

NOTICE OF EXTRAORDINARY MEETING

Notice is hereby given that a meeting of

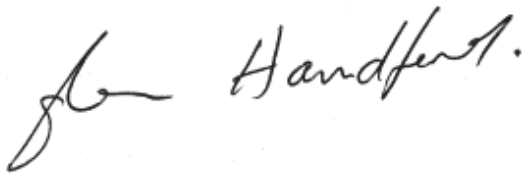
MidCoastCouncil

Will be held at the Forster Administration Centre, 4 Breese Parade, Forster

31 MAY 2017 AT 2.00PM

The order of the business will be as detailed below (subject to variation by Council)

1. Acknowledgement of Country
2. Declaration of Pecuniary or Conflicts of Interest (nature of Interest to be Disclosed)
3. Apologies
4. Matters for Information
5. Close of Meeting



Glenn Handford
INTERIM GENERAL MANAGER

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DIRECTOR CORPORATE & BUSINESS SYSTEMS

1 ADDENDUM TO MCC DELIVERY PROGRAM-OPERATIONAL PLAN TO INCLUDE SRV SCENARIO

Report Author Steve Embry, Director Corporate & Business Systems

File No. / ECM Index 2016-2017 DPOP Addendum with SRV

Date of Meeting ExtraOrd 31 May 2017

SUMMARY OF REPORT

An addendum to MidCoast Council's current Delivery Program/Operational Plan was adopted for exhibition at the Extraordinary Council meeting held on 1 May 2017. The addendum provides details of Council's proposed special rate variation to address underfunding of renewals of Council's road and bridge assets, to start addressing the significant asset backlog and support ongoing financial sustainability. The proposal also includes the harmonisation of the Environmental Levy across the MidCoast area at 6% ongoing.

In accordance with the recommendation from that meeting and in line with Integrated Planning & Reporting legislation the addendum was placed on public exhibition for a period of 28 days. The exhibition period closes on 29 May 2017. Submissions will be reviewed and a report will be published on Council's website by close of business on 30 May.

This report will present information on the submissions received on areas of common concern in the community. Depending on the assessment of those submissions the report may also recommend that Council lodge a Special Variation application with the Independent Pricing and Regulatory Tribunal for 2017-2018.

SUMMARY OF RECOMMENDATION

That Council note the information provided in the report.

FINANCIAL/RESOURCE IMPLICATIONS

Financial implications will be covered in the report to be provided on 31 May 2017.

LEGAL IMPLICATIONS

Legislation was recently passed in the NSW Parliament to allow MidCoast Council to apply for a special rate variation under the Local Government Amendment (Rates - Merged Council Areas) Bill 2017. As part of the application process Council is required to exhibit an addendum to the current Delivery Program/Operational Plan to include the special rate variation proposal.

BACKGROUND

An addendum to Council's 2016-2017 Delivery Program/Operational Plan has been on public exhibition from 1 May with the exhibition period closing on 29 May 2017 in accordance with Integrated Planning & Reporting legislation. The addendum includes a special rate variation scenario to address underfunding of renewals of Council's road and bridge assets, as well as to start addressing the significant asset backlog and support ongoing financial sustainability. The proposal also includes the harmonisation of the Environmental Levy across the MidCoast area at 6% ongoing.

DISCUSSION

Following the public exhibition period, a report will be prepared that discusses submissions made and any action that will be taken to address issues of common concern within the community.

Based on the assessment of the submissions, it may be recommended that Council proceed with lodgement of a Special Variation application with the Independent Pricing & Regulatory Tribunal (IPART) for 2017-2018.

CONSULTATION

The addendum has been on public exhibition in line with legislative requirements, from 1 - 29 May 2017. A significant community engagement program was undertaken in October-November 2016 which built upon community engagement that each of the former three Councils (Greater Taree, Great Lakes and Gloucester) had undertaken on the need for special rate variations to address asset maintenance, renewal and backlog issues.

Further information will be included in the report to be provided at the Extraordinary Council meeting on 31 May 2017.

ALIGNMENT WITH COMMUNITY PLAN/OPERATIONAL PLAN

As a merged Council the requirement to have a Community Strategic Plan (CSP) is fulfilled by the CSPs of the former Councils. All three (3) former Councils identified assets and the environment as priorities in the respective CSPs and that is reflected in the current planning for the MidCoast area. The following extracts from each of the region's CSPs indicates the importance that the MidCoast community places on maintenance of the transport network and the natural environment.

MidCoast Council has commenced engagement with its community regarding a CSP for the area, through workshops regarding the MidCoast identity. This engagement will continue and a CSP will be presented to the new Council for endorsement. In the meantime, the combined essence of the community priorities identified below has been used as a framework for MidCoast's IP&R framework.

Former Gloucester Shire Council CSP

Assets

Introduction

In addressing Direction one of the Community Strategic Plan, that public assets and infrastructure will be planned, managed and funded to meet agreed levels of service, a full condition assessment has been completed for all transport assets (roads, bridges, footpaths and kerbing). This shows that at our current revenue levels we do not have the capacity to fund a sustainable renewal and maintenance program. Council is looking at a range of revenue raising and cost reduction strategies and these continue to be progressed. However the magnitude of the maintenance and renewal backlog, particularly for roads and bridges clearly identifies that a significant rate increase is the only realistic means of rectifying the shortfall.

Key Direction - Maintaining core infrastructure

Objectives - Public assets and infrastructure will be planned, managed and funded to meet agreed levels of service; Ensure the road system meets the transport needs of the community; Adopt current best practice for design and maintenance of infrastructure

Strategies - Develop a comprehensive asset management capability; Resource and implement a prioritised maintenance program for all public assets, incorporating a risk management approach; Continue to engage with the community in relation to acceptable service levels for all public assets; Ensure achievement of road service levels identified in Council's Asset Management System; Implement the bridge and crossing replacement strategy; Review and improve road maintenance practices and procedures; Ensure public infrastructure and places are managed and maintained as safe, clean and inviting

Environment

Key Direction - Protecting the environment

Objectives - Provide effective environmental management in the Gloucester region; Manage environmental risks; Provide leadership in sustainability

Strategies - Improve knowledge and understanding of environmental issues; Prepare and support environmental strategies and plans; Develop, implement and support environmental management programs; Support catchment protection strategies; Maintain an active role in weed management; Respond to the impacts of climate change; Encourage environmentally sustainable development; Provide leadership in sustainability; Seek broad community engagement in environmental stewardship activity

Former Great Lakes Council CSP

Assets

Key Direction - Strong local economies

Objective - Provide transport infrastructure that meets current and future needs

Strategies - Identify transport network needs based on recognised asset management processes; Maintain transport network infrastructure to current service standard

Environment

Key Direction - Our environment

Objectives - Protect and maintain the natural environment so it is healthy and diverse; Prepare for the impact of sea level rise and climate change

Strategies - Undertaken an active management program to support a healthy environment that also provides for economic, recreational and cultural opportunities; encourage and support the community to embrace environmentally friendly behaviours and sustainable business practices; Manage the balance between natural siltation in our lakes and the provision of access for recreation and economic purposes; Reduce the impact of noxious weeds and invasive species on our environment through strategic management and education; Monitor and report on the health, productivity and diversity of the Great Lakes environment; Establish a risk based adaptation response to sea level rise and climate change

Former Greater Taree Council CSP

Assets

Key Direction - Looking after what we've got

Objective - To improve the current standard of infrastructure and plan for the future needs of the community

Strategies - Public assets and infrastructure will be planned, managed and funded to meet community needs and agreed levels of service; Ensure the road system meets the transport needs of the community

Environment

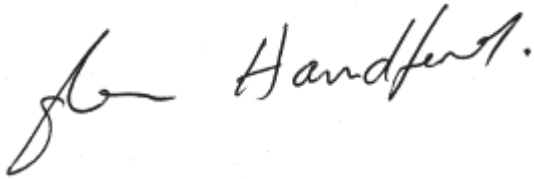
Key Direction - Respecting our environment

Objective - To recognise our responsibility as a community to protect and preserve the environment for future generations

Strategies - Maintain and enhance biodiversity, in accordance with the principles of ecologically sustainable development; Protect and preserve local water resources; Effective management of environmental risks and hazards; Ensure the preservation of quality agricultural land; Council is recognised for its leadership in sustainability; Community will have a high level of environmental knowledge and understanding

RECOMMENDATION

That Council note the information provided in the report.

A handwritten signature in black ink, appearing to read "Glenn Handford". The signature is written in a cursive style with a large initial "G".

Glenn Handford
GENERAL MANAGER

LATE REPORT 1 MCC EXTRAORDINARY MEETING 31 MAY 2017

LATE REPORT - ADDENDUM TO MCC DELIVERY PROGRAM-OPERATIONAL PLAN TO INCLUDE SRV SCENARIO

Report Author Steve Embry, Director Corporate & Business Systems

File No. / ECM Index 2016-2017 DPOP Addendum with SRV

Date of Meeting ExtraOrd 31 May 2017

SUMMARY OF REPORT

An addendum to MidCoast Council's current Delivery Program/Operational Plan was adopted for exhibition at Council's Extraordinary meeting held on 1 May 2017. The addendum provides details of Council's proposed special rate variation to address underfunding of renewals on Council's road and bridge assets, to start addressing the significant asset backlog and support ongoing financial sustainability. The proposal also includes the harmonisation of the Environmental Levy across the MidCoast area at 6% on a permanent basis.

In accordance with the recommendation from that meeting and in line with Integrated Planning & Reporting legislation the addendum was placed on public exhibition for a period of 28 days. The exhibition period closed on 29 May 2017.

This report presents information on the submissions received on areas of common concern in the community and seeks adoption of the addendum to the 2016/2017 Delivery Program/Operational Plan. The report also seeks a formal Council resolution to make an application to the Independent Pricing and Regulatory Tribunal (IPART) for a special rate variation to its general income commencing in 2017/218.

