

Independent Pricing and Regulatory Tribunal



Our reference: 12/591

Your reference:

4 June 2014

Mr Gerard Jose
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Dear Mr Jose

**INSTRUMENT OF APPROVAL AND FULL REPORT FOR SPECIAL RATE
VARIATION APPLICATION 2014/15**

I refer to IPART's determination on Greater Taree City Council's application for a special rate variation in 2014/15 which was issued on 3 June 2014.

I am writing to advise you that copies of the final reports on our special variation determinations are now available on the IPART website. I have attached a hard copy of the final report and the Instrument for Approval for Greater Taree City Council for your records.

If you have any queries, please contact Michael Seery on 9290 8421 or Tony Camenzuli on 02 9113 7706.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Hugo Harmstorf', written over a horizontal line.

Hugo Harmstorf
Chief Executive Officer

Independent Pricing and Regulatory Tribunal



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Hugo Harmstorf
 Chief Executive Officer

LOCAL GOVERNMENT ACT 1993
INSTRUMENT UNDER SECTION 508(2)
GREATER TAREE CITY COUNCIL

The Independent Pricing and Regulatory Tribunal (IPART), delegate of the Minister for Local Government, pursuant to the delegation dated 6 September 2010, determines:

1. under section 508(2) of the *Local Government Act 1993* (the Act), that the percentage by which Greater Taree City Council may increase its general income for the year 2014/2015 is 7.30%.
2. the percentage increase set out in clause 1 above (special variation) is subject to the following conditions:
 - I. The council uses the Additional Income for the purposes of funding the program of environmental works. This program of expenditure is listed in Appendix A of IPART's determination dated June 2014 of the council's application under section 508(2) of the Act (IPART's Determination).

Additional Income means:

- a) the additional general income raised in accordance with clause 1 of this instrument, less
 - b) the additional general income that would otherwise be available to the council under section 506 of the Act.
- II. The council reports in its annual report for each rating year over the period from 2014/2015 to 2018/2019 on:
 - a) the program of expenditure that was actually funded by the special variation and the reasons for any significant differences from the program listed in Appendix A of IPART's Determination; and
 - b) the outcomes achieved as a result of the special variation.
 - III. The council reduces its general income for the 2019/2020 rating year by:
 - a) \$1,345,520 (Initial Reduction Amount); and
 - b) the cumulative additional income derived for the 2015/2016 to 2018/19 rating years on the application of:
 - 1) any special variation percentage approved under section 508(2) or 508A of the Act for the council for each rating year during the period 2015/2016 to 2018/19; and
 - 2) any general variation percentage approved under section 506 of the Act for the council for each rating year during the period 2015/2016 to 2018/19, to the Reduction Amount.

Reduction Amount means:

The Initial Reduction Amount as increased by the additional income derived for each previous rating year relating to the Initial Reduction Amount.

[Note: The purpose of this clause is to reduce the council's general income to the amount of general income that the council would have had in 2019/2020 without this special variation.]

- IV. The council reports to the Office of Local Government by 30 November each year on its compliance with these conditions for each rating year over the period from 2014/2015 to 2018/19.

Dated this 3rd day of June 2014



Dr Peter J. Boxall, AO
Chairman, Independent Pricing and Regulatory Tribunal



Independent Pricing and Regulatory Tribunal

Greater Taree City Council's application for a special variation for 2014/15

under section 508(2) of *Local Government Act 1993*

Local Government — Determination
June 2014



Independent Pricing and Regulatory Tribunal

Greater Taree City Council's application for a special variation for 2014/15

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Local Government — Determination
June 2014

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Dr Paul Paterson

Ms Catherine Jones

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1 Determination

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

Councils may apply to us for a special variation that allows them to increase their general income by more than the rate peg. We are required to assess these applications against criteria in the Guidelines set by the Office of Local Government (OLG),¹ and may allow special variations under either section 508A or 508(2) of the *Local Government Act 1993* (the Act).

Greater Taree City Council applied for a special variation in 2014/15 of 7.3%, to remain in the rate base on a temporary basis for 5 years.²

After assessing the council's application, we decided to allow the special variation as requested. We have made this decision under section 508(2) of the Act.

Box 1.1 The Guidelines for 2014/15

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

The Guidelines adopt the same criteria for applications for a special variation under either section 508A or 508(2) of the *Local Government Act 1993*.

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

¹ Division of Local Government, Department of Premier and Cabinet, *Guidelines for the preparation of an application for a special variation to general income for 2014/15*, September 2013 (the Guidelines). Effective February 2014 the Division of Local Government became the Office of Local Government.

² Greater Taree City Council, *Section 508(2) Special Variation Application - Part A* (Greater Taree City Application Part A), Worksheet 1.

1.1 Our decision

We determined that Greater Taree City Council may increase its general income by 7.3% in 2014/15, including the rate peg of 2.3% that is available to all councils (see Table 1.1).

The increase above the rate peg can be retained in the council's general income base for 5 years.

We have attached conditions to this decision, including that the council uses the income raised from the special variation for the purposes set out in its application and that, on 1 July 2019, the council reduces its general income to what it would have been without the levy.

Table 1.1 sets out our decision and Box 1.1 summarises the conditions attached to it.

Table 1.1 IPART's decision on Greater Taree City Council's application for a special variation in 2014/15

Component	%
Increase (to fund environmental works)	5.0
Rate peg	2.3
Total increase	7.3

Box 1.2 Conditions attached to the approved special variation

IPART's approval of Greater Taree City Council's application for a special variation in 2014/15 is subject to the following conditions:

- ▼ The council uses the additional income from the special variation for the purposes of funding environmental works as outlined in the council's application and listed in Appendix A.
- ▼ The council reports in its annual report for each year from 2014/15 to 2018/19 on:
 - expenditure consistent with the council's application, and the reasons for any significant differences from the proposed expenditure
 - the outcomes achieved as a result of the actual program of expenditure.
- ▼ On 1 July 2019, the council reduces its general income to what it would have been without the special variation.
- ▼ The council reports to the Office of Local Government by 30 November each year on its compliance with these conditions.

2 What did the council request and why?

Greater Taree City Council requested a special variation of 7.3% in 2014/15, comprising 2 components:

- ▼ a 5.0% increase for environmental works
- ▼ the rate peg of 2.3%.³

The council estimates that the 5.0% increase above the rate peg will generate \$1.35m in additional revenue in 2014/15, and \$7.14m over 5 years.⁴

The council has indicated that over the 5 years to 2018/19, it would use \$7.6m (that is, all of the additional revenue)⁵ to fund environmental works, as follows:

- ▼ \$3.6m on estuary and water quality projects
- ▼ \$1.4m biodiversity projects
- ▼ \$0.7m on sustainability and environmental performance projects , and
- ▼ \$1.4m on dredging and foreshore improvement projects.⁶

The council's full program of expenditure is set out in Appendix A.

3 How did we reach our decision?

We assessed Greater Taree City Council's application against the criteria in the Guidelines. In making our assessment we also considered a range of comparative data about the council.

Greater Taree City Council has applied on the basis of its Integrated and Reporting (IP&R) documents, adopted 22 January 2014. The council is currently developing a comprehensive Asset Management Plan.⁷

³ Greater Taree City Council Application Part A, Worksheet 1.

⁴ Greater Taree City Application Part A, Worksheet 1.

⁵ Greater Taree City Application Part A, Worksheet 6.

⁶ Greater Taree City Council, *Section 508(2) Special Variation Application - Part B* (Greater Taree City Application Part B), p 57.

⁷ Greater Taree City Application Part B, pp 11-12.

On balance, we found that the council's application meets the criteria. In particular, we found that:

1. The need for the proposed revenue is outlined in the council's IP&R documents, and reflects community priorities.
2. The council demonstrated that the community is aware of reasons for the rate rise. We would have preferred the council to have quantified the impact of the proposed special variation earlier, however overall we consider that the council's consultation was adequate.
3. The impact of the proposed rate rises on ratepayers appears moderate but reasonable, being a one-off variation to be maintained for 5 years. We do note that the council is 1 of the most socioeconomically disadvantaged in the state (SEIFA Ranking 12 of 153, where the lower the number, the more disadvantaged) with a high rate of pensioners. However, the council has made provision for hardship; demonstrating some consideration of capacity to pay.
4. The council made, generally, realistic assumptions concerning its projected service delivery and budget.
5. The council reported productivity savings in past years, and indicated its intention to realise some further savings during the period of the special variation, although it could have done more to quantify savings.
6. We also considered that rates have almost doubled in a decade. The council has a significant history of special variations, including a large variation in 2010/11 to address roads.⁸ The current application will not address the council's large infrastructure backlog, or its ongoing forecast deficits.

Table 3.1 summarises our assessment against the criteria.

⁸ A variation of 10% above the cap per year, for 3 years, to remain in the base, was approved.

Table 3.1 IPART's assessment against the criteria in the Guidelines

Criterion	IPART findings
1. Need for and purpose of the special variation must be clearly articulated in the council's IP&R documents. Evidence could include community need/desire for service levels/projects and limited council resourcing alternatives, and the assessment of the council's financial sustainability made by the NSW Treasury Corporation (TCorp). LTFP must include scenarios both with and without the special variation.	<p>The council's IP&R documents identify the need for and purpose of the SV, as supported by the community.</p> <p>The council's financial position demonstrates limited resourcing alternatives to carry out the proposed environmental works without the SV.</p>
2. Evidence that the community is aware of need for, and extent of, the proposed rate rises. The IP&R documents should clearly explain the rate rise, canvas alternatives to the rate rise, the impact of any rises on the community, and the council's consideration of community capacity and willingness to pay higher rates. The council should demonstrate use of an appropriate variety of engagement methods to raise community awareness and provide opportunities for input.	<p>The council undertook extensive consultation on its Environmental Action Program (EAP), outlining a plan of proposed environmental works:</p> <ul style="list-style-type: none"> ▼ A wide variety of media and other consultation methods were used. ▼ 72% of survey respondents (of 388) supported the EAP; and 64% of survey respondents (of 395) supported the use of an 'environmental levy' to fund the EAP's list of environmental works.^a <p>Consultation on the detail and impact of the SV (\$ and %) was more limited, but overall we consider it was adequate.</p>
3. Impact on affected ratepayers must be reasonable, having regard to current rate levels, existing ratepayer base and proposed purpose of the variation. The council's IP&R process should establish that proposed rate rises are affordable, having regard to the community's capacity to pay.	<p>The impact of the proposed variation appears moderate but reasonable. Average rates will increase as follows:</p> <ul style="list-style-type: none"> ▼ Residential rates (town) by \$70 (to \$1,012) ▼ Residential rates (rural) by \$77 (to \$1,115) ▼ Business rates (town) by \$319 (to \$4,769) ▼ Farmland rates by \$116 (to \$1,697). <p>The council has one of the most socio-economically disadvantaged populaces in NSW (with a SEIFA Rank of 12).^b It also has a high number of pensioners (24% of ratepayers).^c Rates have almost doubled in a decade.^d</p> <p>However, the council has pensioner discounts (24% of ratepayers use) and a Hardship Policy to address this disadvantage (no ratepayers are using this Policy). No ratepayers have written to us in regards to the proposed special variation.</p>
4. Delivery Program and LTFP must show evidence of realistic assumptions.	<p>Assumptions in the council's LTFP appear realistic, although we note that the council assumes its asset depreciation expense will be static (which may be unrealistic in the context of its infrastructure backlog).</p>

Criterion	IPART findings
5. Productivity improvements and cost containment strategies realised in past years must be explained, as well as plans to realise savings over the proposed special variation period.	<p>The council conducted a restructure in 2010 which has demonstrated positive ongoing results.^e The council has lower employee numbers per ratepayer; lower salaries per employee and low total overheads spent on employees. However, it spends considerably more on contractors than regional and State averages.^f</p> <p>The council has detailed multiple past savings initiatives and a number of future initiatives: in particular, savings of between \$100,000 - \$150,000/yr are predicted from further resource sharing initiatives in the final 3 years of the proposed SV period.^g</p>
6. IPART's assessment of the size and resources of the council, the size of the increase, current rate levels and previous increases, the purpose of the special variation and other relevant matters.	<p>The council has a significant history of prior SVs. Prior SVs have resulted in council rates almost doubling within a decade.^h</p>

^a Greater Taree City Council, *Survey results – Environmental Action Plan*, p 2.

