings
- Reporting to the community through the media on the progress of projects
- Six monthly community forums

### 9.3 Council resolution to apply to IPART

The Guidelines require the council to have resolved to apply for a special variation. Please attach a copy of the council's resolution to make a special variation application. Our assessment of the application cannot commence without it.

#### Council Response

Council resolved to make application for a Special Rate Variation at its Ordinary Meeting 27 November 2013. Resolution No. 428/13. (See Attachment 13 & 14).

## 10 Checklist of contents

The following is a checklist of the supporting documents to include with your Part B application:

Item	Included?
Relevant extracts from the Community Strategic Plan	<input checked="" type="checkbox"/>
Delivery Program	<input checked="" type="checkbox"/>
Long Term Financial Plan	<input checked="" type="checkbox"/>
Relevant extracts from the Asset Management Plan	<input checked="" type="checkbox"/>
TCorp report on financial sustainability	<input checked="" type="checkbox"/>
Contributions Plan documents (if applicable)	<input type="checkbox"/>
Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and special variation	<input checked="" type="checkbox"/>
Community feedback (including surveys and results if applicable)	<input checked="" type="checkbox"/>
Hardship Policy	<input checked="" type="checkbox"/>
Past Instruments of Approval (if applicable)	<input type="checkbox"/>
Resolution to apply for the special variation	<input checked="" type="checkbox"/>
Resolution to adopt the Delivery Program	<input checked="" type="checkbox"/>

## 11 Certification

### APPLICATION FOR A SPECIAL RATE VARIATION

To be completed by General Manager and Responsible Accounting Officer

Name of council: Tenterfield Shire Council

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



General Manager (name): Ms Lotta Jackson

Signature and Date: 24/2/2014



Responsible Accounting Officer (name): Mr Paul Chawner

Signature and Date: 24/2/2014

Once completed, please scan the signed certification and attach it to the Part B form before submitting your application online via the Council Portal on our website.

## 12 Attachments

1. Community Engagement Strategy - 10 Year Plan
2. Our Community Strategic Plan
3. Our Four Year Delivery Program
4. Revenue Policy 2013 - 2014
5. Revenue Policy - Appendix B - Rating Structure
6. Revenue Policy - Appendix C - Fees & Charges 2013 -2014
7. Revenue Policy - Appendix D - Capital Works Program
8. Long Term Financial Plan 2013 - 2023
9. Long Term Financial Plan - Appendix A - Scenario 1
10. Long Term Financial Plan - Appendix B - Scenario 2
11. Long Term Financial Plan - Appendix C - Scenario 3
12. Road Network Asset Management Plan
13. Council Report - Special Rates Variation - 27 November 2013
14. Council Minute Resolution - Special Rates Variation - 27 November 2013
15. T Corp Financial Assessment, Sustainability and Benchmarking Report.
16. Council Communications Newsletter February 2014 - Special Rates Variation
17. Council mail out to ratepayers - The Path to Financial Sustainability 25 September 2013
18. Media Releases - Council Consultations 15 November 2013
19. Community Consultation - Financial Sustainability - Special Rates Variations
20. Community Consultation - Draft Operational Plan Presentation
21. Community Consultation - Our Infrastructure Presentation
22. Community Consultation - Tenterfield Draft Operational Plan
23. Hardship Policy
24. Council Resolution to adopt Delivery Program
25. Communication Plan