SUMMARY OF RECOMMENDATION

- 1 That Council adopt the addendum to the 2016/2017 Delivery Program/Operational Plan that includes a special rate variation proposal, and note the submissions received during the public exhibition period.
- 2 That Council make an application to the Independent Pricing and Regulatory Tribunal (IPART) under section 508A for a special variation to its general income being a 4 year permanent increase as follows:
 - 2017/2018 - 11% (inclusive of a 6% Environmental Levy and the rate peg)
 - 2018/2019 - 5% (inclusive of rate peg)
 - 2019/2020 - 5% (inclusive of rate peg)
 - 2020/2021 - 5% (inclusive of rate peg)

The purpose of the increase is to address underfunding of renewals on Council's road and bridge assets, to start addressing the asset backlog and support ongoing financial sustainability. The increase will also harmonise and support an environmental program across the MidCoast local government area. All current special variations would be forgone and replaced by this proposal should it be approved.

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FINANCIAL/RESOURCE IMPLICATIONS

The special variation proposal would allow Council to address an annual \$5Million shortfall in funding renewals on the road and bridge network. If this funding gap is not addressed, a significant portion of assets in 'fair' condition will slip into poor and failed conditions, increasing the current \$180M backlog figure significantly.

LEGAL IMPLICATIONS

The addendum to the 2016/2017 Delivery Program/Operational Plan was placed on exhibition for 28 days in accordance with legislation. A proposal for a special variation must be included in Council's current plan prior to making application to IPART.

BACKGROUND

An addendum to Council's 2016-2017 Delivery Program/Operational Plan was on public exhibition from 1 - 29 May 2017 in accordance with Integrated Planning & Reporting legislation. The addendum includes a special rate variation scenario to address underfunding of renewals of Council's road and bridge assets, as well as to start addressing the significant asset backlog and to support ongoing financial sustainability. Importantly the proposal also includes the harmonisation of the Environmental Levy across the MidCoast area at 6% on a permanent basis. Support of environmental programs was a key priority of all three former Council's Community Strategic Plans and Delivery Programs.

Council received 32 submissions during the exhibition period. This included one submission that attached an on-line petition with 267 petitioners' names, as well as comments from some of the petitioners. The submissions received were not supportive of lodgement of a Special Rate Variation application to IPART. A summary of the areas of common concern raised in those submissions are addressed below.

A summary of Council's engagement activities and community surveys are also included.

Following assessment of the submissions, review of community engagement undertaken in late 2016 and consideration of responsible asset management approaches it is recommended that Council adopt the addendum to the 2016/2017 Delivery Program/Operational Plan and resolve to apply to IPART for a special variation under section 508A for a 4 year permanent increase as follows:

- 2017/2018 - 11% (inclusive of a 6% Environmental Levy and the rate peg)
- 2018/2019 - 5% (inclusive of rate peg)
- 2019/2020 - 5% (inclusive of rate peg)
- 2020/2021 - 5% (inclusive of rate peg)

All current special variations would be forgone and replaced by this proposal should it proceed. *Note:* Great Lakes region currently pay a 6% Environmental Levy which will continue; Manning currently pay a 5% Environmental Levy which will continue and increase by 1%; and Gloucester have 1 year remaining of a 3 year x 13% increase which will be replaced by the above proposal if approved.

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DISCUSSION

SUBMISSIONS FROM PUBLIC EXHIBITION

A total of 32 submissions were received by close of business 29 May 2017. Areas of common concern raised in the submissions were the perceived lack of community engagement; non-democratic decision making process; affordability; and varying levels of average rates across the area. These concerns are addressed below.

Community engagement

MidCoast Council has undertaken extensive community engagement on merger progress and strategic challenges since its inception in May 2016. The messages have been consistent, with a focus on the integrated asset and financial position and challenges of the new entity; strategic approaches to address this; building relationships with its community; provision of ongoing services and activities throughout the integration period; and a focus on finding efficiencies and savings through the merger.

The engagement activities summarised below included material that clearly communicated the impact on ratepayers in each region including the cumulative impact. Council utilised IPART guidelines in the development of this information. This information was also included in the addendum to the Delivery Program/Operational Plan.

The need for a special variation was discussed at all of the community meetings and was the main focus of the October 2016 engagement program.

A summary of community engagement activities undertaken to date regarding Council's financial sustainability, asset management approach and SRV proposal are detailed below. Engagement activities undertaken by the 3 former Councils regarding the need for a special variation in the former three regions can be found in previous applications for special variations made by Great Lakes, Greater Taree City and Gloucester Shire Councils which are available on IPART's website.

Activity	Date	Focus area
Community meetings	March 2017	General update on Council asset & financial position, efficiencies & savings, MCC identity, OP, elections, MidCoast Water
	October 2016	MCC priority areas, integration activities, asset & financial position, SRV options and proposal including detailed information on impact on each region
	Jun/July 2016	First round of meeting as MCC, introduction & roles of MCC officials, where we've been, NSW key result areas, strategic frameworks, integration roadmap, challenges & opportunities, SRV option, local projects
Newsletters (published quarterly, included in all rate notices & on Council website)	April 2017	Explanation of benefits of resealing roads; information on Council's \$30M Roadcare program from Government funding and merger savings
	January 2017	Promotion of community meetings <i>No special mention of SRV as Guidelines had been issued which confirmed merged councils ineligibility to apply</i>

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Activity	Date	Focus area
	October 2016	Promotion of community meetings with dates, locations & times and topics for discussion; feature article on rates and potential SRV including FAQs
Community surveys	September 2016	JWS Research - community satisfaction survey coordinated by the Dept of Premier & Cabinet on behalf of newly merged councils
	November 2016	Jetty Research community survey commissioned by MCC to assess community knowledge of, support for and ability to pay for proposed SRV including Environmental Levy
Council website	June 2016 - May 2017	Promotion of community meeting dates and locations
		Copy of PowerPoint presentation available on website; community meeting presentations filmed and posted on website
		SRV page on website (and on home page at various times in this period) with relevant information and links to handouts from public meetings, presentations, SRV information package from community survey
		Addendum to DP on home page including links to relevant information, and link to 'make a submission'
		'Have your say' page includes prominent link to Addendum to DP consultation
Facebook	October 2016 - March 2017	Posts from Council promoting community meetings and topics (including SRV)
	June 2016 - May 2017	Regular posts regarding road works and funding, interviews with senior staff regarding SRV
Radio	October - November 2016 & April - May 2017	Various interviews with GM regarding SRV, MCC asset and financial position, and how merger savings & efficiencies have funded \$30M Roadcare program
	October - November 2016	Interviews re MCC activities which included promotion of community meetings
Newspapers	October - November 2016; May 2016	Papers throughout the MCC region - articles regarding potential SRV, intention to apply and promotion of community meetings; advertisement of DP addendum including SRV proposal
Public exhibition of IP&R documents	May 2017	Exhibition of Addendum to 2016-2017 delivery program/operational plan to include specific SRV scenario
	June 2016	Exhibition of first MCC combined delivery program/operational plan for 2016-2017*

September 2016 community satisfaction survey

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The Department of Premier and Cabinet (DPC) commissioned JWS Research to undertake a community satisfaction survey in September 2016 on behalf of recently merged councils. Extracts from the report are provided as context to the survey.

In a first for the NSW Local Government sector, the Department of Premier and Cabinet (DPC) coordinated delivery of this Community Satisfaction Survey amongst newly established councils in NSW in 2016. The survey is intended to produce data that will assist new councils in measuring success of implementation.

DPC together with new councils developed a success framework to guide the implementation of new councils and to measure progress. The Stronger Councils Framework defines a strong council as one that delivers results for their community, builds relationships and partnerships, and has the culture, people and capability to make this happen...

The 2016 survey is intended to provide baseline information on community views towards, and satisfaction with, the services of council. The research will be an important tool for councils to better understand what matters to their communities and enable them to focus their implementation activities to improve services, focus communications, enhance community perceptions of council and build stronger relationships between councils and their communities.

The 2016 survey is intended to provide baseline information on community views towards, and satisfaction with, the services of council, so as to inform priority areas for the newly formed councils to focus on.

The key focus area as identified by the MidCoast community in the JWS survey was:

- The condition of local streets and footpaths

This has been used as a guide for merger implementation activities and priorities. It is also an important consideration in the recommendation to proceed with an application for a special rate variation. With a high importance and low satisfaction rating, it is clear to MidCoast Council that the priority identified by each of the 3 former Councils in terms of increasing funding for roads, remains a priority for the MidCoast community as a whole.

November 2016 community survey - assets, environment & SRV proposal

Council commissioned Jetty Research to undertake a community survey to inform the proposed direction for addressing issues with funding of assets and the environment. The full report is provided as Attachment A. Jetty Research identified the following major conclusions of the survey.

- Satisfaction with community assets highlighted the need to repair and maintain roads and bridges. Over half were dissatisfied with the maintenance of sealed roads
- Awareness of Council's current position with regard to the poor condition of roads and lack of funding to bring them up to standard was high
- Knowledge of the poor state of the roads, backlog of unfunded renewal works and requirements for additional funding to fund repairs was high – 84%, 78% and 89% awareness respectively

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- While some confusion existed around Council's current level funding, the need for additional funding to stop the continued deterioration of bridges and roads was clearly the main take-out of the information pack, with almost nine in ten understanding (89%)
- Over half of residents (53%) suggested they would prefer better roads over lowest rates (just 12% were willing to sacrifice roads for the sake of lower rates and 35% were neutral.)
- Three-quarters of those polled supported the SRV to some degree (with 32% supporting it outright and a further 44% supporting it but believing the rate to be too high). There were regional differences in support
- Almost three quarters (74%) said they could afford to pay the 5% increase (28% comfortably and 46% if need be). Approximately one quarter of MidCoast Council residents (24%) would struggle to pay it , while the balance preferred not to answer
- Residents agreed that the environment is an important asset to the area (95%) and that maintaining the environment should remain a priority (87%)
- Over half of all residents (53%) suggested they would prefer more focus on the environment over lowest rates (while just 18% were willing to sacrifice the environment for the sake of lower rates)
- Support for the Environmental Levy was high, as was the ability to pay it
- Some 38% supported the proposed levy at the rate proposed, while 45% supported it in principle but felt the rate is too high. A further 15% did not see a need for any levy for the environment
- Four in five (80%) could afford to pay the associated increase to fund the Environmental Levy (40% comfortably and 40% if need be) while 18% said they would struggle to pay it
- Almost three in five (60%) said they could afford to pay the combined 11% SRV and Environmental Levy (20% comfortably and 40% if need be), while 38% felt they would struggle to pay it

Non-democratic decision making process

Concern was raised in a few submissions that the decision whether to proceed with a special variation should be made by the new Council after the scheduled election in September 2017. Some community members perceive that a decision made by Council under Administration is non-democratic.