^b ABS, *Socio-Economic Indexes for Areas (SEIFA) 2011*, March 2013.

^c Based on the council's audited 2012/13 figures, the cost of the rebate was \$1,436,945, with a rebate of \$790,320, totalling a net cost to Council of \$646,625.14. The council pays 45% of the total pensioner rebate with the subsidy of 55% split between the State and Federal Governments. Greater Taree Application Part B, p 44.

^d IPART calculations based on comparative indicators database.

^e TCorp, *Greater Taree City Council, Financial Assessment and Benchmarking Report*, 3 October 2012, p 4.

^f IPART calculations based on comparative indicators database.

^g Greater Taree City Council, *Resourcing Strategy: 2013/17*, adopted 22 January 2014, p 9.

^h IPART calculations based on comparative indicators database.

The sections below discuss our findings against the criteria in more detail.

3.1 Need for and purpose of the special variation

The need for and purpose of the requested special variation is set out in the council's IP&R documents (specifically its Delivery Program, and its Resourcing Strategy, including Long-Term Financial Plan (LTFF)); adopted on 22 January 2014.⁹

Their Delivery Program outlines the council's intention to apply for a 5% rate rise above the 2.3% peg, including 1% above the peg for dredging and foreshore improvements.¹⁰

We are satisfied that the council has met this criterion.

⁹ Greater Taree City Council, *Delivery 2013/17*, adopted 22 January 2014, p 23; Greater Taree City Council, *Resourcing Strategy 2013/17* (which includes the council's Long Term Financial Plan), adopted 22 January 2014.

¹⁰ Greater Taree City Council, *Delivery 2013/17*, adopted 22 January 2014, p 23.

Need for the variation

The council's IP&R documents set out the need for and purpose of the requested special variation:

- ▼ The council's engagement identified a program of environmental works of in their Environmental Action Plan (EAP), to be funded by an 'environmental levy'. There are priority works listed across 4 areas:
 - estuary and water quality projects
 - biodiversity projects
 - sustainability and environmental performance projects, and
 - dredging and foreshore improvement projects.¹¹
- ▼ The need and intended purposes of the special variation are also outlined in the council's its Delivery Program¹² and its Resourcing Strategy (which includes its LTFP).¹³

Further, the council has indicated limited ability to internally generate the necessary funds to undertake the environmental works:

- ▼ The council's LTFP projects large operating deficits of 27% in 2014/15, decreasing over 5 years (the period of the council's proposed special variation) to 19% in 2018/19.¹⁴ This is significantly higher than IPART's benchmark of <10%.¹⁵
- ▼ The council's infrastructure backlog (92% roads) is on an upward trend and of such large scale that it is "unrealistic to expect that it can be significantly reduced through council's own resources".¹⁶

The council intends to use all funds raised through the special variation towards the environmental works.¹⁷

¹¹ Greater Taree City Application Part B, pp 11-12; Greater Taree City Council, *Environmental Action Plan*, adopted 20 November 2013, pp 11-18.

¹² Greater Taree City Council, *Delivery 2013/17*, adopted 22 January 2014, p 23.

¹³ Greater Taree City Council, *Resourcing Strategy 2013/17* (which includes the council's *Long Term Financial Plan*), adopted 22 January 2014.

¹⁴ IPART calculations - revised base case provided to IPART on 10 March 2014.

¹⁵ IPART, *Revenue Framework for Local Government - Final Report*, December 2009, p 79.

¹⁶ TCorp, *Greater Taree City Council, Financial Assessment and Benchmarking Report*, 3 October 2012, p 4.

¹⁷ Greater Taree City Council, *Resourcing Strategy: 2013/17*, adopted 22 January 2014, p 14.

The council also hopes to attract 'matching' environmental grant funding from other levels of Government on (at least) a 50c basis to every \$1 in additional rates revenue we approve. This is similar to the approach taken by neighbouring councils in attracting grant funding - for example, in the Great Lakes area, which has some similar industries to Greater Taree (oyster farming). The council's LTFP reflects realistic assumptions about potential levels of grant funding that they may attract (\$650,000 in 2014/15, increasing on average 1.7% over the proposed 5 years of the special variation, to \$731,580 in 2018/19).¹⁸

Alternatives to a special variation

The council has examined alternatives to special variation in its LTFP, such as grants funding, developer contributions, user fees, borrowings and reserve funding.¹⁹ The council stated that during consultation that it could fund the EAP from other sources, however, a special variation is the "only sustainable option".²⁰

We note that TCorp considered that it was a potential risk for the council to assume that it will make no further changes to service levels.²¹ The council could have also considered changes in service levels as an alternative to a special variation.

3.2 Community engagement and awareness

We consider that, on balance, the council has conducted adequate consultation. The council took significant steps to consult the community on their proposed EAP; using a variety of engagement methods and providing opportunities for feedback.

We would have preferred the council to consult earlier and in more detail on the dollar impact of the proposed variation; however as mentioned above, overall we consider it was adequate.

The criterion does not require councils to demonstrate community support for the special variation, although we note some ratepayers expressed concerns in regards to willingness and capacity to pay in a community survey. We have not received any submissions with regards to the council's application.

¹⁸ Based on the differences in the council's LTFP on projected grants and contributions provided for operating expenditure, as calculated by IPART. Greater Taree City Application Part B, pp 9, 11, 16, 18-19, 57.

¹⁹ Greater Taree City Application Part B, p 34.

²⁰ Greater Taree City Council, *Survey results - Environmental Action Plan*, p 3.

²¹ TCorp, *Greater Taree City Council, Financial Assessment and Benchmarking Report*, 3 October 2012, p 25.

Community engagement on the Environmental Action Plan

The council undertook extensive community consultation and engagement in regards to its proposed EAP, which listed a special variation (titled an 'environmental levy') as one of the options to fund environmental works.

Consultation on the EAP and its plan to use an 'environmental levy' to fund the plan of environmental works ranged over 8 months. Consultation included extensive media coverage in local and on prime time TV; community 'drop in' sessions, mail outs and distribution of 2,740 information kits at major local events and spaces, and surveys.²²

A community survey in regards to the EAP demonstrated:

- ▼ 72% support (of 388 respondents) in favour of the EAP.
- ▼ 64% support (of 395 respondents) in favour of an 'environmental levy' to fund the EAP's list of works.²³

Further, the Manning Valley Chamber of Commerce supports the EAP's proposal to use the proposed special variation revenue to enhance the Manning River's local boating and fishing facilities, as a means of promoting local tourism.²⁴

The council provided the weekly dollar impact of the levy in its consultation materials.²⁵ It revised the estimate of the impact just prior to submitting its application.²⁶

²² Greater Taree City Application Part B, pp 28-34.

²³ Greater Taree City Council, *Survey results - Environmental Action Plan*, p 2.

²⁴ Media release 12 November 2013 'Business Chambers Support Council's Plan for the Environmental Levy'; see also 'Economic Development Action Plan' resolution of the Manning Valley Chamber of Commerce; [http://www.gtcc.nsw.gov.au/files/attachments/BusinessPapers/2013/December/GM1-Attachment\(i\)_Action_Plan.pdf](http://www.gtcc.nsw.gov.au/files/attachments/BusinessPapers/2013/December/GM1-Attachment(i)_Action_Plan.pdf)

²⁵ Greater Taree City Council, *Environmental Action Plan: Frequently Asked Questions*, not dated. The EAP FAQ the council provided us is not dated, however, we presume it was released prior to the due date that written submissions or comments on the EAP were due to council (23 August 2013). See Greater Taree City Council, *Community invited to view environmental plan*, 5 August 2013, http://www.gtcc.nsw.gov.au/Page/Page.aspx?Page_id=1381.

²⁶ Manning River Times, *Manning News*, February 21-22, p 7.

Willingness to pay

A number of comments from the survey outline some community resistance to willingness to pay for environmental works; rather than increased roads spending and/or addressing the deficit.²⁷ We are satisfied that the council has considered these issues, and addressed them to the extent possible:

- ▼ the council noted that the money it raises from a prior special variation (approved in 2010/11 for 10% per annum for 3 years) remains in their rate base and is hypothecated towards reducing their infrastructure backlog,²⁸
- ▼ the council also noted that 72% of the community support the EAP's proposed environmental works.²⁹

We also note we have not received any submissions from the public in regards to the special variation.

3.3 Reasonable impact on ratepayers

In assessing the reasonableness of the impact of the special variation on ratepayers and the community's capacity to pay, we note a variety of factors.

The proposed variation is relatively small; being a one-off variation of 5% above the peg, to remain in the base for 5 years. Further, the council intends to apply the special variation increase evenly across all ratepayer category types.

However, Greater Taree ratepayers are relatively socioeconomically disadvantaged:

- ▼ The council is one of the most socio-economically disadvantaged in NSW (with a very low SEIFA ranking of 12).³⁰
- ▼ As outlined in Table B.2 of Appendix B to this report, the council has notably lower average incomes compared to similar councils.³¹

²⁷ Greater Taree City Council, *Survey results – Environmental Action Plan*.

²⁸ Greater Taree City Council, personal communication with IPART, 4 March 2014.

²⁹ Greater Taree City Council, *Survey results – Environmental Action Plan*, p 2.

³⁰ ABS, *Socio-Economic Indexes for Areas (SEIFA) 2011*, March 2013.

³¹ IPART calculations based on comparative indicators database.

We note from the results of the community survey some concern in regards to capacity to pay, given:

- ▼ the area's high number of pensioners (24% of ratepayers); with the council itself noting that a high proportion of the population is ageing and thus has "limited ability to increase spending and pay additional rates and charges"³²
- ▼ that the council has had a number of special variations approved in the past decade, with particular focus of these comments on the 2010/11 increase, which was significant.

On our analysis, the total cumulative impact of these past special variations has seen rates almost double in the LGA in the past decade. This is particularly significant in the context of the council's pre-existing financial disadvantage.

However, the council's rates are still slightly below average across all categories (business, residential and farmland) compared to similar peers.

Further, the council has made some attempt to address affordability concerns:

- ▼ The council has the standard NSW rates rebate of \$250 for pensioners.³³ The council also has a Hardship Policy for those who find it difficult to pay their rates (which allows for an extension of time and the possible write-down of interest due). There are no ratepayers currently using this Policy.
- ▼ The council's outstanding rates ratio is lower than comparable councils, and the NSW average.
- ▼ The council noted that their high rate of elderly citizens results in a high rate of community volunteering; which the council hopes to use in undertaking the EAP's program of environmental works.³⁴

On balance, we consider that the impact of the special variation is moderate. We note the council has hardship arrangements in place, and a below average outstanding rates ratio. Given the increase above the rate peg is a one-off 5% increase to be maintained in the base for 5 years, we consider the impact is reasonable.

³² Greater Taree City Application Part B, p 40.

³³ As above, based on the council's audited 2012/13 figures, the cost to of the rebate was \$1,436,945, with a rebate of \$790,320, totalling a net cost to Council of \$646,625.14. The council wears 45% of the total pensioner rebate with the subsidy of 55% split between the State and Federal Governments. Greater Taree Application Part B, p 44.

³⁴ Greater Taree City Application Part B, pp 10, 40, 53-54 and IPART calculations based on comparative indicators database.

4 What does our decision mean for the council?

Our decision means that Greater Taree City Council may increase its general income by an estimated \$1.96m in 2014/15 as indicated by Table 4.1.³⁵ On 1 July 2019, the council is to reduce its general income to the level it would have been without the special variation. After 2014/15, general income will increase by the annual rate peg unless we approve further special variations.³⁶

Table 4.1 Impact of approved special variation on Greater Taree City Council income in 2014/15

Notional general income 2013/14 (\$)	Increase approved (%)	Increase approved (\$)	Adjustments: Catch-ups, valuations	Permissible general income 2014/15 (\$)
26,910,402	7.3	1,964,459	40,000	28,914,861

Source: Greater Taree Application Part A, Worksheet 4.

5 What does our decision mean for ratepayers?

We set the allowable increase in general income, but it is a matter for each individual council to determine how it allocates any increase across different categories of ratepayer, consistent with our determination.

If the council changes its rates as indicated in its application, average ordinary rates would increase in 2014/15 (including the rate peg) as indicated by Table 5.1 as follows.