All three former Councils highlighted the need for special rate variations through the Fit for the Future process to address existing asset renewal/backlog issues and financial sustainability issues. The rate path for each of the three former Councils included rate variations between 20% - 49%. Significant community engagement had already been undertaken by each of these Councils pre-merger. When MCC was formed it was obvious from the work done by each of the former Councils that a critical initial priority would be the consolidation of the asset information and financial position to determine a sustainable future for our community.

In addition, both Great Lakes and Greater Taree City Councils had applied to the IPART for a special rate variation for 2016/17. Due to the timing of the announcement of the

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amalgamations, a formal determination on these applications was not made. The Gloucester region had two years remaining (2016/17 and 2017/18) of an approved 3 year x 13% special rate variation and had flagged their intention to their community to seek a further special variation once the current approval expired.

The community strategic plans of all three former Councils also highlighted the importance of both asset provision and the natural environment. This has been covered in detail in the previous business paper for this meeting. Both Great Lakes and Greater Taree City Councils also had existing environmental levies, Great Lakes at 6% and Greater Taree at 5%. Gloucester did not have an environmental levy at the time of the merger.

If a decision on whether to apply for a special variation was held off until post-election, the unfunded renewal works (of \$5M annually) would be put on hold and the \$180M backlog would continue to increase, while road conditions would continue to deteriorate.

There would also be implications on harmonisation and extension of the environmental program to the Gloucester region, taking an 'all of catchment' approach as the current Environmental Levies for the Great Lakes and Manning regions may only be used in these regions in accordance with the formal determinations.

Affordability

Council is mindful of the impact that the special variation will have on ratepayers and in turn has proposed a modest variation that will still allow for improvement to the overall financial sustainability and the condition of local roads. At the same time, MidCoast continues to focus on finding efficiencies and savings through the merger, with \$4.829M savings made in 2016-2017. However, it is not enough to provide the verified \$5M on an annual basis that is required to fund the renewal of assets, let alone start to address the significant \$180M backlog.

Council has identified ongoing savings and efficiencies from the merger and is exceeding the KPMG merger business case targets. These merger savings have been reallocated to the road and bridge network. Along with NSW Government merger funding through the Stronger Communities – Major Projects Fund, a \$30million Roadcare Program has been developed. This is allowing for urgent renewal works to be undertaken, providing an immediate benefit to the community. However this does not address the annual \$5M shortfall in funds required to meet asset renewal requirements.

The Table below compares the average increase each year over a four year period of the current rate path (with the rate peg applied) to the proposed special rate variation (It should be noted that ratepayers in the Great Lakes and Manning regions already had Environmental Levies in their current rate path and Gloucester has another year of a 13% increase in its current rate path. Taking these into consideration is particularly relevant to the affordability issue):

Manning region

Current rate path equals an increase of **\$28pa** for the average residential property. With the proposed SV the average increase is **\$59pa**. An increase of **\$31pa** which equates to 59 cents per week (impact partially offset by the freeze in the waste charge)

Great Lakes region

Current rate path equals an increase of **\$32pa** for the average residential property.

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With the proposed SV the average increase is **\$64pa**. An increase of **\$32pa** which equates to 61 cents per week (impact partially offset by the freeze in the waste charge)

Gloucester region

Current rate path equals an increase of **\$59pa** for the average residential property.

With the proposed SV the average increase is **\$77pa**. An increase of **\$18pa** which equates to 34 cents per week (impact partially offset by the freeze in the waste charge)

When the NSW Government was investigating the merger proposal for the merger of the three Councils it appointed Dr Ian Tiley to undertake the investigation process. Dr Tiley's final report made several recommendations which addressed the existing rate paths of the former three Councils and made comment on the special rate variation proposals. The recommendations included:

- Implementation of special rate variations as contemplated by each council would enhance the likelihood of improved service delivery
- That the NSW Government's proposed four year fixed rate path policy not be applied

Harmonisation of rates across the MidCoast area

Harmonisation of rates was addressed in the proclamations that formed the merged councils in May 2016 and. At that time it was stated that:

The rating structure is to be reviewed within the first term of the new council following the first election of the council

In the MidCoast Council area, the average rate across the various rating categories (residential, business, farming etc) varies by region (Gloucester, Great Lakes, Manning). During Council's initial round of community information sessions in June/July 2016, it was clear that harmonisation of rates was a priority for the community.

Council has since advocated with the Government for this policy to change to allow the complex harmonisation process to commence sooner, however the Government's position has not shifted and recent legislation confirmed that the harmonisation of rates cannot occur until 2019/2020.

SUMMARY

Should Council resolve to make an application to IPART under section 508A for a special variation, a detailed application will be submitted that addresses each of the required criteria to allow assessment by IPART. The complete application will be made available on the MidCoast Council website.

RECOMMENDATION

- 1 That Council adopt the addendum to the 2016/2017 Delivery Program/Operational Plan that includes a special rate variation proposal, and note the submissions received during the public exhibition period.

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- 2 That Council make an application to the Independent Pricing and Regulatory Tribunal (IPART) under section 508A for a special variation to its general income being a 4 year permanent increase as follows:
- 2017/2018 - 11% (inclusive of a 6% Environmental Levy and the rate peg)
 - 2018/2019 - 5% (inclusive of rate peg)
 - 2019/2020 - 5% (inclusive of rate peg)
 - 2020/2021 - 5% (inclusive of rate peg)

The purpose of the increase is to address underfunding of renewals on Council's road and bridge assets, to start addressing the asset backlog and support ongoing financial sustainability. The increase will also harmonise and support an environmental program across the MidCoast local government area. All current special variations would be forgone and replaced by this proposal should it proceed.

ATTACHMENTS

Attachment A - November 2016 community survey - Jetty Research

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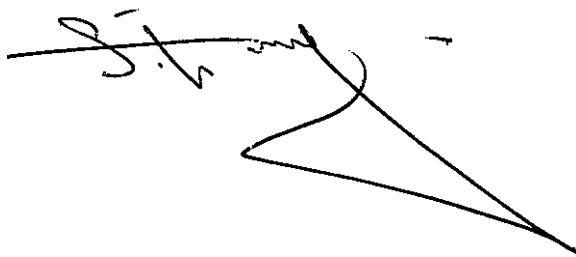
MidCoastCouncil

Will be held at the Forster Administration Centre, 4 Breese Parade, Forster

1 MAY 2017 AT 2.00 PM

The order of the business will be as detailed below (subject to variation by Council)

1. Acknowledgement of Country
2. Declaration of Pecuniary or Conflicts of Interest (nature of Interest to be Disclosed)
3. Matters for Information
4. Close of Meeting

A handwritten signature in black ink, appearing to read 'Steve Embry', with a large, stylized flourish extending downwards and to the right.

**STEVE EMBRY
ACTING INTERIM GENERAL MANAGER**

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1 ADDENDUM TO MCC DELIVERY PROGRAM-OPERATIONAL PLAN TO INCLUDE SRV SCENARIO

Report Author Steve Embry, Director Corporate & Business Systems

File No. / ECM Index Delivery Program/Operational Plan 2016/17 MidCoast Council

Date of Meeting ExtraOrd 1 May 2017

SUMMARY OF REPORT

An addendum to MidCoast Council's current Delivery Program/Operational Plan will be tabled at an Extraordinary meeting on 1 May 2017. In accordance with Integrated Planning & Reporting legislation the addendum will then be placed on public exhibition for a period of 28 days. The addendum will provide details of Council's proposed special rate variation to address underfunding of depreciation of Council's road and bridge assets, to start addressing the significant asset backlog and support ongoing financial sustainability.

SUMMARY OF RECOMMENDATION

That the addendum to MidCoast Council's 2016-17 Delivery Program/Operational Plan be placed on public exhibition for a period of 28 days.

FINANCIAL/RESOURCE IMPLICATIONS

Financial implications of the special rate variation proposal will be covered in the report to be tabled on 1 May 2017.

LEGAL IMPLICATIONS

Legislation was recently passed in the NSW Parliament to allow MidCoast Council to apply for a special rate variation under the Local Government Amendment (Rates - Merged Council Areas) Bill 2017. As part of the application process Council is required to exhibit an addendum to the current Delivery Program/Operational Plan to include the special rate variation proposal.

BACKGROUND

The value of MidCoast Council's assets total \$3.5 billion, with the most significant portion being road and bridge assets with a value of \$2.46 billion (76% of the asset base).

All three former Councils (Greater Taree, Great Lakes and Gloucester) highlighted the need for special rate variations through the Fit for the Future process to address existing asset renewal and backlog issues as well as financial sustainability.

Both Great Lakes and Greater Taree Councils had applied to the Independent Pricing and Regulatory Tribunal (IPART) for a special rate variation for 2016/17. Due to the timing of the amalgamations, a formal determination on these applications was not made. The Gloucester region has one year remaining of an approved 3 year x 13% special rate variation and had flagged their intention to apply for an additional increase.

When MCC formed it was evident that a critical initial priority would be consolidation of the asset and financial position to determine a sustainable path forward for our community.

The investigation of Council's asset position found a combined asset backlog of \$180M, and underfunding of depreciation for roads and bridges by \$5M annually. Until Council can fund its depreciation the asset backlog will increase.

Since the merger, Council has identified ongoing savings far exceeding the KPMG merger business case scenario. By committing these merger savings to our roads and bridges, along with additional merger funding through the Stronger Communities – Major Projects Fund, a \$30M Roadcare Program has been developed. Whilst this is a great result for a newly merged Council, it will not address the yearly \$5M gap in funding depreciation let alone the significant backlog.

As long as this funding gap remains, the condition of assets will decline. Council is aware that this result is unacceptable to our community as they consistently rate roads as in need of significant improvement as well as their highest priority service area.

Council developed a strategy to address the asset funding shortfall involving a special rate variation. This proposal was discussed with the community in October 2016 during a community engagement program across the MidCoast area. The proposal presented was based on an increase of 5% (including the rate peg), each year over a 4 year period. In addition, Council proposed to harmonize the environmental rate at 6% across the MidCoast local government area.

MCC also commissioned a statistically valid community survey in November 2016. Survey results indicate that 76% support a special rate variation at the proposed level or slightly lower. This is a noteworthy result for a newly merged Council and clearly demonstrates the community's understanding of Council's position.

Council is conscious of potential issues around affordability and impact on the ratepayer. As part of our proposal we are also freezing the Domestic Waste Management Charge for three (3) years which will help offset the financial impact of the rate rise.

The average increase per region is indicated below. An analysis of Council's special rate variation proposal will be included in the report to be tabled at the meeting on 1 May 2017 and available on Council's website.

Manning Region based on average residential rate of \$1068	Average increase per year	Average increase per week
	\$59 per year	\$1.13 per week
Great Lakes Region based on average residential rate of \$1235	Average increase per year	Average increase per week
	\$64 per year	\$1.23 per week
Gloucester Region based on average residential rate of \$1081	Average increase per year	Average increase per week
	\$77 per year	\$1.48 per week

DISCUSSION

At the time of Council's community engagement in October-November 2016 the NSW Government held a position that merged councils would maintain the pre-merger rate paths of the former councils (excluding increases due to the annual rate peg amount).

This position was formalised on 29 March 2017 in the *Local Government Amendment (Rates - Merged Council Areas) Bill 2017* (Annexure A). The Bill amended the Local Government Act 1993 and the following specific clauses which provide special dispensation for MidCoast Council are now included in section 218CB of the Act:

(8) Nothing in this section prevents Mid-Coast Council from making an application under section 508A during the relevant period. And

(11) Any prohibition that expressly prevents any new council from making an application under section 508A that is contained in the guidelines made under that section does not apply to Mid-Coast Council.

In addition, on 4 April 2017 the Office of Local Government published an Addendum Guidelines (Annexure B) to the *Guidelines for the Preparation of an Application for a Special Variation to General Income for 2017/18*. This Addendum provided additional information on the dispensation for MidCoast Council in relation to application for a special rate variation for 2017/18.

Taking these special circumstance provisions into account, it is now proposed to proceed with the process to seek a special rate variation to address Council's asset and financial position.

In order to meet the requirements of the Guidelines and the Integrated Planning & Reporting legislation, Council is required to exhibit an addendum to its current Delivery Program/Operational Plan and place the addendum on public exhibition for a period of 28 days. The addendum will be tabled at an Extraordinary meeting on 1 May 2017. The addendum will provide details of Council's proposed special rate variation to address underfunding of depreciation of Council's road and bridge assets, as well as to start addressing the significant asset backlog.

RECOMMENDATION

That the addendum to MidCoast Council's 2016-17 Delivery Program/Operational Plan be placed on public exhibition for a period of 28 days.



STEVE EMBRY
ACTING INTERIM GENERAL MANAGER

ANNEXURES:

A: Local Government Amendment (Rates - Merged Council Areas) Bill 2017

Second print



New South Wales

**Local Government Amendment (Rates—
Merged Council Areas) Bill 2017**

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b2016-152 d09

This PUBLIC BILL, originated in the LEGISLATIVE COUNCIL and, having this day passed, is now ready for presentation to the LEGISLATIVE ASSEMBLY for its concurrence.

Legislative Council

Clerk of the Parliaments.



New South Wales

Local Government Amendment (Rates— Merged Council Areas) Bill 2017

Act No , 2017

An Act to amend the *Local Government Act 1993* with respect to the maintenance of pre-merger rate paths for land in the areas of newly merged councils; and for related purposes.

The Legislature of New South Wales enacts:	1
1 Name of Act	2
This Act is the <i>Local Government Amendment (Rates—Merged Council Areas) Act 2017</i> .	3
	4
2 Commencement	5
This Act commences on the date of assent to this Act.	6

Schedule 1	Amendment of Local Government Act 1993 No 30	1
Section 218CB		2
Insert after section 218CA:		3
218CB	Transitional provision for maintenance of pre-amalgamation rate paths	4
(1)	The Minister may make a determination for the purpose of requiring a new council, in levying rates for land, to maintain the rate path last applied for the land by the relevant former council.	5 6 7
(2)	A determination applies to the levying of rates by the new council for the 3 rating years immediately following the rating year for which the relevant proclamation makes provision for the levying of rates (the <i>relevant period</i>).	8 9 10
(3)	Without limiting the content of a determination, a determination is to set out the methodology that the new council is to apply when setting rates for land for the relevant period, including in relation to the following:	11 12 13
(a)	the structure of rates,	14
(b)	the categorisation or subcategorisation of land for rating purposes,	15
(c)	the calculation of the new council's notional general income for rating purposes,	16 17
(d)	the treatment of any variation of a former council's notional general income under Part 2 of Chapter 15 that would have been applicable, had the amalgamation effected by the relevant proclamation not occurred, to the determination of rates and charges for land within the new area.	18 19 20 21
(4)	A determination must be published in the Gazette and may be revoked or varied only by a further determination of the Minister published in the Gazette.	22 23
(5)	While a determination is in force, the provisions of this Act that apply in relation to rates are modified to the extent necessary to give effect to the determination.	24 25 26
(6)	This section does not apply to a new council constituted before 12 May 2016.	27
(7)	This section does not affect any power to make a proclamation under this Part relating to rates.	28 29
(8)	Nothing in this section prevents Mid-Coast Council from making an application under section 508A during the relevant period.	30 31
(9)	A determination under this section is to take into account a determination under section 508A made on an application referred to in subsection (8).	32 33
(10)	A determination under section 508A made on an application referred to in subsection (8) has effect despite subsection (5).	34 35
(11)	Any prohibition that expressly prevents any new council from making an application under section 508A that is contained in the guidelines made under that section does not apply to Mid-Coast Council.	36 37 38
(12)	In this section: <i>former council</i> , in relation to a new council, means a council of a former area. <i>new area</i> means the area constituted by the amalgamation of areas (<i>former areas</i>) by the relevant proclamation.	39 40 41 42

new council means the council of a new area constituted by section 219. 1
relevant proclamation means the proclamation made pursuant to Part 1 of 2
Chapter 9 that amalgamates former areas into the new area and constitutes the 3
new council. 4

- B: Office of Local Government Addendum Guidelines to the Guidelines for the Preparation of an Application for a Special Variation to General Income for 2017/2018



ADDENDUM GUIDELINES

TO THE GUIDELINES FOR THE PREPARATION OF AN APPLICATION FOR A SPECIAL VARIATION TO GENERAL INCOME FOR 2017/2018 ISSUED ON 15 DECEMBER 2016

1. Introduction

- 1.1 This instrument is issued by the Chief Executive of the Office of Local Government (**Chief Executive**) pursuant to the *Local Government Act 1993* as Addendum Guidelines to the *Guidelines for the Preparation of an Application for a Special Variation to General Income for 2017/2018* issued by the Chief Executive on 15 December 2016 (**the Guidelines**).
- 1.2 Terms used in these Addendum Guidelines that are defined in the Guidelines have the meaning provided in the Guidelines.
- 1.3 These Addendum Guidelines commence on the date they are issued by the Chief Executive.

2. Application timetable for Mid-Coast Council for 2017/18

- 2.1 The application timetable for Special Variation for 2017/18 set out in Part 8.2 of the Guidelines does not apply to:
 - (a) Mid-Coast Council, or
 - (b) IPART, as the Minister's delegate for the purposes of s. 508A of the *Local Government Act 1993*, with respect to acceptance and determination of an application for Special Variation made by Mid-Coast Council.
- 2.2 The requirement to lodge an application on or before 13 February 2017 contained in Attachment 5 to the Guidelines does not apply to Mid-Coast Council with respect to an application for Special Variation for 2017/18.
- 2.3 IPART will determine any application for Special Variation for 2017/18 made by Mid-Coast Council within 90 days of receipt of such application.

4 APRIL 2017

**Addendum to 2016-17 delivery program &
operational plan**

**Special rate variation proposal
for 2017-2018**

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1- INTRODUCTION & BACKGROUND

What is a special rate variation (SRV)?

A SRV allows councils to increase general income above the rate peg, which has been set by the Independent Pricing and Regulatory Tribunal (IPART) at 1.5% for 2017-18. The Local Government Act 1993 (NSW) provides for two types of SRVs - either a single year percentage increase or successive annual percentage increases over a period of between 2 and 7 years.

A council can apply to IPART for a Special Variation to the rate peg which is then considered against the Guidelines set by the NSW Office of Local Government. The Guidelines include the level of community awareness and how efficiently the council has been managing its finances.

Council requests for Special Rate Variations are often in order to develop or maintain essential community infrastructure or regional projects.

Don't merged councils have to maintain pre-merger rate paths of the former councils?

Prior to 29 March the NSW Government held a position that merged councils would maintain the pre-merger rate paths of the former councils (excluding increases due to the annual rate peg amount). This position was formalised on 29 March 2017 in the *Local Government Amendment (Rates - Merged Council Areas) Bill 2017* (Annexure 1). The Bill amended the Local Government Act 1993 and included the following specific clauses in section 218CB of the Act which provide special dispensation for MidCoast Council:

(8) Nothing in this section prevents Mid-Coast Council from making an application under section 508A during the relevant period. And

(11) Any prohibition that expressly prevents any new council from making an application under section 508A that is contained in the guidelines made under that section does not apply to Mid-Coast Council.