³⁵ Greater Taree City Application Part A, Worksheet 1.

³⁶ General income in future years cannot be determined with precision, as it will be influenced by several factors apart from the rate peg. These factors include changes in the number of rateable properties and adjustments for previous under- or over-collection of rates. The OLG is responsible for monitoring and ensuring compliance.

Table 5.1 Indicative rate increases under the approved special variation

Category^a	Average rate 2013/14 (\$)	Approved increase (\$)	Approved increase (%)	Average rate 2014/15 (\$)
Residential rate (town)	941.40	70.11	7.45	1,011.51
Residential rate (village)	905.86	69.75	7.70	975.61
Residential rate (rural estates)	1,073.93	76.72	7.14	1,150.65
Residential rate (rural)	1,037.99	77.23	7.44	1,115.22
Farmland	1,580.81	116.48	7.37	1,697.29
Business (town)	4,451.22	318.66	7.16	4,769.88
Business (village)	1,684.80	126.26	7.49	1,811.06
Business (rural)	1,024.39	79.70	7.78	1,104.09

^a Average rates include all applicable ordinary and special rates rounded to the nearest dollar.

Source: Greater Taree Application Part A, Worksheet 5.



Appendices

A Expenditure to be funded from the special variation

Tables A.1 shows how the council intends to spend the extra special variation income that it receives above the rate peg.

The council will use the additional special variation revenue of \$7.57m over 5 years) to fund:

- ▼ \$7.57m over 5 years in higher operating expenditure (Table A.1), and
- ▼ no extra capital expenditure.

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

Table A.1 Income and proposed expenditure related to the special variation (\$)

	2014/15	2015/16	2016/17	2017/18	2018/19	Total
Special variation income above rate peg	1,345,520	1,385,886	1,427,462	1,470,286	1,514,395	7,143,549
Increased operating costs:						
Estuary & Water Quality Projects	672,760	692,943	713,731	735,143	757,198	3,571,775
Biodiversity Projects	269,104	277,177	285,493	294,057	302,879	1,428,710
Sustainability & Environmental Performance	134,552	138,589	142,746	147,029	151,439	714,355
Dredging & Foreshore Improvements	269,104	277,177	285,493	294,057	302,879	1,428,710

Source: Greater Taree Council Application Part A, Worksheet 6.

B Comparative indicators

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

In Table B.1 we show how selected indicators for Greater Taree City Council have changed over the 3 years to 2011/12.

Table B.1 Trends in selected indicators for Greater Taree Council, 2009/10 to 2011/12

	2009/10	2010/11	2011/12	Average Change (%)
Productivity (labour input) indicators^a				
FTE staff (number)	257	237	254	-0.6
Ratio of population to FTE	189	205	189	0
Average cost per FTE (\$)	68,922	77,511	69,787	0.6
Employee costs as % operating expenditure (General Fund only) (%)	35.2	20.3	24.7	
Consultancy/contractor expenses (\$m)	6.3	7.3	16.9	64.6
Consultancy/contractor expenses as % operating expenditure (%)	12.4	7.9	23.6	

^a Based upon total council operations that include General Fund, Water & Sewer and other funds, if applicable.

Source: OLG, unpublished data.

In Table B.2 we compare selected data on Greater Taree Council with the average of the councils in the OLG Group and with NSW councils as a whole.

Table B.2 Select comparative indicators for Greater Taree Council, 2011/12

	Council	OLG Group 4 average ^a	NSW average
General profile indicators			
Area (km ²)	3,731	-	-
Population	47,955	-	-
General Fund operating expenditure (\$m)	71.6	-	-
General Fund operating revenue per capita (\$)	1,169	1,414	2,011
Rates revenue as % total General Fund income (%)	48.98	40.6	45.7
Average rate indicators^b			
Average rate – residential (\$)	788	840	685
Average rate – business (\$)	2,740	2,976	2,552
Average rate – farmland (\$)	1,355	1,724	2,123
Socio-economic/capacity to pay indicators^c			
Average annual income for individuals, 2010 (\$)	35,296	40,981	44,140
Growth in average annual income, 2006-2010 (% pa)	3.0	3.2	3.0
Ratio of average residential rates 2011/12, to average annual income, 2010 (%)	2.2	2.1	1.6
SEIFA, 2011 (NSW rank; 153 is least disadvantaged)	12	-	-
Outstanding rates and annual charges ratio (incl water and sewerage charges) (%)	5.5	5.7	7.0
Productivity indicators^d			
FTE staff (number)	254	310	293
Ratio of population to FTE	189	121	126
Average cost per FTE (\$)	69,787	74,511	74,438
Employee costs as % operating expenditure (General Fund only) (%)	24.7	37.4	36.8
Consultancy/contractor expenses (\$m)	16.9	5.1	6.9
Consultancy/contractor expenses as % operating expenditure (%)	23.8	6.7	9.3

^a OLG Group 4 is classified as an 'Urban Small/Medium Regional Town City with a population up to 70,000. The group comprises 32 councils of which similar councils also applying for special variations include Armidale Council, Cessnock City Council and Singleton Shire Council.

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

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

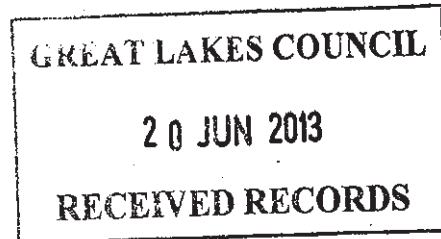
^d Based upon total council operations including General Fund, Water & Sewer and other funds, if applicable. There are difficulties in comparing councils using this data because councils' activities differ widely in scope and they may be defined and measured differently between councils.

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

Our reference: 12/55
Your reference:

12 June 2013

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Dear Mr Handford

**INSTRUMENT OF APPROVAL AND FULL REPORT FOR SPECIAL RATE
VARIATION APPLICATION 2013/14**

I refer to IPART's determination on Great Lakes Council's application for a special rate variation in 2013/14 which was issued on 11 June 2013.

I am writing to advise you that copies of the final reports on our special variation determinations are now available on the IPART website. I have attached a hard copy of the final report and the Instrument of Approval for Great Lakes Council for your records.

If you have any queries, please contact Alison Milne on 02 9290 8443 or Tony Camenzuli on 02 9113 7706.

Yours sincerely



James Cox PSM
Chief Executive Officer
and Full Time Member

LOCAL GOVERNMENT ACT 1993
INSTRUMENT UNDER SECTION 508(2)
GREAT LAKES COUNCIL

The Independent Pricing and Regulatory Tribunal (IPART), delegate of the Minister for Local Government, pursuant to the delegation dated 6 September 2010, determines:

1. under section 508(2) of the *Local Government Act 1993* (the Act), that the percentage by which Great Lakes Council may increase its general income for the year 2013/2014 is 13.92%.
2. the percentage increase set out in clause 1 above (special variation) is subject to the following conditions:
 - I. The 2011 Determination is revoked with effect from 1 July 2013 under section 508A(8)(b) of the Act consistent with the council's application.

2011 Determination means the determination made by IPART on 24 June 2011 under section 508A of the Act that the council may increase its general income for the period 2011/2012 to 2013/2014 by 25.97% (consisting of annual increases of 8.00%), as varied by IPART on 15 May 2012.

- II. In accordance with the condition in clause 2(I) above, the council must not increase its general income in 2013/2014 under the 2011 Determination.
- III. The council reduces its general income for the 2013/2014 rating year by \$1,532,288. The increase in general income in the 2013/2014 rating year under clause 1 is only to be calculated following the reduction in income under this clause 2(III).

[Note: The purpose of this clause is reduce the council's general income for the 2013/2014 rating year by the increase in general income approved by the Minister for Local Government on 3 July 2009 for 2009/2010 under section 508(2) of the Act (**2009/2010 Approved Amount**), plus the cumulative additional increase derived from the application of:

- a) any general variation percentage approved under section 506 of the Act for the council; and
- b) any special variation increases approved under section 508(2) or 508A of the Act for the council,

to the 2009/2010 Approved Amount for the 2009/2010 to 2012/2013 rating years inclusive.]

- IV. The council uses 10.50 percentage points of the special variation for the purposes of: (i) funding the program of environmental and dredging works; (ii) improving financial sustainability; and (iii) infrastructure maintenance and renewals. This program of expenditure is listed in Appendix A of IPART's determination dated June 2013 of the council's application under section 508(2) of the Act (IPART's Determination).

Dated this 12th day of June, 2013



**Dr Peter J. Boxall, AO
Chairman, Independent Pricing and Regulatory Tribunal**



Independent Pricing and Regulatory Tribunal

Great Lakes Council's application for a special variation for 2013/14

**Local Government — Determination
June 2013**

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1 Determination

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

However, councils may apply to us for a special variation that allows them to increase their general income by more than the rate peg. We are required to assess these applications against criteria in the Guidelines issued by the Division of Local Government (DLG),¹ and may allow special variations under either section 508A or 508(2) of the *Local Government Act 1993* (the Act).

Great Lakes Council applied for a special variation in 2013/14 of 14.37%. After assessing the council's application, we decided to allow a special variation of 13.92%, which is slightly less than the percentage requested. We made this decision under section 508(2) of the Act.

We estimate that our decision will increase average ordinary rates by between 7.7% and 8.4% in 2013/14. This increase mainly reflects a determination made in 2011 and it is inclusive of the rate peg of 3.4% that is available to all councils. The rates increase is lower than the 13.92% special variation because part of the special variation continues the environmental levy that is already in rates.

1.1 Our decision

We determined that Great Lakes Council may increase its general income by 13.92% in 2013/14. This includes an increase of 6.0% to continue the expiring Environmental/Dredging Levy (EDL). It also includes an increase of 7.9% that we previously approved for 2013/14² (which provides for the rate peg of 3.4% that is available to all councils) and a Crown land adjustment of 0.02%.³ The increase for the EDL levy may be retained for 7 years. The remaining increases may be retained permanently in the general income base.

¹ *Guidelines for the preparation of an application for a special variation to general income*, issued by Division of Local Government, Department of Premier and Cabinet, October 2012. The criteria in the Guidelines have been revised for 2013/14. Councils applying under section 508(2) no longer need to demonstrate adequate community consultation. Instead they need to demonstrate appropriate engagement methods have been used and the community has had opportunity for awareness and input. The council must also consider the community's capacity and willingness to pay. In addition, in assessing applications against the criteria we are now required to consider the size and resources of a council, the size of the rate increase, current and previous rate levels, and the purpose of the special variation.

² In 2011/12, IPART approved a multi-year special variation that included an 8.0% increase in 2013/14. This was adjusted to 7.9% in May 2012 to reflect the first withdrawal of the carbon price advance that was granted in 2012/13.

³ The 0.02% adjustment is because formerly Crown land has become rateable.

1.2 What did the council request and why?

Great Lakes Council requested a special variation of 14.37% for 2013/14.⁴ This amount included 3 components:

- ▼ a 6.45% increase to continue its expiring EDL until 30 June 2020, and increase this levy from 6% to fund current environmental and dredging works as well as new environment projects and services⁵
- ▼ a 7.9% increase which the council applied for and we approved in 2011 to improve its financial sustainability and fund infrastructure, renewal of roads, drainage and some recreational facilities and includes the rate peg of 3.4% available to all councils, and
- ▼ a 0.02% adjustment for former Crown land that had become rateable.

Table 1.2 shows the components of the requested special variation.

Table 1.2 Great Lakes Council's requested special variation for 2013/14 (%)

Component	%
Increase to continue expiring EDL and increase it from 6% (7 years)	6.45
Increase to improve financial sustainability and fund infrastructure renewals, including provision for the rate peg of 3.4%	7.90
Crown land adjustment	0.02
Total increase	14.37

Source: Application Part A, Worksheets 4 and 6.

The council estimated that the increase of 10.97% above the rate peg would generate around \$2.9m in additional revenue in 2013/14, and \$27m over 10 years.⁶ Approximately half of this additional revenue would be attributable to the increase approved by IPART in 2011 and used to improve infrastructure and financial sustainability.⁷

It proposed to use the remaining \$13.2m to fund the 7-year environmental and dredging program of works set out in Appendix A.⁸ Of this \$13.2m, \$12.4m was to be used to fund current environmental and dredging works and \$0.8m for new environmental projects and services.⁹

⁴ Application Part A, Worksheet 4.

⁵ Council sought to increase the EDL to 6.45% in 2013/14 so as to generate a broadly equivalent increase in revenue to that it would have received if the levy was renewed at 6% of council's income in 2014/15. This is when the EDL is otherwise due to end.

⁶ Application Part A, Worksheets 4 and 6 and IPART calculations.

⁷ Application Part A, Worksheet 6 and IPART calculations.

⁸ The council's expenditure program of \$14.39m is made up of planned spending of \$13.2m for the EDP program and \$1.2m for infrastructure works to be funded by the s508A special variation approved by IPART in 2011/12. Application Part A, Worksheet 6.

⁹ Application Part A, Worksheet 6 and IPART calculations.

Table 1.3 summarises our findings against each of the criteria.

Table 1.3 Summary of IPART's assessment of the criteria in the Guidelines under the transitional arrangements

Criterion	IPART findings
<p>1. Need for and purpose of special variation must be clearly identified. Evidence could include community need/desire for service levels/project and limited council resourcing alternatives, and the council's financial sustainability assessment conducted by the NSW Treasury Corporation (TCorp).</p>	<p>The application identified the need for extra revenue to:</p> <ul style="list-style-type: none"> ▼ Fund environmental activities, infrastructure works and financial sustainability as reflected in community priorities outlined in the Draft Community Strategic Plan and Draft Delivery Program.¹⁴ ▼ Assist the council to obtain grant funding to assist with its infrastructure renewals and environmental management plans.¹⁵ <p>TCorp's analysis indicates that the council is projected to have operating deficits on a 'on a no-change basis' over the next 10 years. This special variation will not change this projection.¹⁶</p>
<p>2. Evidence that community is aware of need for and extent of proposed rate rise must be provided. An appropriate variety of engagement methods should have been used to ensure opportunity for community awareness/input, and alternatives to a rate rise should have been canvassed. The impact of the rise on the community, and the council's consideration of community capacity and willingness to pay higher rates should be provided.</p>	<p>There was evidence that the community was made aware of the need to continue the EDL, but not of the council's intention to increase the EDL from 6% to 6.45%.¹⁷</p> <p>The council used a variety of engagement methods including press and public notices, a direct mail out to ratepayers, online information/survey and public workshops.¹⁸</p> <p>The council considered the community's willingness to pay based on the results of a self-selecting online survey that showed 67% of respondents supporting "continuation of the existing EDL at the existing level of 6%".¹⁹</p>

¹⁴ Application Part B, pp 16 - 19 and Annexure 1.

¹⁵ Application Part B, pp 26-27.

¹⁶ Application Part B, Annexure 4, NSW Treasury Corporation, *Great Lakes Council Financial Assessment and Benchmarking Report*, October 2012, pp 4-5.

¹⁷ Refer to Footnote 12, above.

¹⁸ Application, Annexures 9 and 10.

¹⁹ Application Part B, p 43 and Annexure 29.

The remaining \$2.1m will be permanently incorporated into the council's revenue base.²⁶ After 2013/14, general income will increase by the annual rate peg, unless we approve further special variations.²⁷

Table 1.4 Impact of approved special variation on Great Lakes Council's income in 2013/14

Adjusted notional general income 2012/13 (\$)	Annual increase in general income (%)	Annual increase in general income (\$)	Permissible general income 2013/14 (\$) ^a
26,756,323	13.92	3,724,201	30,474,544

^a Permissible general income refers to the maximum general income that the council can generate in the year. It equals the previous year's notional general income level adjusted for any expiring special variation, other adjustments (prior year catch ups of \$109, excesses and valuation objections of \$6,089) plus the annual dollar increase permitted by the proposed special variation percentage including income adjustments for formerly Crown land becoming rateable of \$5,072.

Source: Great Lakes Council, Application Part A, Worksheets 2,3,4,6 and IPART calculations.

1.5 What does our decision mean for ratepayers?

We estimate that if the council changes its rates as indicated in its application, average ordinary rates will increase in 2013/14 by between 7.7% and 8.4%. This increase is lower than our determination of 13.92% because these rates already include the EDL, which we have approved for a further 7 years. Thus, the increase is primarily due to the 7.9% increase we previously approved for 2013/14. This includes the rate peg of 3.4% available to all councils.

Table 1.5 sets out the proposed impact on average rates in each ratepayer category, which we have estimated based on the council's application. The actual impact on particular categories of rates is a matter for the council to decide, consistent with our determination.

²⁶ IPART calculation based on Application Part A, Worksheets 4 and 6.

²⁷ The actual general income in future years cannot be determined with precision, as it will be influenced by a range of factors apart from the rate peg, including the number of rateable properties and adjustments for previous under or over collection of rates. The DLG is responsible for monitoring and ensuring compliance.

A Great Lakes Council's Program of Expenditure

IPART accepts that as we have partially approved the council's application, the council may have to re-schedule and re-prioritise planned expenditure to be funded from the special variation. The program of works for its environmental and dredging works outlined in its application and the table below is indicative. The council will report actual expenditure on the program in its annual report.

B Comparative indicators

Table B.1 Select comparative indicators for Great Lakes Council, 2011/12

	Great Lakes Council	DLG Group 4 average ^a	NSW average
General profile indicators			
Area (km ²)	3,380	-	-
Population	35,601	-	-
General Fund expenditure—continuing operations (\$m)	64.1	57.4	56.6
General Fund operating revenue per capita (\$)	1,870	1,414	2,011
Rates revenue as % total General Fund revenue (%)	46.9	40.6	45.7
Average rate indicators^b			
Average rate – residential (\$)	934	840	685
Average rate – business (\$)	2,510	3,023	2,552
Average rate – farmland (\$)	594	1,735	2,123
Socio-economic/capacity to pay indicators^c			
Average annual income for individuals, 2010 (\$)	35,113	41,104	44,140
Growth in average annual income, 2006-2010 (% pa)	2.5	3.2	3.0
Ratio of average residential rates 2011/12, to average annual income, 2010 (%)	2.7	2.1	1.6
SEIFA, 2011 (NSW rank; 153 least disadvantaged)	26	-	-
Outstanding rates and annual charges ratio (incl water and sewerage charges) (%)	6.3 ^d	5.7	7.0
Productivity indicators^e			
FTE staff (number)	284	315	293
Ratio of population to FTE	125	125	126
Average cost per FTE (\$)	74,264	74,599	74,438
Employee costs as % ordinary expenditure (General Fund only) (%)	32.6	37.1	36.8
Consultancy/contractor expenses (\$m) ^f	12.1	5.3	6.9
Consultancy/contractor expenses as % ordinary expenditure (%)	18.7	6.7	9.3

^a DLG Group 4 is a category of Urban Small to Medium Regional councils with a population of up to 70,000. This group comprises 30 councils including Greater Taree, Bega Valley, Kempsey and Port Stephens.

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

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

^d Council Ratio from Council *General Purpose Financial Statements year ended 30 June 2012*, Note 13a(i).

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

^f Council's higher use of consultants/contractors reflects waste management contract (\$3.7m); management contract for aquatic & leisure centre (\$1.2m); environmental programs requiring specialist expertise (\$1m) and a state roads contract (\$3.6m). Source: Great Lakes Council email dated 18 April 2013.

Note: General Fund refers to all council activities except Water and Sewer and, in some cases, other activities.

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

Our reference: 12/591

Your reference:

22 May 2015

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Dear Mr Green

**INSTRUMENT OF APPROVAL AND FULL REPORT FOR SPECIAL VARIATION
APPLICATION 2015-16**

I refer to IPART's determination on Gloucester Shire Council's application for a special rate variation in 2015-16 which was issued on 19 May 2015.

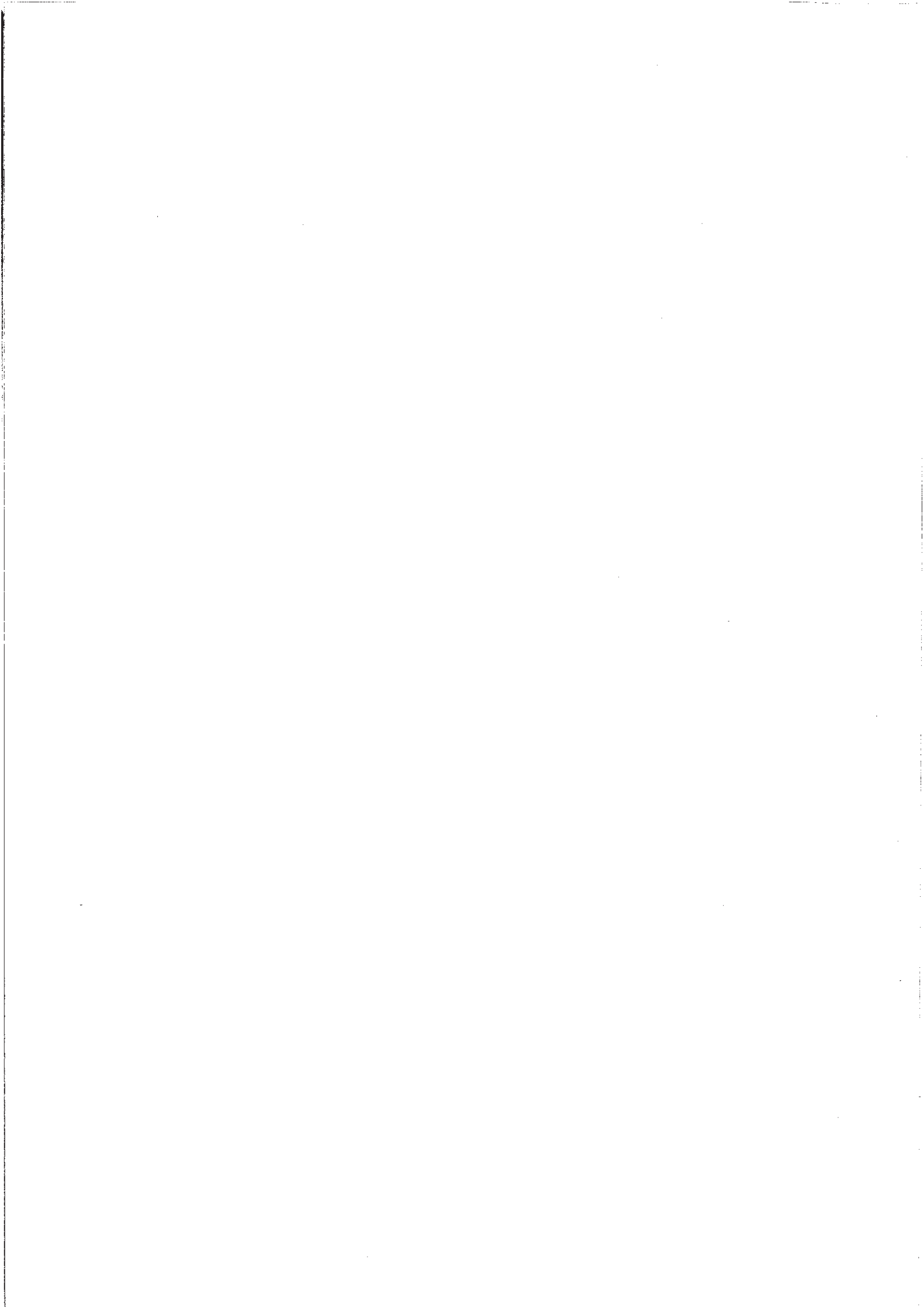
I am writing to advise you that copies of the final reports on our special rate variation determinations are now available on the IPART website. I have attached a hard copy of the final report and the Instrument for Approval for Gloucester Shire Council for your records.

If you have any queries, please contact Michael Seery on 9290 8421 or Tony Camenzuli on 02 9113 7706.

Yours sincerely



Hugo Harmstorf
Chief Executive Officer



LOCAL GOVERNMENT ACT 1993
INSTRUMENT UNDER SECTION 508A(1)
GLOUCESTER SHIRE COUNCIL

The Independent Pricing and Regulatory Tribunal (IPART), delegate of the Minister for Local Government, pursuant to the delegation dated 6 September 2010 determines:

1. under section 508A(1) of the *Local Government Act 1993* (the Act), that the percentage by which Gloucester Shire Council (Council) may increase its general income for the period from Year 2015-2016 to Year 2017-2018 (inclusive) is 44.29%, consisting of the following annual increases:

	Year	Annual increase in general income (%)	Cumulative increase in general income (%)
Y1	2015-2016	13.00	13.00
Y2	2016-2017	13.00	27.69
Y3	2017-2018	13.00	44.29

Year means the period from 1 July to the following 30 June.