In addition, on 4 April 2017 the Office of Local Government published an Addendum Guidelines (Annexure 2) to the *Guidelines for the Preparation of and Application for a Special Variation to General Income for 2017/18*. This Addendum provided additional information in regards to the application timetable for MidCoast Council for 2017/18.

What were the pre-merger rate paths of the former Councils?

All three former Councils (Greater Taree, Great Lakes and Gloucester) highlighted the need for special rate variations through the Fit for the Future process to address existing asset renewal and backlog issues as well as financial sustainability.

Both Great Lakes and Greater Taree Councils had applied to IPART for a special rate variation for 2016/17. Due to the timing of the amalgamations, a formal determination on these applications was not made. The Gloucester region has one year remaining of an approved 3 year x 13% special rate variation and had flagged their intention to apply for an additional increase.

Both Great Lakes and Greater Taree Councils also had existing environmental levies, Great Lakes at 6% and Greater Taree at 5%. Gloucester does not currently have an environmental levy.

What steps does MidCoast Council have to take to make an application for a SRV?

Councils are required to lodge a notification of intention to apply for a special variation with IPART which MidCoast Council did in December 2016 prior to the NSW Government formalising the position on Special Rate Variations and merged councils.

The next step for MidCoast Council is to submit a formal Special Rate Variation application to IPART and address the criteria within the application as per the standard SRV process. The public exhibition of this addendum to the 2016/17 Delivery Program & Operational Plan is part of the formal application process.

Community awareness of Council's proposal is a critical component of a SRV application. MidCoast Council has undertaken an extensive community engagement program and details of that are included in this document, with further details to be included as part of the formal application.

The table of actions and decisions are listed below and included on a timeline as Annexure C.

2 - TABLE OF ACTIONS & DECISIONS

Date	Action / Decision	Responsibility
2016		
10 May	Draft determination on GLC & GTCC SRV application for 2016/17	IPART
12 May	MCC formed through merger of GLC, GTCC and GSC	Department Premier & Cabinet
17 May	SRV determinations announced excluding GLC & GTCC due to merger	IPART
June - July	MCC community engagement including assets & finances - 10 community meetings	MidCoast Council
October - November	MCC community engagement - including proposed SRV - 10 community meetings	MidCoast Council
November	MCC community survey - asset service levels & SRV	MidCoast Council
23 November	MCC resolve to notify IPART of intention to apply for SRV for 2017/18	MidCoast Council
16 December	SRV guidelines released for 2017/18, merged councils not eligible to apply	Office of Local Government
2017		
29 March 2017	Local Government Amendment (Rates - Merged Council Areas) Bill, including special dispensation for MCC that excludes MCC from restrictions in the Bill	NSW Parliament
1 May	Extra Ordinary Council meeting to place addendum to 2016/17 Delivery Program on public exhibition for 28 days	MidCoast Council
31 May	Extra Ordinary Council meeting to adopt addendum and formally resolve to apply for SRV. <i>Proposed</i> - submit application to IPART	MidCoast Council
1 June	<i>Proposed</i> - IPART assessment process including 28 day exhibition period	IPART
29 June	<i>Proposed</i> - IPART exhibition period closes	IPART
Mid July	<i>Proposed</i> - IPART Board meeting to consider MCC application	IPART
24 July	Extra Ordinary Council meeting to make the rates as per legislative requirement	MidCoast Council
1 August	Rate notices issues by 1 August as per legislative requirement	MidCoast Council

3 - SRV PROPOSAL AND HOW IT WILL BE SPENT

Why is MidCoast Council applying for a SRV?

All three former Councils highlighted the need for special rate variations through the Fit for the Future process to address existing asset renewal and backlog issues as well as financial sustainability. When MCC was formed it was evident that a critical initial priority would be consolidation of the asset and financial position to determine a sustainable path forward for our community.

The investigation of Council's asset position found a combined asset backlog of \$180M, and underfunding of depreciation for roads and bridges by \$5M annually. Until Council can fund its depreciation the asset backlog will increase.

The asset analysis also identified a high level asset strategy for sealed roads and bridges:

- Maintain assets across MCC in current condition
- Don't let condition 3 roads slip into condition 4 & 5
- Look at risk and economic benefit of which condition 4 & 5 roads to prioritise for renewal
- Seek additional grant funding for regional roads and major transport routes
- Seek SRV to fund annual \$5M gap in renewal program funding for sealed road network

Since the merger, Council has identified ongoing savings and efficiencies far exceeding the KPMG merger business case scenario. By committing these merger savings to our roads and bridges, along with additional merger funding through the Stronger Communities – Major Projects Fund, a \$30million Roadcare Program has been developed. Whilst this is a great result for a newly merged Council, it will not address the yearly \$5M gap in funding depreciation let alone the significant backlog.

As long as this funding gap remains, the condition of assets will decline. Council is aware that this result is unacceptable to our community as they consistently rate roads as in need of significant improvement as well as their highest priority service area.

Council developed a strategy to address this asset funding shortfall which involves a special rate variation. This proposal was discussed with the community in October - November 2016 during a community engagement program across the MidCoast area. The proposal presented was based on an increase of 5% (including the rate peg), each year over a 4 year period. In addition, Council proposed to harmonize the environmental levies at 6% across the MidCoast local government area.

MCC also commissioned a statistically valid community survey in November 2016. Survey results indicate that 76% support a special rate variation at the proposed level or slightly lower. This is a noteworthy result for a newly merged Council and clearly demonstrates the community's understanding of Council's position.

Why is MidCoast Council including an Environmental Levy as part of the SRV application?

The Great Lakes region has a long standing environmental levy of 6% approved until June 30th 2020 and the Manning region has an environmental levy of 5% approved until June 30th 2019. The Gloucester region does not currently have an environmental levy.

The extension of the environmental levy to the Gloucester region and harmonisation across all 3 regions at 6% ongoing, will allow a coordinated approach to the protection and restoration of the natural environment across the entire catchment area.

The environment is a common theme throughout the Community Strategic Plans from each of the former councils and as MidCoast Council, we know that this theme continues for our region. During recent community engagement regarding the MCC identity and branding, our natural

environment was a consistent and strong theme. The values and attributes identified by our residents included:

From the mountains to our beaches we have an exceptional, expansive, tranquil and beautiful environment. Experience our rich natural treasures, stunning landscapes and pristine waterways.

A natural connection - we are defined by our connection to nature and our connection to each other. Where the leaves touch the water.

An environmental levy for the MidCoast region will allow focus initially on the following themes:

1. River and catchment improvement and planning
2. Priority weed management
3. Community engagement, partnerships and incentives to improve catchment condition
4. Natural reserve and asset management

The types of projects that will be delivered include:

- Priority aquatic and riparian weed control on the upper Manning river system
- Bush regeneration and pest control in Council managed natural areas
- Community engagement to develop partnerships for supporting activities on private land to improve catchment health
- Fish barrier removal, erosion control and riverbank management

What is the SRV proposal and how will it be spent?

Council will base the SRV application on an increase of 5% (including the rate peg), each year over a 4 year period. In addition, Council is proposing to harmonise the environmental levies at 6% across the MidCoast local government area. The cumulative impact (including the Environment Levy) on ratepayers in each region varies slightly depending on the existing

environmental levies. The cumulative impact is shown below, with additional detail for each region in Section 7 of this document.

- Manning Region: 28.5% (includes 1.5% rate peg, 3.5% for roads and bridges and the existing 5% environmental levy ongoing and increased by 1%)
- Great Lakes Region: 27.5% (includes 1.5% rate peg, 3.5% for roads and bridges and the existing environmental levy ongoing at 6%)
- Gloucester Region: 28.5% (includes removal of existing 13% increase for 2017/18, 1.5% rate peg, 3.5% for roads and bridges and introducing an environmental levy at 6%)

This is the proposal that Council discussed with the community in October and November 2016.

A 5% increase in the rate base (including the rate peg) will allow Council to start addressing the infrastructure backlog while at the same time providing necessary funding for road renewals, which will prevent the backlog from increasing. This will also assist in ensuring the financial sustainability of Council.

The application of additional funds will include \$5M per year to address the gap in renewal funding, as well as approximately \$27M over 4 years towards the \$180M backlog.

Why is an increase in rates the best way forward?

As discussed, the investigation of MidCoast Council's combined asset position found a significant backlog of \$180M on the road and bridge network and a fundamental gap in funding of depreciation for the road and bridge network of \$5M *annually*. It is critical for MCC to fund this annual gap and start addressing the asset backlog. If MCC cannot increase funding by \$5M annually, the asset backlog will increase and the condition of the road and bridge network will continue to decline.

Council will continue to achieve savings through the merger as services and activities are integrated, and service delivery is reviewed. However, a \$5M *annual* gap is a significant figure and it is not feasible for efficiencies and savings alone to address the funding gap for depreciation of roads and bridges. The savings and efficiencies realised will continue to be reinvested and utilised to support other key Council services, activities and facilities that are important to our community.

Council has also considered the feasibility and appropriateness of using borrowings to address the funding gap however this is not a sustainable option and the repayments would still need to be funded.

Without an increase in the rate base it will not be possible for MidCoast Council to fund the \$5M annual gap in funding of depreciation for roads and bridges, much less start to tackle the \$180M backlog. Other options are not sustainable and will not allow Council to manage the extensive transport network utilising a strategic and responsible asset management approach.

What will happen if the SRV is not approved?

If the SRV is not approved, rates would only increase by the annual rate peg amount.

However at the same time the condition of the road and bridge network would decline as the gap in funding for depreciation would remain. The backlog would also remain and increase due to the underfunding of depreciation. The end result would be that Council would be unable to maintain the extensive transport network at a service level that is acceptable to the community.