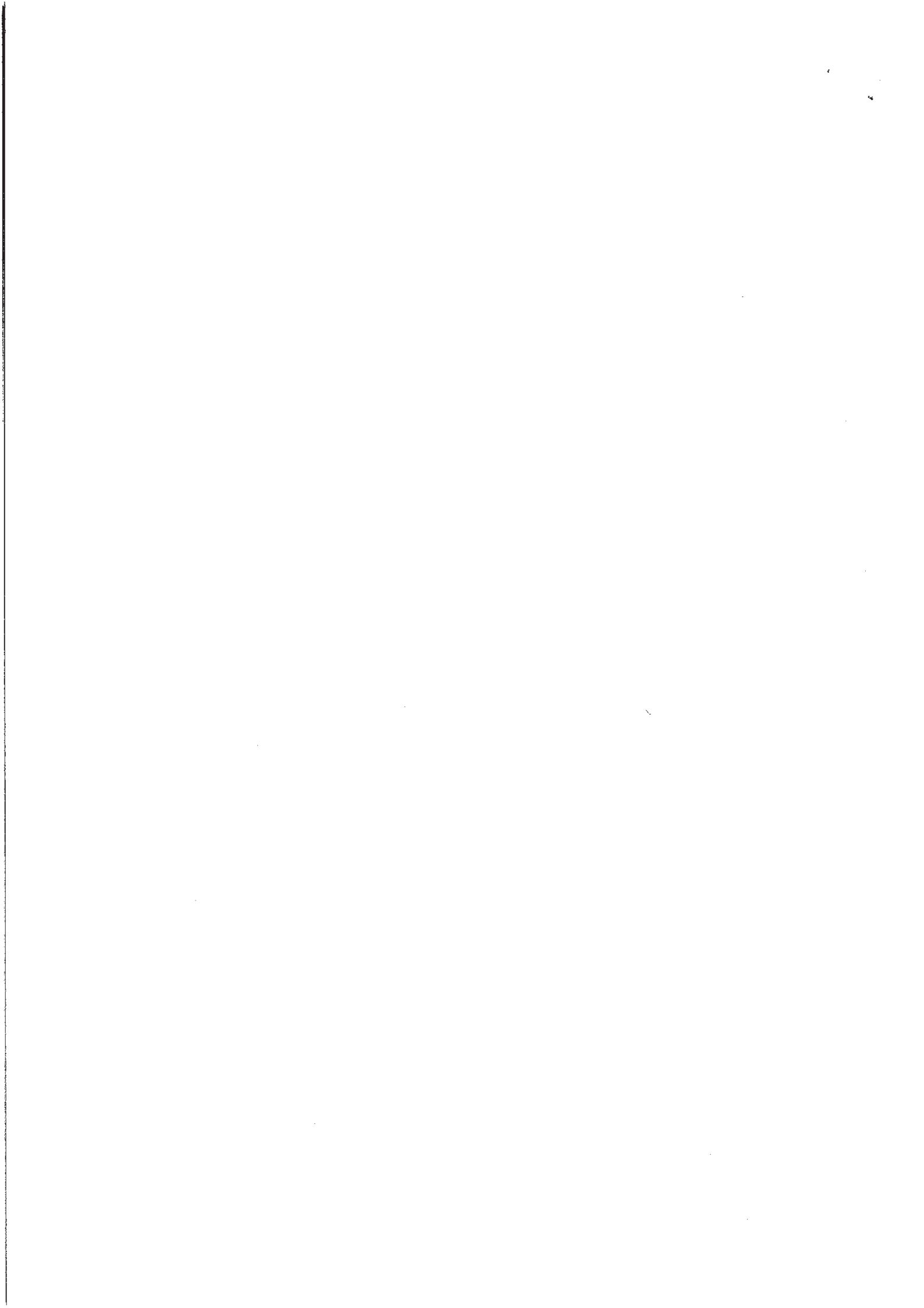
2. the percentage increase set out in clause 1 (Special Variation) is subject to the following conditions:
 - I. The Council uses the Additional Income for the purpose of funding the proposed program of expenditure (Proposed Program) set out in Appendix A of the Report.

Additional Income means:

- a) the additional general income raised in accordance with clause 1, less
- b) the additional general income that would otherwise be available to the Council under section 506 of the Act.

Report means the report entitled "Gloucester Shire Council's application for a special variation for 2015-16" dated May 2015 on IPART's determination of the Council's application under section 508A(1) of the Act.

- II. The Council reports, in its annual report for each Year, from Year 2015-2016 to Year 2024-2025 (inclusive), on the following for that Year:
 - a) the program of expenditure that was actually funded by the Special Variation;
 - b) any significant differences between the Proposed Program and the program of expenditure that was actually funded by the Special Variation and the reasons for those differences; and
 - c) the outcomes achieved as a result of the Special Variation.

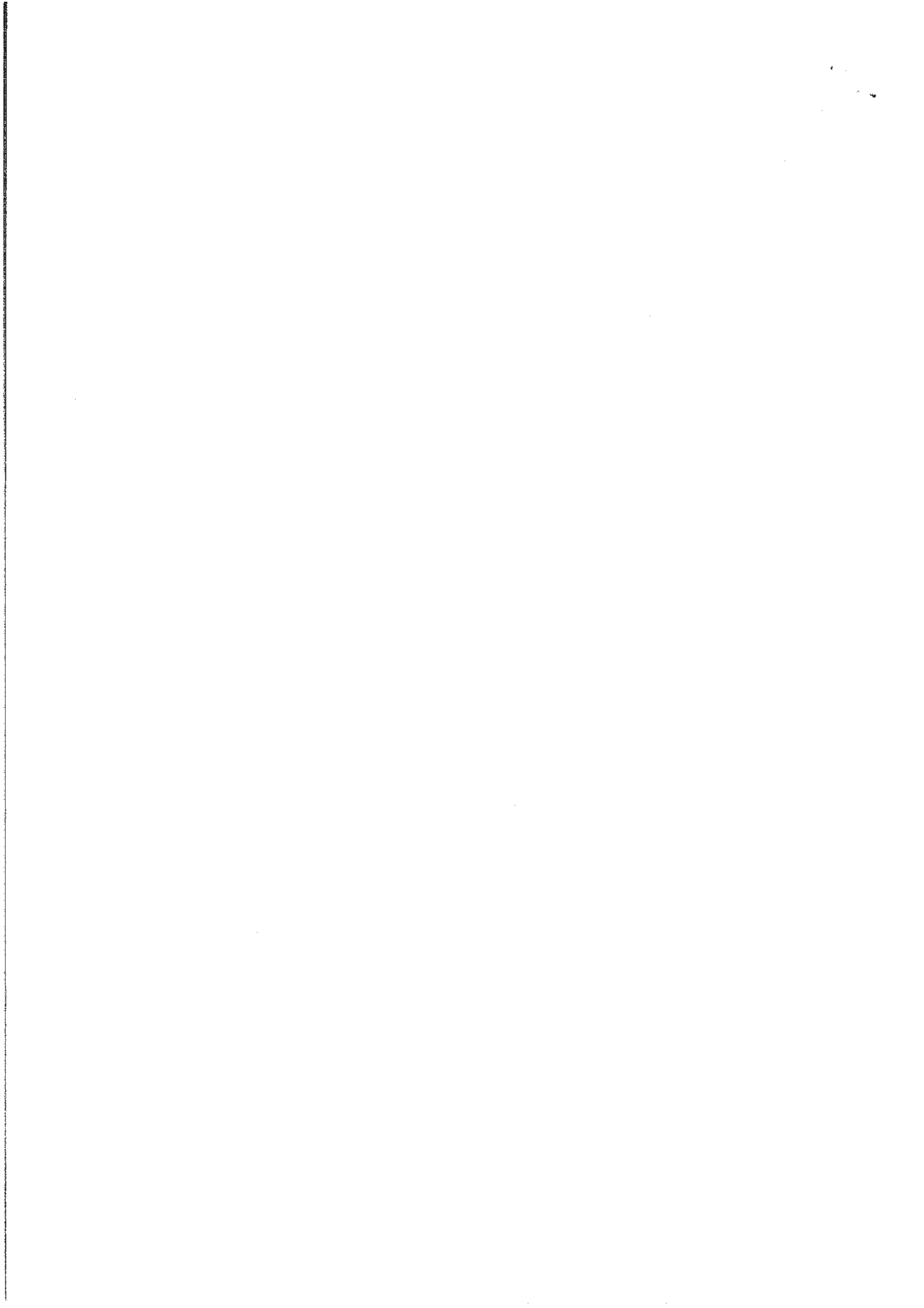


III. The Council reports, in its financial statement for each Year, from Year 2015-2016 to Year 2024-2025 (inclusive), on its compliance with this instrument for that Year.

Dated this 25th day of May, 2015



Dr Peter J. Boxall, AO
Chairman, Independent Pricing and Regulatory Tribunal





Independent Pricing and Regulatory Tribunal

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

under section 508A of *Local Government Act 1993*

Local Government — Determination
May 2015





Independent Pricing and Regulatory Tribunal

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

under section 508A of *Local Government Act 1993*

**Local Government — Determination
May 2015**

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The Tribunal members for this review are:

Dr Peter J. Boxall AO, Chairman

Ms Catherine Jones

Mr Ed Willett

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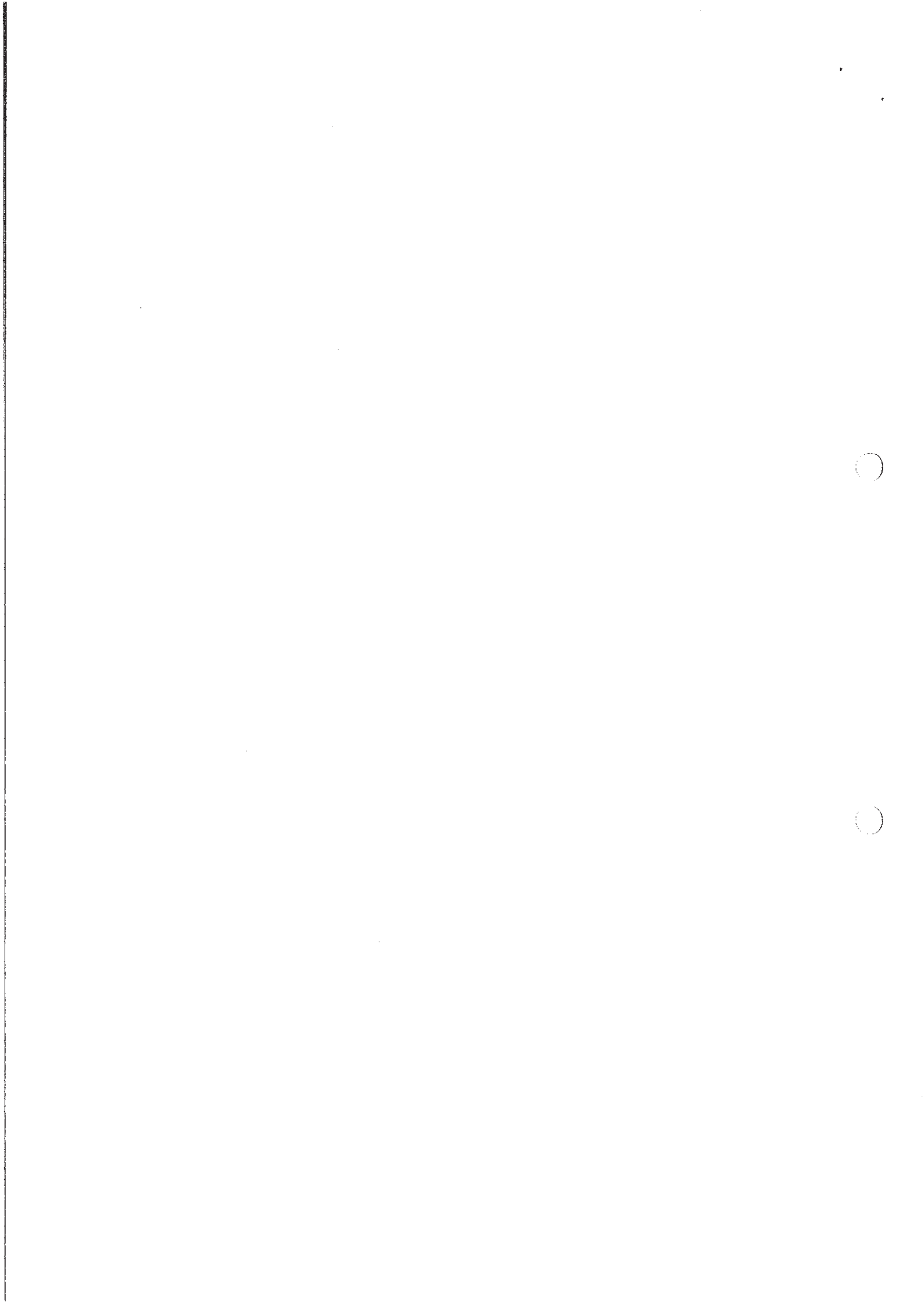
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1 Determination

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

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

IPART assesses these applications against criteria in Guidelines set by the Office of Local Government (OLG).¹ Box 1.1 explains the Guidelines for 2015-16.

Gloucester Shire Council (Gloucester Council) applied for a special variation of 13.0% each year for the three years 2015-16 to 2017-18, to remain permanently in the rate base.² We have assessed the council's application, and decided to allow the special variation as requested. We made this decision under section 508A of the Act.

Box 1.1 Special Variation Guidelines for 2015-16

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

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

Our decision enables the council to fund a program of expenditure on infrastructure maintenance and renewal. The council consulted its community to address these issues, both in reviewing its Integrated Planning and Reporting (IP&R) documents and in preparing its special variation application.

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

² Gloucester Shire Council, *Section 508A Special Variation Application – Part A, 2015-16*, (Gloucester Council, *Application Part A*) Worksheet 4.

1.1 Our decision

We determined that Gloucester Council may increase its general income from 2015-16 to 2017-18 by the annual percentages shown in Table 1.1. The annual increases incorporate the rate peg to which the council would otherwise be entitled (2.4% in 2015-16).³ The cumulative increase of 44.29% is 36.71% more than the council assumed rate peg increase over these years.

After the last year of the special variation (2017-18), the increase will remain permanently in the council's rate base.

Table 1.1 IPART's decision on Gloucester Shire Council's application for a special variation in 2015-16

	2015-16	2016-17	2017-18
Percentage increase approved	13	13	13

Note: The rate peg in 2015-16 is 2.4%. In later years the council has assumed a rate peg of 2.5%.

Source: Gloucester Council, *Application Part A*, Worksheet 1, and IPART calculations.

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

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

IPART's approval of Gloucester Council's application for a special variation over the period from 2015-16 to 2017-18 is subject to the following conditions:

- ▼ The council uses the additional income from the special variation to fund the program of capital expenditure outlined in its application and IP&R documents and listed in Appendix A.
 - ▼ The council reports in its annual report for each year from 2015-16 to 2024-25 on:
 - expenditure consistent with the council's application and listed in Appendix A, and the reasons for any significant differences from the proposed expenditure, and
 - the outcomes achieved as a result of the actual program of expenditure.
 - ▼ The council reports each year from 2015-16 to 2024-25 in its financial statements (currently in Special Schedule 9) on its compliance with the special variation and these conditions.
-

³ The council has assumed a rate peg of 2.5% in future years. The special variation percentage approved will not change to reflect the actual rate peg in those years.

2 What did the council request and why?

Gloucester Council applied to increase its general income by a cumulative 44.29% over the 3-year period from 2015-16 to 2017-18, and to incorporate this increase permanently into its general income base.⁴

The council estimated that if the requested special variation is approved, its permissible general income would increase from \$3.94 million in 2014-15 to \$5.70 million in 2017-18. This would generate additional revenue of \$2.77 million above the rate peg increases over three years.⁵

The council intends to use the additional revenue from the special variation on maintenance and renewals of its key assets such as roads and bridges, and to reduce its asset backlog.

Over the 10 years of the Long Term Financial Plan (LTFF) the special variation would generate \$13.98 million above the rate peg. The council is proposing to spend all of the additional revenue on asset renewal and maintenance works.⁶ Over the long term, the additional revenue will also improve its financial sustainability ratios.⁷

The council's proposed program of expenditure to 2024-25 is provided in Appendix A.

3 How did we reach our decision?

We assessed Gloucester Council's application against the criteria in the Guidelines. In making our assessment we also considered the council's most recent IP&R documents as well as a range of comparative data about the council, set out in Appendix B.⁸

Gloucester Council has applied on the basis of its adopted IP&R documents, in particular the *Community Strategic Plan (CSP), Delivery Program, Long Term Financial Plan 2015- 2025 (LTFF)* and *Asset Management Plan*.

⁴ Gloucester Council, *Application Part A*, Worksheet 4.

⁵ Gloucester Council, *Application Part A*, Worksheet 1 and IPART calculations

⁶ Gloucester Shire Council, *Section 508A Special Variation Application – Part B, 2015-16*, (Gloucester Council, *Application Part B*), p 17, and LTFF, p 15.

⁷ Gloucester Council, *Application Part B*, p 17, and LTFF, p 18.

⁸ See Appendix B. Gloucester Shire Council is in OLG Group 10, which is classified as 'Rural Large Agricultural (pop. 5,001-10,000) or Remote (pop. 3,001-20,000)'. The group comprises 25 councils, including councils such as Dungog, Uralla, Liverpool Plains Severn, and Glen Innes Severn.

The rate increases for which the council has applied are significant, and we carefully considered, among other things, the council's need for the increase, its consideration of the community's priorities and capacity and willingness to pay, and the impact of the rate increase on ratepayers.

We note that the council's application is seeking lower percentage increases over a shorter term than it presented as its preferred option during the majority of its community consultation.

On balance, Gloucester Council's application met the criteria. In particular, we found that:

1. The need for the proposed revenue is demonstrated in the council's IP&R documents, and reflects community priorities, and is supported by TCorp's assessment of the council's financial sustainability.
2. The council provided evidence that the community is aware of the need for the rate increases, and that it had considered the community's capacity and willingness to pay the proposed increases. We consider that the council could have better communicated with the ratepayers on the extent of the rate increases it has applied for, and the impact the special variation would have on rate levels.
3. The impact of the proposed rate increases on ratepayers is significant, given the council's existing rate levels, and ability to pay within the community. The council has introduced a hardship policy.
4. The council provided evidence that the relevant IP&R documents have been exhibited and adopted.
5. The council reported productivity savings in past years, and it is proposing to realise, and continue to seek further savings during the period of the special variation.

Table 3.1 summarises our assessment against the criteria. Sections 3.1 and 3.2 discuss our findings against criteria 2 and 3 in more detail.

Table 3.1 Summary of IPART's assessment of Gloucester Shire Council's application for a special variation against the criteria in the Guidelines

Criterion	IPART findings
<p>1. The need for and purpose of a different revenue path for the council's General Fund (as requested through the special variation) is clearly articulated and identified in the council's IP&R documents, including its Delivery Program, Long Term Financial Plan and Asset Management Plan where appropriate. In establishing need for the special variation, the relevant IP&R documents should canvas alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan by including scenarios both with and without the special variation.</p>	<p>The council's IP&R documents explain the need for and purpose of the special variation. The additional funds will be used for roads maintenance and to address a backlog of road works. Without the special variation, the council forecasts a \$74m backlog of works by 2024-25.</p> <p>In 2013, TCorp observed that the council's financial position was 'very weak' with a 'neutral' outlook. TCorp stated that the council:</p> <ul style="list-style-type: none"> ▼ needs extra revenue to achieve an operating surplus, fund maintenance and asset renewal and reduce the significant asset backlog ▼ should continue to explore the viability of a special variation application to assist its financial sustainability in the long term. <p>The income will allow the council to improve</p> <ul style="list-style-type: none"> ▼ its building and infrastructure asset renewal ratio to an average of 76% over the 9 years to 2024-25, compared to the base case average of 51.8% ▼ its operating performance ratio from -27.79% in 2014-15 to -9.96% in 2024-25. <p>The council considered alternatives to a rate increase such as grant funding, additional debt and cost reduction. It will continue to seek grant funding, and consider taking on additional debt if its special variation application is approved in order to fund works earlier and gain efficiencies by aligning projects. It has not included any new (not yet granted) grants or any additional debt in its LTFP.</p>
<p>2. Evidence that the community is aware of the need for and extent of a rate rise. The IP&R documentation should clearly set out the extent of the General Fund rate rise under the special variation. The council's community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure an opportunity for community awareness and input to occur</p>	<p>On balance, the council's consultation was adequate.</p> <ul style="list-style-type: none"> ▼ The council demonstrated that it used a variety of tools to engage all sectors of the community including 41 community meetings, newsletters and media releases. ▼ The council presented the community with four special variation options,^a with its preferred option being 18% annual increases for 5 years. ▼ Based on community feedback, the council re-evaluated its position and applied for a special variation of 13% for three years. ▼ It adequately consulted on the <i>need</i> for an increase and we note that the council could have better communicated the impact of the special variation to the ratepayers following its decision to apply for 13% for three years.

Criterion	IPART findings
<p>3. The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. The IP&R processes should:</p> <ul style="list-style-type: none"> ▼ clearly show the impact of any rises upon the community ▼ include the council's consideration of the community's capacity and willingness to pay rates and ▼ establish that the proposed rate increases are affordable having regard to the local community's capacity to pay. 	<p>The impact on ratepayers will be significant but reasonable.</p> <ul style="list-style-type: none"> ▼ the council's outstanding rates ratio is comparatively low compared to the Group 10 average ▼ the council has introduced a hardship policy ▼ the council has never applied for a special variation ▼ the council's SEIFA rating is 47 ▼ existing rate levels are high compared to OLG Group 10 councils, and mid-range compared with surrounding councils ▼ its average residential rate as a proportion of total income excluding pensions and allowances of 1.7% is higher than Group 10 average and most neighbouring councils.
<p>4. The relevant IP&R documents must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation to its general revenue.</p>	<p>The Community Strategic Plan and the Delivery Program were exhibited from May to June 2012, and adopted on June 26, 2012.</p> <p>The Delivery Program was amended in October 2014 to reflect the council's special variation application and the changes were adopted on October 15 2014.</p> <p>The Asset Management plan was adopted on 14 January 2015.</p>
<p>5. The IP&R documents or the council's application must explain the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation period.</p>	<p>The council is proposing efficiencies, that include:</p> <ul style="list-style-type: none"> ▼ a staffing restructure to create a flatter structure and introducing an open ended moratorium on the replacement of staff ▼ engaging in resource sharing with MidROC^b councils <p>Although not always quantified, the council has in past years realised cost savings by:</p> <ul style="list-style-type: none"> ▼ internally designing and constructing replacement bridges at approximately half the cost of the private sector ▼ completing bitumen sealing in-house ▼ reducing the pool opening hours ▼ revising the Waste Management Strategy to minimise the State imposed waste levy.

a The options were annual increase over five years of 5.5%, 13%, 15% and 18%.

b MidROC is the Mid North Coast Regional Organisation of Councils, representing seven Local Government areas.

Note: SEIFA is the Socio-Economic Indexes for Areas: refer to Appendix B, Table B.2.

Sources: Gloucester Council, *Application Part A*, and *Application Part B*; OLG, Unpublished data; NSW Treasury Corporation (TCorp); *Gloucester Shire Council Financial Assessment, Sustainability and Benchmarking Report*, 19 March 2013; TCorp, *Financial Sustainability of New South Wales Local Government Sector*, April 2013, p 18; Gloucester Council, *Delivery Program 2012-2016*, Gloucester Council, *Long Term Financial Plan 2015-25*.

3.1 Community engagement and awareness

We consider that, on balance, the council adequately conveyed the need for and impact of the special variation to its ratepayers. In making our decision, we gave consideration to the variety of engagement methods, the extent of the population reached, clarity of information and the size and resources of the council. We found that the council engaged widely, but could have been clearer in presenting the impact of the special variation application on rates to its ratepayers.