Without an environmental levy, funding for the projects and activities the levy supports would be critically reviewed. Council would need to assess whether to continue with the program and would then need to determine a funding source from other critical areas and services. Without the program that the levy supports, water quality throughout the catchment would decline.

Without the SRV associated industries (including tourism) and our residents will be impacted as the quality of our roads, bridges and environment will decline.

4 - COMMUNITY CONSULTATION

Community engagement strategy

A Community Engagement Strategy was presented to Council in November 2016. This Strategy informed Council's approach to the SRV engagement. Council adapted engagement activities identified in the strategy as appropriate taking into account the Government's varying position regarding merged councils and SRVs. The engagement principles in the Strategy remained constant.

Community meetings

Council has held 3 rounds of community meetings since May 2016, with 10 meetings each round across the MidCoast area. An average of 350-400 people attended each round of meetings. Council has also had the opportunity to address community groups through a combined Probus meeting (over 200 attendees) and regular Business Chamber meetings.

The initial round of community meetings was held immediately following the amalgamation in June - July. This provided an opportunity for the community to get an overview of the increased size, scale and capacity of Council and the MidCoast region, which:

- has a population of over 90,000 people
- covers more than 10,000 square kms
- has 190 kms of coastline
- has 3,574 kms of road and 542 bridges (195 which are timber)

Information regarding the initial asset and financial position was discussed, as well as elements of the overarching corporate strategy.

The community meetings held in October - November 2016 provided detailed information on the asset and financial position including the SRV proposal, as well as the variable impact on ratepayers in each of the 3 regions.

Community survey

Method

Jetty Research undertook an informed survey on behalf of Council where participants were randomly selected and asked to participate in the survey. To allow respondents to make informed choices regarding the options for future asset management and funding models, they were asked to read a package of concise and simple information prior to undertaking the phone survey (see Annexure 4). This method has been found useful in building community capacity to evaluate options for a way forward. A sample size of 400 was used with a sampling error of +/- 4.9%.

Satisfaction with sealed road maintenance

Participants indicated that on a scale of 1 (very dissatisfied) - 5 (very satisfied), the maintenance of sealed roads was at 2.29 which was the lowest satisfaction rating of the 11 Council facilities and services that were included in the survey.

Funding for roads

89% of residents surveyed agreed that without additional funding the condition of roads and bridges will continue to deteriorate.

SRV support

Across the region, 32% of people support the SRV as proposed with an additional 44% supporting it at a lower amount. The total of **76% support for a SRV (as proposed or lesser amount)** is a significant result in the context of a newly merged Council. Support varies by region and is attributable to the asset and financial position of the former Councils.

Environmental Levy support

95% of people agree that the natural environment across the MidCoast area is an important asset, with 87% agreeing that maintaining the natural environment should remain a priority for the MidCoast area. 79% of respondents agree that the environmental program implemented in the Great Lakes and Manning regions should be extended to the Gloucester region.

Residents were also asked whether they support the proposed environmental levy, with 38% agreeing that the levy is necessary and support the proposed amount. An additional 45% accept that it is necessary but believe the proposed amount is too high.

Across the region, four in five (80%) of residents believed they could afford to pay the associated increase to fund the environmental levy (40% comfortably and 40% if need be).

5 - INFRASTRUCTURE & ASSETS

Sealed Roads

The following definitions / descriptors are used by Council when talking about sealed roads.

Maintenance

- filling potholes, light patching

Renewals

- replacing something with the same thing (i.e. not upgrading); taking a very poor/failed road back to new condition; placing a new surface (reseal) over an existing worn surface to preserve the underlying pavement and provide a safe driving surface

Backlog

- The total amount of renewal works that need to be undertaken to bring Council's assets to an acceptable standard. We recognise that addressing backlog is a generational issue and funding it fully in the short term is not possible

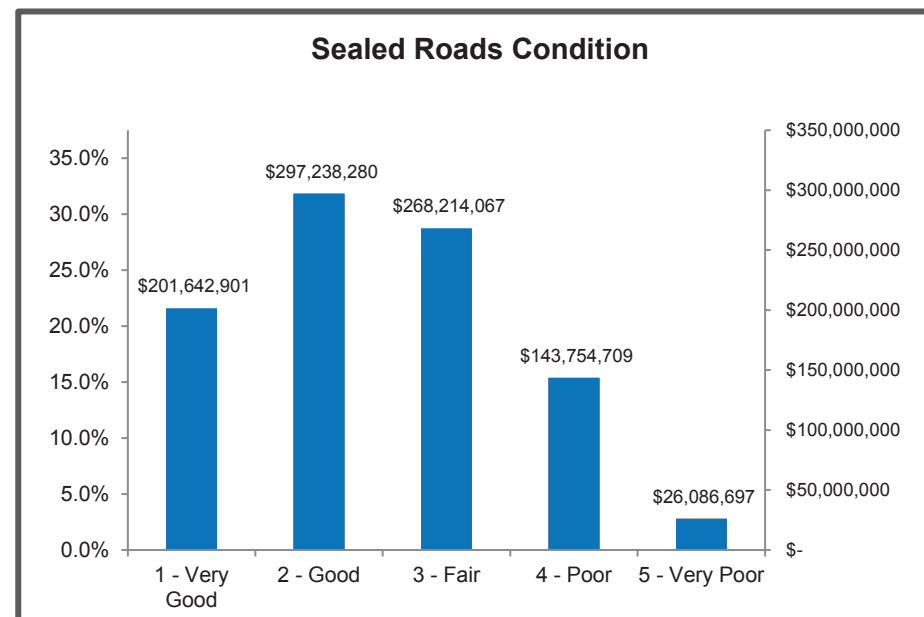
Enhancement

- Upgrading the standard of an asset, eg sealing an unsealed road. Note that the cost of enhancements is not included in the backlog amount.

The condition of the sealed road network is assessed on a 1-5 scale with 1 being 'very good' and 5 being 'very poor'. Once roads slip into condition 4 and condition 5, the cost to bring them back to an acceptable standard increases and if funding is not available for these works, both the backlog and the community's dissatisfaction with the road network increases.

Therefore, the goal is to obtain maximum asset life through a renewal program where roads can be held at condition 3 for an appropriate length of time with renewals funded when required to meet the communities agreed service levels. Previous community research indicates general satisfaction with roads at condition 3, with the expectation of lesser used roads being acceptable in condition 4.

The graph below shows the current condition distribution of MCC sealed roads. It indicates a need to maintain the condition 3 roads to prevent them from falling into condition 4; and a backlog of works on roads in condition 4. The impact of this backlog is that without appropriate funding, these roads will slip into condition 5 which is unacceptable from both an asset management and a community perspective.



Council currently has an annual shortfall in its renewal funding for roads of \$5 million per year. This is based on the following equation:

Annual depreciation	\$37.3M
Renewals last year	\$32.3M
Annual shortfall	\$5M

This results in a renewal ratio of 86.5%, with 100% being the target ratio. This means that an additional \$5M per year above the current annual budget

allocation is required to prevent Council's roads backlog from increasing and roads falling from condition 3 into condition 4, and condition 4 into condition 5.

Bridges

Since the merger, investigations have been undertaken on 95 timber bridges in the Manning region. The investigations have indicated that more detailed structural evaluation of a number of bridges of concern is required. Detailed assessment has been undertaken on 20 of these bridges and expenditure of \$750,000 has already been incurred to make these bridges safe. This work

involved short term actions of strengthening specific elements to ensure that they remain open to light vehicles, introducing load limits or constructing side tracks. This has resulted in restrictions on the movement of heavy vehicles such as stock transport and many of these bridges will require replacement within a short period to reduce the impact on communities.

Once investigations of the remaining bridges have been completed, it is expected that the expressed bridge backlog will be significantly higher than the initially projected \$4M backlog and will demonstrate a funding renewal shortfall of approximately \$1m per year above the current annual budget allocation.

6 - LONG TERM FINANCIAL PLAN - BASE CASE & SRV SCENARIO

Consolidated Income Statement - Base case scenario (includes rate peg of 1.5%)

Mid Coast Council										
10 Year Financial Plan for the Years ending 30 June 2026										
INCOME STATEMENT - CONSOLIDATED										
Scenario: Base Case	Projected Years									
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Income from Continuing Operations										
Revenue:										
Rates & Annual Charges	86,371,761	88,334,342	90,851,037	91,863,114	92,409,928	94,879,393	97,017,113	99,225,490	101,474,859	103,778,925
User Charges & Fees	12,975,425	13,250,120	13,591,495	13,931,122	14,288,864	14,663,722	15,041,213	15,431,313	15,829,168	16,222,045
Interest & Investment Revenue	3,295,358	3,399,753	3,502,801	3,619,632	3,730,376	3,845,171	3,969,160	4,092,488	4,215,307	4,352,775
Other Revenues	4,175,997	4,342,327	4,461,579	4,610,220	4,758,754	4,912,575	5,028,785	5,148,480	5,273,701	5,316,419
Grants & Contributions provided for Operating Purposes	28,370,841	28,368,910	28,609,832	28,851,184	29,093,982	29,338,975	29,583,449	29,896,051	30,243,096	30,595,219
Grants & Contributions provided for Capital Purposes	12,981,753	5,096,350	5,295,610	7,499,627	5,748,358	5,553,203	5,860,434	5,810,111	5,892,287	5,997,027
Total Income from Continuing Operations	148,171,135	142,791,803	146,312,353	150,374,898	150,030,263	153,193,039	156,500,154	159,603,932	162,928,419	166,262,410
Expenses from Continuing Operations										
Employee Benefits & On-Costs	49,651,082	50,922,351	51,940,380	53,408,044	54,469,589	56,052,619	57,683,898	59,365,631	61,137,872	62,907,623
Borrowing Costs	3,893,085	3,727,858	3,303,779	2,852,840	2,352,439	1,931,054	1,598,164	1,421,408	1,300,886	1,191,287
Materials & Contracts	41,827,885	42,234,467	43,373,998	43,112,693	43,584,631	44,259,287	45,448,249	46,476,903	47,956,125	49,197,201
Depreciation & Amortisation	43,284,878	43,479,660	43,675,319	43,871,857	44,069,281	44,267,593	44,466,797	44,666,897	44,867,898	45,069,804
Other Expenses	13,337,349	13,409,351	13,845,542	14,270,095	14,919,666	15,155,581	15,586,763	16,072,854	16,839,201	17,099,992
Total Expenses from Continuing Operations	151,994,280	153,773,688	156,139,018	157,515,529	159,395,606	161,666,134	164,783,870	168,003,693	172,101,982	175,465,908
Operating Result from Continuing Operations	(3,823,145)	(10,981,885)	(9,826,664)	(7,140,630)	(9,365,344)	(8,473,094)	(8,283,716)	(8,399,761)	(9,173,563)	(9,203,498)
Net Operating Result for the Year	(3,823,145)	(10,981,885)	(9,826,664)	(7,140,630)	(9,365,344)	(8,473,094)	(8,283,716)	(8,399,761)	(9,173,563)	(9,203,498)
Net Operating Result before Grants and Contributions provided for Capital Purposes	(16,804,898)	(16,078,235)	(15,122,274)	(14,640,257)	(15,113,702)	(14,026,298)	(14,144,150)	(14,209,872)	(15,065,851)	(15,200,525)