The council used a variety of methods to engage with its community including community meetings, letters and media releases. The council presented the community with four special variation options during the consultation.⁹ Based on community feedback, the council re-evaluated its position and applied for a smaller percentage increase and shorter term special variation than its preferred option, with the view to reassess the situation in three years and the possibility of making another special variation application.¹⁰

The council received community feedback as a response to:

- ▼ Community meetings, with a total attendance of 836.¹¹ At the meetings ratepayers indicated that they understood the need for an increase in rates to fund capital expenditure on roads. They also indicated that the council's proposed preferred increase (initially 18% annual increases for five years) was unacceptable and unaffordable.¹²
- ▼ A letter it sent to all ratepayers which included a matrix of various rating categories and land values, comparing the current rates (2014-15) with indicative rates ratepayers would be paying in 2023-24, as well as the percentage and dollar increases after 10 years for all four original options.¹³

The council received 128 written submissions of which 69 opposed a rate rise, on account of the preferred rate increase being too high and unaffordable, and stating a preference that the council find efficiency improvements and funds from elsewhere. In response, the council reduced the magnitude and duration of the special variation.¹⁴

⁹ The options were annual increase over five years of 5.5%, 13%, 15% and 18%.

¹⁰ Gloucester Council, *Application Part B, Attachment 8, Resolution to apply for the special variation*, p 1.

¹¹ Gloucester Council, *Application Part B*, p 29.

¹² Gloucester Council, *Application Part B, Attachment 5, Community Engagement Materials*.

¹³ Gloucester Shire Council, *Community Consultation Newsletter July 2014*, downloaded from the website www.gloucester.nsw.gov.au on 25 February 2015.

¹⁴ Gloucester Council, *Application Part B, Attachment 6, Community Feedback*, and *Application Part B*, p 9.

In January 2015, the council posted, on its website, a table showing current rates and those proposed for the next financial year, for each rating category, if the proposed special variation (13% for three years) was approved. Hard copies were made available at the library and the council administration. Ratepayers were made aware of the document through a media release on 21 January.

We consider that the council's engagement with the community was adequate. We note though, some areas that could have been done better.

- ▼ We consider a clearer method to convey the impact is to present the annual dollar and percentage increases as well as the cumulative increase at the end of the special variation period, in this case three years. This informs the ratepayers of the short term financial impact they can expect, whereas providing the 10-year impact is less informative and can understate the short-term impact.
- ▼ The 21 January 2015 media release explained that the council was preparing its application to IPART and reported an indicative increase for each rating category. The percentage increases were the increases in total revenue per category that the council would collect if the special variation was approved, whereas we consider it more transparent to communicate the increases in the average rates for each category. Given that the council had previously consulted the community on the higher increases of 18% annually for five years, this doesn't prevent the council from meeting this criterion.
- ▼ The LTFFP presented the average dollar increases for each of the three years per rating category in a table. However, the amounts for the farmland category do not match those of the council's application, and instead are represented at the base case level.

3.2 Reasonable impact on ratepayers

We consider that the impact of the special variation will be significant, but reasonable considering the council's special variation history, the need for and purpose of the special variation.

The special variation increase amounts to a cumulative increase of 44.29% (including the rate peg increases of 7.58%¹⁵) after three years. This represents average indicative increases of \$311 to \$470 for residential ratepayers after the third year.¹⁶

Table 3.2 shows average increases for each rating category.

¹⁵ Based on 2.4% rate peg for 2015-16 and assumed future rate pegs of 2.5%.

¹⁶ Gloucester Council, *Application Part A*, Worksheet 5a.

Table 3.2 Average rate increases with the proposed special variation (\$)

Rating category	Current average rate	First year increase	3-year Cumulative increase
Residential - rural	1,002	150	469
Residential - Gloucester	678	97	312
Residential - village	653	120	334
Business - Industrial/commercial	1,328	137	543
Business - other	975	112	412
Farmland	2,543	300	1,087
Mining	38,207	5,961	18,191

Note: 3-year cumulative increases are indicative only, and are based on the assumption of the council maintaining the same rating structure and applying even 13% increases in the following two years.

Source: Gloucester Council, *Application Part A, Worksheet 5a – Impact on Rates.*

In assessing the reasonableness of the impact of the special variation on ratepayers, we examined the council's special variation history and the average annual growth of rates in various rating categories, as well as a range of socio-economic data.

We found that since 2004-05:

- ▼ The council has not applied for any special variations (rate peg increases were 41.8% cumulative).
- ▼ Average residential, business and farmland rates have increased by 63%, 93% and 15% respectively. Business rates increased substantially in the last two years.
- ▼ Current average residential rate levels are high compared with the Group 10 average, they land about mid-range when compared to those of neighbouring council areas.¹⁷
- ▼ Its average residential rate as a proportion of total income excluding pensions and allowances is 1.7%. This is a higher result than the average for Group 10 councils, and higher than most neighbouring councils, except for Greater Taree and Great Lakes (at 2.2% and 2.7% respectively).

¹⁷ Neighbouring councils considered were Walcha which is in OLG Group 9, Upper Hunter in OLG Group 11, Dungog in OLG Group 10, and Greater Taree and Great Lakes which are in OLG Group 4.

After the special variation, average rates will be high compared to neighbouring councils. In particular:

- ▼ The average residential town and village rates, (62% of the rating assessments) will be around \$990 and \$987 compared to our estimates of \$1,069 and \$1,075 in Great Lakes and similar in Greater Taree, and ranging between \$516 and \$648 in Walcha, Uralla and Dungog.
- ▼ Average rural rates will be \$1,471 compared to our estimates of \$994 to \$1,266 in Uralla, Dungog, Great Lakes and Greater Taree, and \$483 in Walcha.
- ▼ Average farmland rates will be about mid-range at \$3,629 compared to surrounding council areas ranging from \$1,768 in Greater Taree to \$3,865 in Walcha.¹⁸

Gloucester Council has a SEIFA rating of 47, of 152 councils. This is lower than three surrounding councils, indicating less capacity to pay increases, but higher than neighbouring Greater Taree and about mid-range compared to other Group 10 councils.

We have received five submissions from ratepayers and one on behalf of the NSW Farmers, Gloucester Branch, all of which object to the council's application on account of farmers and residents' inability to pay the proposed increases, citing a recent drought in the area and depressed cattle prices and economy generally. Additionally we received a submission from the Australian Hoteliers Association on behalf of its members in the LGA, in opposition to the increase.

The council's consideration of impact on ratepayers

In its assessment of the affordability of the special variation increase the council:

- ▼ sought community feedback on four proposed special variation options, and
- ▼ engaged Hunter Research to conduct an affordability study for the area, and compare average income and rates to surrounding LGAs.

Based on community feedback, the council re-evaluated its position and applied for a smaller percentage increase and a shorter term special variation than its preferred option, with the view to reassess the situation in three years and the possibility of making another special variation application.¹⁹

¹⁸ Gloucester Council, *Application Part B*, p 49, Gloucester Council, *Application Part A*, Worksheet 5a and IPART calculations. These figures are indicative only. We have made these calculations assuming a rate peg of 3% applied to all rating categories in the surrounding council areas evenly across rating categories, and have included a previously approved special variation to Upper Hunter's rates. We note that the other councils might apply for special variation in the future.

¹⁹ Gloucester Council, *Application Part B*, Attachment, *Resolution to apply for the special variation*, p 1.

Using the information provided by Hunter Research, the council concluded that the rate increases are affordable, having calculated that the maximum annual rate increases represent between 0.3% and 1.5% of gross household income for most households (based on ABS results from 2011 showing that 59% of households had a gross income from \$20,000 to \$100,000pa).²⁰ We note that another 10.5% of households are in the \$15,600 to \$20,748 income bracket.²¹

The council acknowledges that there will be a significant impact of the special variation on rates and has taken measures to share the impact, by:

- ▼ Introducing a hardship policy. The policy offers payment plans and waives interest accrued on unpaid rates. There is additional assistance to pensioners including the statutory pensioner rebate and an option for council to extend the pensioner concession to a person not otherwise eligible for pensioner status.²²
- ▼ Increasing the base rate from \$230 to \$350 across all categories, to reduce the burden of an increased ad valorem rate on the more valuable (larger) properties.
- ▼ Applying an average 11.8% increase on farmers rather than 13%, to reduce the burden.
- ▼ Applying an average 10.4% increase on business rates to counter previous year increases and reduce the burden.²³
- ▼ Applying a higher increase of 18.3% to average residential village rates, to bring them in line with town rates, taking account of access to services such as the library and pool.

4 What does our decision mean for the council?

Our decision means that Gloucester Council may increase its general income over the 3-year special variation period from \$3.94 million in 2014-15 to \$5.70 million in 2017-18. Table 4.1 shows the annual increases in the dollar amounts to the council's general income. These amounts reflect the percentage increases we have approved and, in 2015-16, adjustments that occur as a result of various catch-up and valuation adjustments.

²⁰ Gloucester Council, *Application Part B*, p 38.

²¹ Gloucester Council, *Application Part B*, p 38 and IPART calculations.

²² Gloucester Council, *Application Part B*, p 56, and Gloucester Council, *Application Part B, Attachment 7 Hardship Policy*, pp 1-5.

²³ Gloucester Council, *Application Part B*, p 55.

These increases will be permanently incorporated into the council's revenue base. After 2017-18, the council's permissible general income will increase by the annual rate peg unless we approve a further special variation.²⁴

Table 4.1 Permissible general income of Gloucester Shire Council from 2015-16 to 2017-18 arising from the special variation approved by IPART

Year	Increase approved (%)	Cumulative increase approved (%)	Annual increase in general income (\$)	Permissible general income (\$)
Adjusted notional income 30 June 2015 ^a				3,944,826
2015-16	13	13.00	520,233	4,465,059
2016-17	13	27.69	580,458	5,045,517
2017-18	13	44.29	655,917	5,701,434

^a A prior catch-up of \$7,406 that had not been recouped by the time of the application was submitted to IPART is to be recouped in 2015-16.

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

The council estimates that over these three years, the additional rates revenue will accumulate to \$2.77 million above the council assumed rate peg.

This extra income is the amount the council requested to enable it to undertake additional capital expenditure to maintain traffic infrastructure at acceptable standards and to enhance its financial sustainability.

5 What does our decision mean for ratepayers?

IPART sets the allowable increase in general income, but it is a matter for each individual council to determine how it allocates any increase across different categories of ratepayer, consistent with our determination.

In its application, Gloucester Council indicated that it intended to apply different increases across the rating categories in the first year, then uniformly in the following year, although this remains subject to change.

²⁴ General income in future years cannot be determined with precision, as it will be influenced by several factors apart from the rate peg. These factors include changes in the number of rateable properties and adjustments for previous under- or over-collection of rates. The Office of Local Government is responsible for monitoring and ensuring compliance.

The council has calculated that:

- ▼ the average residential rate will increase by a cumulative 46.75%, with increases of 14.93% or \$119 in the first year
- ▼ the average business rate will increase by a cumulative 40.97%, with increases of 10.40% or by \$136 in the first year, and
- ▼ the average farmland rate will increase by a cumulative 42.74%, with increases of 11.78% or \$300 in the first year.²⁵

Table 5.1 sets out Gloucester Council's estimates of the expected increase in average rates in each of ratepayer categories.

Table 5.1 Indicative annual increases in average rates under Gloucester Shire Council's approved special variation 2015-16 to 2017-18

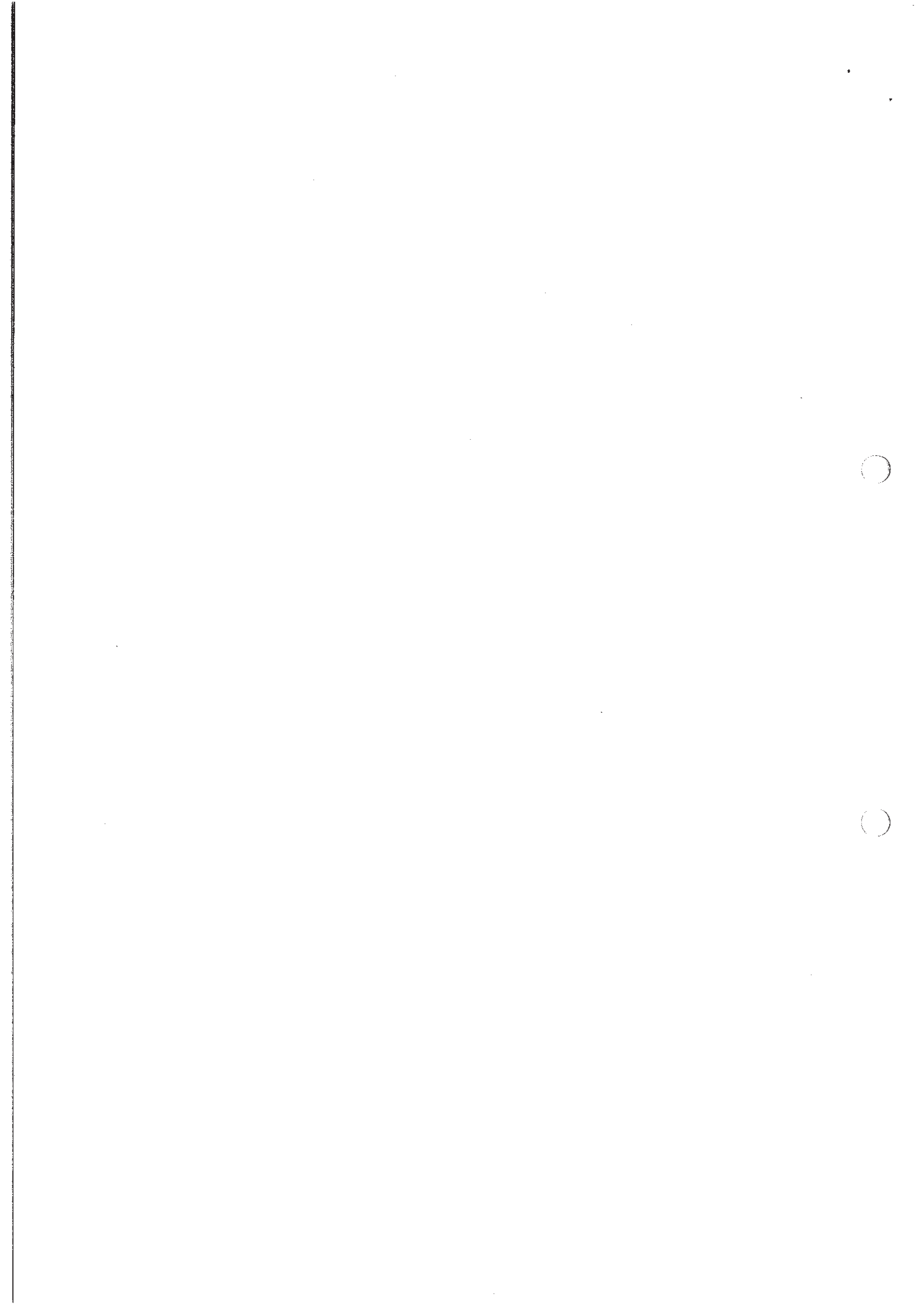
Year	2015-16	2016-17	2017-18	Cumulative increase
Residential rates				
Gloucester-\$ increase	97	101	114	312
% increase	14.33	13	13	45.98
Village - \$ increase	120	100	114	334
% increase	18.33	13	13	51.10
Rural - \$ increase	150	150	169	469
% increase	14.99	13	13	46.83
Farmland rate				
\$ increase	300	370	418	1,087
% increase	11.78	13	13	42.74
Business rates				
Industrial/Commercial - \$ increase	137	191	215	543
% increase	10.34	13	13	40.90
Other - \$ increase	112	141	160	412
% increase	11.45	13	13	42.31
Mining rate^a				
\$ increase	5,961	5,742	6,488	18,191
% increase	15.6	13	13	47.61

a The mining rate includes one large gold mining assessment, one coal mining assessment, and two small assessments classified as 'other'.

Note: Council has applied an indicative increase of 13% to each rating category in the years 2016-17 and 2017-18. These increases are subject to change.

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

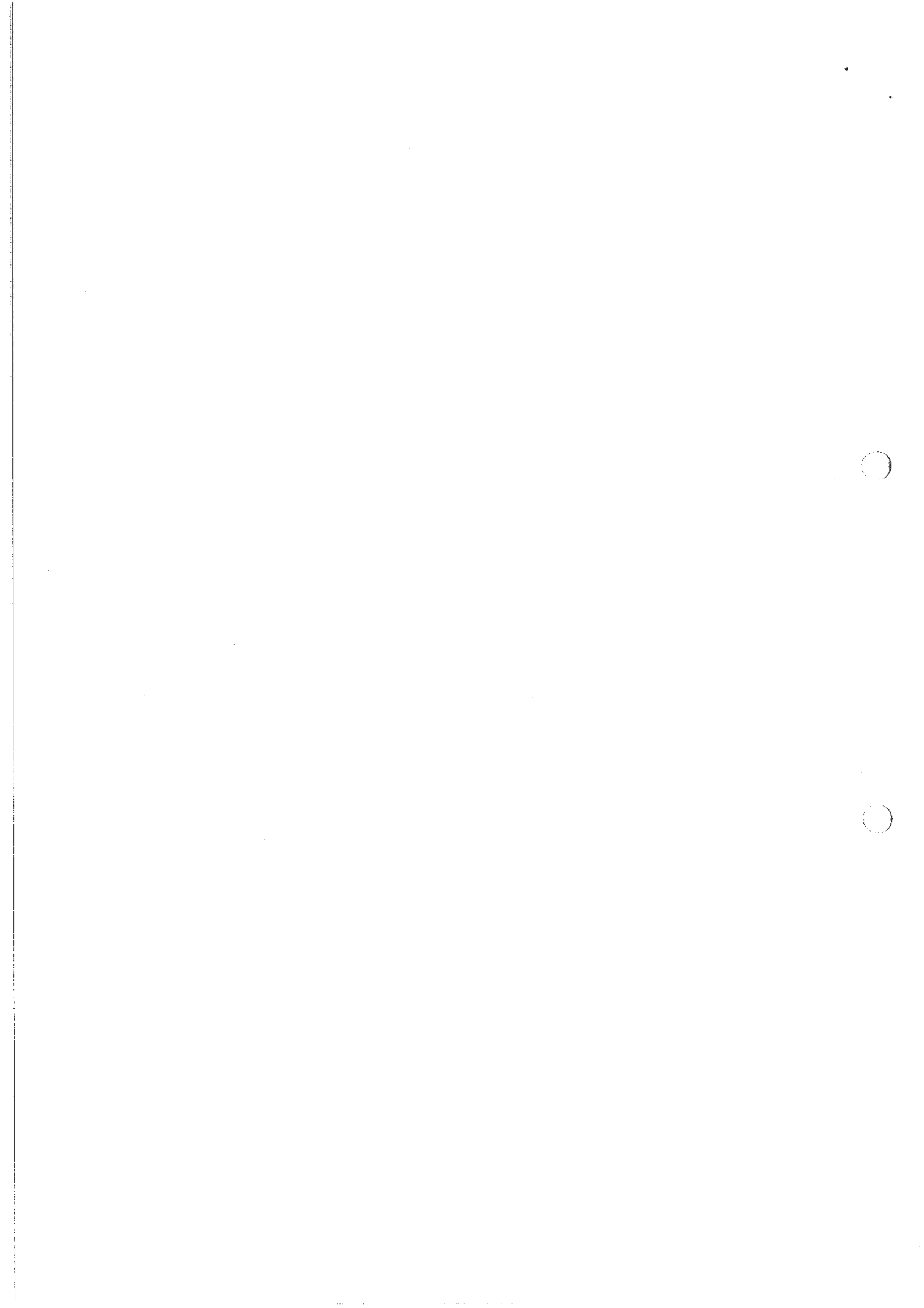
²⁵ Gloucester Council, *Application Part A, Worksheet 5a*.





Appendices





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

Table A.1 show Gloucester Council's proposed expenditure of the special variation funds over the next 10 years.

The council will use the special variation revenue above the rate peg of \$13.8 million over 10 years to fund capital infrastructure renewal.²⁶

As a condition of IPART's approval, the council will indicate in its Annual Reports how its actual expenditure compares with this proposed program of expenditure.

²⁶ Gloucester Council, *Application Part A*, Worksheet 6.

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

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Special variation income above rate peg	418	877	1,408	1,450	1,494	1,539	1,585	1,632	1,681	1,732	13,816
Funding for capital expenditure	412	889	1,438	1,474	1,510	1,548	1,587	1,626	1,667	1,709	13,860
Capital Expenditure											
Footpath Replacement	110	25	48		96	58	52	49	44	151	633
Refurbish Buildings				11	228	377	140			76	832
Renew Bridges/Causeways	30	18	822	18	450	119	98	89		294	1,938
Replace Safety Fencing	83			9	22	265	62				441
Replace Signs	5	9	4			2	11	17	51	93	192
Road Reconstruction	164	792	193	1,705	1,573	1,462	2,118	2,344	1,444	1,126	12,921
Road Resealing			297	221	284	437	306	359	1,389	1,262	4,555
Roadside Furniture											0
SDS&A	20	44	72	104	140	143	147	150	154	158	1,132
Total	412	888	1,436	2,068	2,793	2,863	2,934	3,008	3,082	3,160	22,644

Note: Numbers may not add due to rounding. The proposed total expenditure in Table A.1 may be greater than the additional income from the special variation because the council may be drawing on its reserves or funding from other sources for the program of expenditure.

Source: Gloucester Council, *Application Part A, Worksheet 6 and Application Part B*, p 15.

B Comparative indicators

Performance indicators

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

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

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

Performance indicator	2009-10	2010-11	2011-12	2012-13	Average change (%)
FTE staff (number)	86	91	86	88	0.8
Ratio of population to FTE	59	56	58	57	-1.5
Average cost per FTE (\$)	59,395	61,912	64,221	70,000	5.6
Employee costs as % operating expenditure (General Fund only) (%)	39.2	38.7	36.8	36.9	
Consultancy/contractor expenses (\$'000)	1,175	1,081	1,108	1,011	-4.9
Consultancy/contractor expenses as % operating expenditure (%)	9.0	7.1	7.4	6.1	

Note: Except as noted, data is based upon total council operations that include General Fund, Water & Sewer and other funds, if applicable. Gloucester Council had water and sewer operations until 2012 when they were transferred to Midcoast Water.

Source: OLG, unpublished data.

General comparative indicators

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

As indicated in section 3, Gloucester Council is in OLG Group 10. Unless specified otherwise, the data refers to the 2012-13 financial year.

Table B.2 Select comparative indicators for Gloucester Shire Council, 2012-13

	Gloucester Shire Council	OLG Group 10 average	NSW average
General profile			
Area (km ²)	2,996	-	-
Population	5,016	-	-
General Fund operating expenditure (\$m)	16.7	-	-
General Fund operating revenue per capita (\$)	2,527	2,561	2,026
Rates revenue as % General Fund income (%)	29.2	26.3	46.8
Own-source revenue ratio (%)	36.9	49.5	71.1
Average rate indicators^a			
Average rate – residential (\$)	616	515	712
Average rate – business (\$)	483	1,141	2,688
Average rate – farmland (\$)	2,650	2,248	2,194
Socio-economic/capacity to pay indicators^b			
Average annual income for individuals, 2011 (\$)	36,708	41,325	49,070
Growth in average annual income, 2006-2011 (% pa)	3.4	6.0	5.2
Average residential rates 2012-13 to average annual income, 2011 (%)	1.7	1.3	1.5
SEIFA, 2011 (NSW rank: 153 is least disadvantaged)	47		
Outstanding rates and annual charges ratio (General Fund only) (%)	4.9	7.5	6.0
Productivity (labour input) indicators^c			
FTE staff (number)	88	105	294
Ratio of population to FTE	57	71	127
Average cost per FTE (\$)	70,000	66,915	75,736
Employee costs as % operating expenditure (General Fund only) (%)	36.9	35.1	37.1
Consultancy/contractor expenses (\$m)	1.0	2.3	7.8
Consultancy/contractor expenses as % operating expenditure (%)	6.1	9.3	10.3

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

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

^c Except as noted, data is based upon total council operations, including General Fund, Water & Sewer and other funds, if applicable. There are difficulties in comparing councils using this data because councils' activities differ widely in scope and they may be defined and measured differently between councils.

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