Consolidated Income Statement - SRV scenario

Mid Coast Council										
10 Year Financial Plan for the Years ending 30 June 2026										
INCOME STATEMENT - CONSOLIDATED										
	Projected Years									
Scenario: Special Rate Variation	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Income from Continuing Operations										
Revenue:										
Rates & Annual Charges	86,371,761	90,821,613	95,168,653	99,642,350	104,236,197	107,001,319	109,442,087	111,961,089	114,528,848	117,159,264
User Charges & Fees	12,975,425	13,250,120	13,591,495	13,931,122	14,288,864	14,663,722	15,041,213	15,431,313	15,829,168	16,222,045
Interest & Investment Revenue	3,295,358	3,399,753	3,502,801	3,619,632	3,730,376	3,845,171	3,969,160	4,092,488	4,215,307	4,352,775
Other Revenues	4,175,997	4,342,327	4,461,579	4,610,220	4,758,754	4,912,575	5,028,785	5,148,480	5,273,701	5,316,419
Grants & Contributions provided for Operating Purposes	28,370,841	28,368,910	28,609,832	28,851,184	29,093,982	29,338,975	29,583,449	29,896,051	30,243,096	30,595,219
Grants & Contributions provided for Capital Purposes	12,981,753	5,096,350	5,295,610	7,499,627	5,748,358	5,553,203	5,860,434	5,810,111	5,892,287	5,997,027
Total Income from Continuing Operations	148,171,135	145,279,074	150,629,970	158,154,134	161,856,532	165,314,965	168,925,129	172,339,531	175,982,407	179,642,749
Expenses from Continuing Operations										
Employee Benefits & On-Costs	49,651,082	50,978,988	51,998,575	53,467,839	54,944,797	56,540,895	58,185,602	59,881,132	61,667,549	63,450,725
Borrowing Costs	3,893,085	3,727,858	3,303,779	2,852,840	2,352,439	1,931,054	1,598,164	1,421,408	1,300,886	1,191,287
Materials & Contracts	41,827,885	42,834,304	44,005,731	44,965,821	46,390,328	47,130,705	48,385,136	49,483,050	51,034,356	52,349,465
Depreciation & Amortisation	43,284,878	43,479,660	43,675,319	43,871,857	44,069,281	44,267,593	44,466,797	44,666,897	44,867,898	45,069,804
Other Expenses	13,337,349	13,409,351	13,845,542	14,270,095	14,968,578	15,205,754	15,638,231	16,125,652	16,893,363	17,155,556
Total Expenses from Continuing Operations	151,994,280	154,430,162	156,828,945	159,428,453	162,725,423	165,076,002	168,273,930	171,578,139	175,764,053	179,216,837
Operating Result from Continuing Operations	(3,823,145)	(9,151,089)	(6,198,975)	(1,274,318)	(868,891)	238,964	651,199	761,392	218,354	425,912
Net Operating Result for the Year	(3,823,145)	(9,151,089)	(6,198,975)	(1,274,318)	(868,891)	238,964	651,199	761,392	218,354	425,912
Net Operating Result before Grants and Contributions provided for Capital Purposes	(16,804,898)	(14,247,439)	(11,494,584)	(8,773,945)	(6,617,249)	(5,314,239)	(5,209,235)	(5,048,719)	(5,673,933)	(5,571,116)

7 -STATEMENT OF IMPACT - PER REGION

Overview

SRV impact (including environmental rate)

All figures include the rate peg

Key points

- The SRV proposal is for 4 years x 5% including the rate peg across the MidCoast area. You may have seen this messaged as a 20% increase, however, that is over a 4 year period. The impact varies due to the different status of environmental rates across the region
 - Manning currently pays a 5% environmental rate. With the proposal this will increase by 1% to 6%
 - Great Lakes currently pays a 6% environmental rate which will continue at 6%
 - Gloucester currently has no environmental rate. With the proposal Gloucester will pay 6% consistent with the rest of the MidCoast area
 - Gloucester currently has 1 year remaining of a 13% increase which will be dropped and replaced with this proposal
- The extra income from the SRV, combined with savings made and grant funding will allow Council to strategically address the significant asset (**roads & bridges**) funding issues it faces
- MidCoast has a **\$5M annual gap** in the budget to fund depreciation of its assets. The proposal will allow MidCoast to fund this gap which will stop assets from deteriorating. If they continue to deteriorate the backlog will increase.
- MidCoast has a **\$180M asset backlog**. With the extra funding from the SRV MidCoast will be able to address the backlog over a 25 year period. Without this increase, the backlog of works will not be addressed.

Average increase per region

Region	Average increase per year	Average increase per week
Manning Region based on average residential rate of \$1068	\$59 per year	\$1.13 per week
Great Lakes Region based on average residential rate of \$1235	\$64 per year	\$1.23 per week
Gloucester Region based on average residential rate of \$1081	\$77 per year	\$1.48 per week

All former Councils had proposed rate increases to enable financial sustainability and address backlog and depreciation challenges.

Greater Taree and Great Lakes had completed IPART applications prior to the merger for the following increases:

Greater Taree: **49.6% over 6 years**
 Great Lakes: **20.8% over 4 years**

Gloucester had proposed a SRV as part of their Fit for the Future proposal.


Gloucester: **39% over 3 years**

Manning Region

Note: The following information was provided as part of Council's community engagement program in October - November 2016. The tables are based on a rate peg of 2.5%. This was the figure provided by IPART at that time. Since then, IPART announced a rate peg of 1.5%. The overall impact on your rates under the SRV scenario (option 2 below) will be the same. The SRV proposal is still for 4 years x 5% including the rate peg, the only difference is that the 5% component is now 1.5% rate peg plus 3.5% special variation. The proposed environmental levy does not change. The impact without the SRV (option 1 below) would now be 1.5%.

Impact on residential rates

November 2016



Below you will find the impact on residential rates of a 508(A) special variation and an expiring special variation.

Manning Region based on average residential rate of \$1,068 pa

Option 1: Current rate path Rate peg only, expiring Environmental Levy	2016-17	2017-18	2018-19	2019-20	2020-21	Cumulative increase
Average residential rate with assumed rate peg of 2.5%	\$1,068*	\$1,094*	\$1,065 <small>(environmental levy removed)</small>	\$1,092	\$1,120	
Annual Increase		2.5%*	-2.65%	2.5%	2.5%	4.85%

Note: * These figures include an existing 5% Environmental Levy which expires in 2018-19. Option 2 below proposes that this is harmonised at 6% across the MCC region.

Option 2: Special Rate Variation proposal 1 x 11% plus 3 x 5% (Inclusive of rate peg and Environmental Levy)	2016-17	2017-18	2018-19	2019-20	2020-21	Cumulative increase
Average residential rate with: • 5% environmental levy <i>dropping out</i> • 6% environmental levy <i>coming in</i> • 2.5% special rate variation <i>coming in</i> • 2.5% rate peg <i>coming in</i> Commencing in 2017-18	\$1,068	\$1,132	\$1,188	\$1,247	\$1,309	28.5% <small>[22.5% + environmental levy of 6%]</small>
Annual Increase	-	6%	5%	5%	5%	

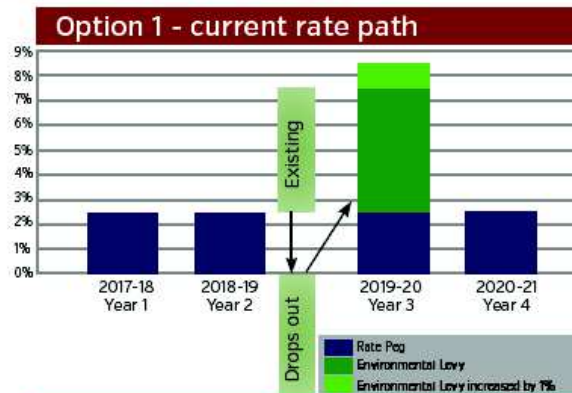
Note: In 2017-18 the increase includes the 2.5% rate peg and 2.5% for roads and bridges. It includes replacing the existing 5% Environmental Levy with a 6% Environmental Levy. The 5% drops out and then comes back in at 6%. From 2018-19 the 5% represents the 2.5% rate peg and 2.5% for roads and bridges.

Notes

Impact of a special rate variation on residential rates: Manning Region

The information overleaf has been prepared in accordance with IPART requirements. To help you interpret this information, we have summarised the impact of a SRV on residential rates into simpler language and included a graph that may help in explaining the two options - the current rate path, and the special variation proposal.

When applying for a SRV, IPART requires us to express the proposed variation as a total figure, inclusive of the rate peg and any other special variations and levies, for example, the environmental levy.



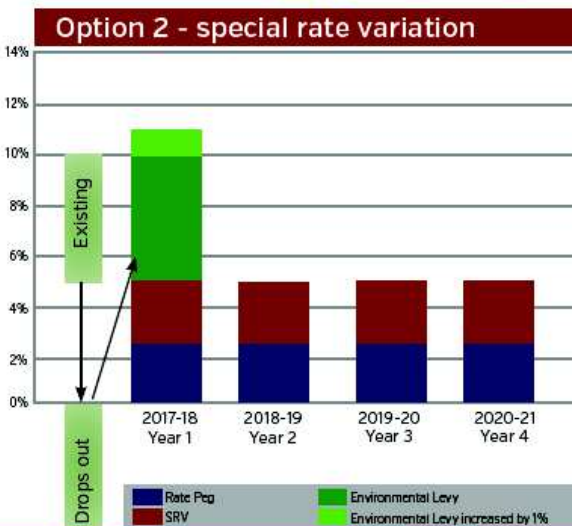
Under the current rate path your rates:

- Will increase by 2.5% per year [the assumed rate peg set by IPART]
- Include an existing 5% environmental levy which expires 30 June 2019

If this levy expires, the environmental program will no longer be funded. Under this option, MidCoast's plan would be to apply to renew the levy at a consistent level of 6% across the MidCoast region.

The graph shows the impact of this - with the environmental levy dropping out and then coming back in at 6% in 2019-20.

Other than that, the only increase would be the 2.5% rate peg, with no additional funds for roads and bridges.



Under the special variation proposal your rates will increase a total of 11% in year 1 followed by 5% for 3 years.

- Year 1 - the 11% includes 2.5% rate peg, 2.5% SRV for roads and bridges and 6% environmental levy.
- Year 1 - the actual increase is 6% as you already have a 5% environmental levy in your rates. This drops out and is replaced by a 6% levy.
- Years 2, 3 & 4 - rates will increase 5% per year. This includes the 2.5% rate peg plus 2.5% SRV for roads and bridges.

We have provided information on the average residential rate as this impacts the broadest number of ratepayers. The percentage will be the same across the rating categories, however the average rate as shown overleaf will be different.


To calculate the impact on your rates, apply the percentages above to the total shown on your annual rates notice (not including the waste charges as the SRV does not impact that component of your rates).

Great Lakes Region

Note: The following information was provided as part of Council's community engagement program in October - November 2016. The tables are based on a rate peg of 2.5%. This was the figure provided by IPART at that time. Since then, IPART announced a rate peg of 1.5%. The overall impact on your rates under the SRV scenario (option 2 below) will be the same. The SRV proposal is still for 4 years x 5% including the rate peg, the only difference is that the 5% component is now 1.5% rate peg plus 3.5% special variation. The proposed environmental levy does not change. The impact without the SRV (option 1 below) would now be 1.5%.

Impact on residential rates

November 2016



Below you will find the impact on residential rates of a 508[A] special variation and an expiring special variation.

Great Lakes Region based on average residential rate of \$1,235 pa						
Option 1: Current rate path Rate peg only, expiring Environmental Levy	2016-17	2017-18	2018-19	2019-20	2020-21	Cumulative increase
Average residential rate with assumed rate peg of 2.5%	\$1,235*	\$1,266*	\$1,297	\$1,250 <small>(environmental levy removed)</small>	\$1,281	
Annual Increase		2.5%*	2.5%*	-3.62%	2.5%	3.88%
Note: * These figures include an existing 6% Environmental Levy which expires in 2019-20. Option 2 below proposes that this is continued across the MCC region.						

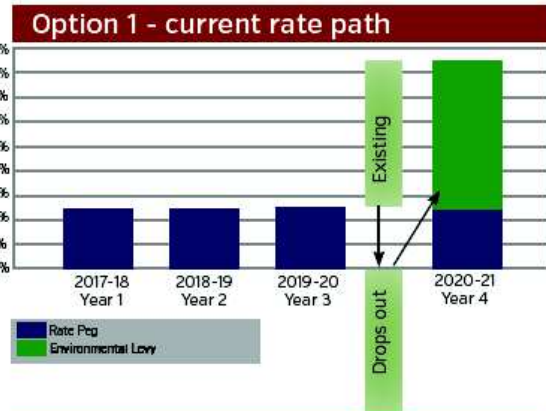
Option 2: Special Rate Variation proposal 1 x 11% plus 3 x 5% (Inclusive of rate peg and Environmental Levy)	2016-17	2017-18	2018-19	2019-20	2020-21	Cumulative increase
Average residential rate with: • 6% environmental levy <i>dropping out</i> • 6% environmental levy <i>coming in</i> • 2.5% special rate variation <i>coming in</i> • 2.5% rate peg <i>coming in</i> Commencing in 2017-18	\$1,235	\$1,296	\$1,360	\$1,428	\$1,499	27.5% <small>[21.5% + environmental levy of 6%]</small>
Annual Increase	-	5%	5%	5%	5%	
Note: In 2017-18 the increase includes the 2.5% rate peg and 2.5% for roads and bridges. It includes replacing the existing 6% Environmental Levy with a new 6% Environmental Levy. The 6% drops out and then comes back in at the same level. From 2018-19 the 5% represents the 2.5% rate peg and 2.5% for roads and bridges.						

Impact of a special rate variation on residential rates: Great Lakes Region

The information overleaf has been prepared in accordance with IPART requirements. To help you interpret this information, we have summarised the impact of a SRV on residential rates into simpler language and included a graph that may help in explaining the two options - the current rate path, and the special variation proposal.

When applying for a SRV, IPART requires us to express the proposed variation as a total figure, inclusive of the rate peg and any other special variations and levies, for example, the environmental levy.

Notes



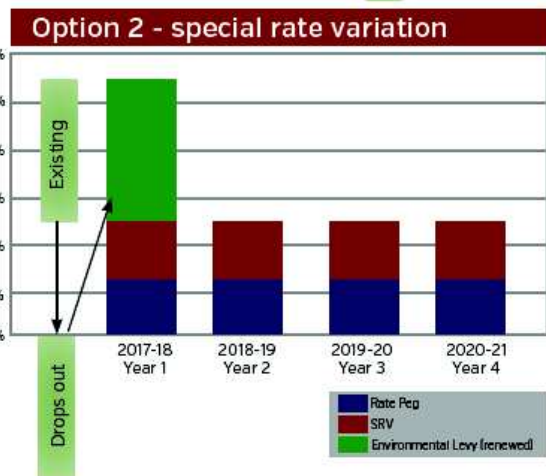
Under the current rate path your rates:

- Will increase by 2.5% per year (the assumed rate peg set by IPART)
- Include an existing 6% environmental levy which expires 30 June 2020

If this levy expires, the environmental program will no longer be funded. Under this option, MidCoast's plan would be to apply to renew the levy at a consistent level of 6% across the MidCoast region.

The graph shows the impact of this - with the environmental levy dropping out and then coming back in at 6% in 2020-21.

Other than that, the only increase would be the 2.5% rate peg, with no additional funds for roads and bridges.

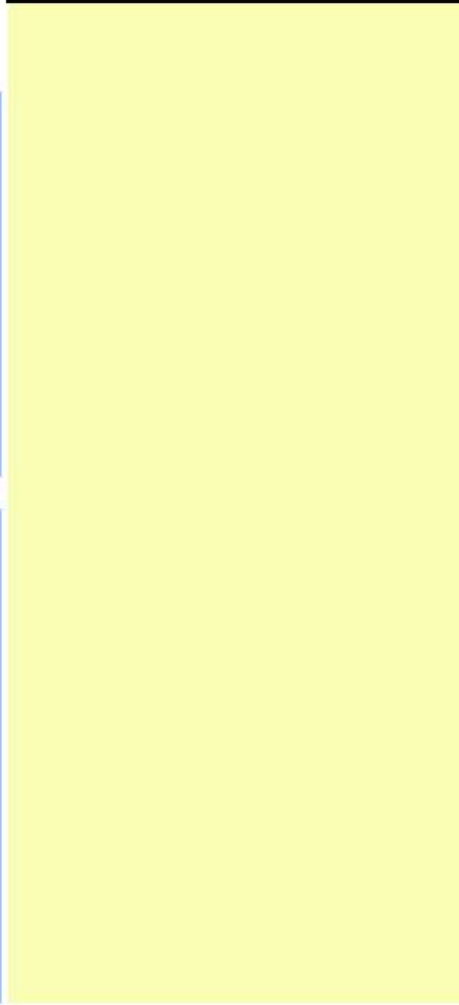


Under the special variation proposal your rates:

- Will increase a total of 11% in year 1 followed by 5% for 3 years.
- Year 1 - the 11% includes 2.5% rate peg, 2.5% SRV for roads and bridges and 6% environmental levy.
- Year 1 - the actual increase is 5% as you already have a 6% environmental levy in your rates. This drops out and is replaced by a 6% levy.
- Years 2, 3 & 4 - rates will increase 5% per year. This includes the 2.5% rate peg plus 2.5% SRV for roads and bridges.

We have provided information on the average residential rate as this impacts the broadest number of ratepayers. The percentage will be the same across the rating categories, however the average rate as shown overleaf will be different.

To calculate the impact on your rates, apply the percentages above to the total shown on your annual rates notice [not including the waste charges as the SRV does not impact that component of your rates].




Gloucester Region

Note: The following information was provided as part of Council's community engagement program in October - November 2016. The tables are based on a rate peg of 2.5%. This was the figure provided by IPART at that time. Since then, IPART announced a rate peg of 1.5%. The overall impact on your rates under the SRV scenario (option 2 below) will be the same. The SRV proposal is still for 4 years x 5% including the rate peg, the only difference is that the 5% component is now 1.5% rate peg plus 3.5% special variation. The proposed environmental levy does not change. The impact without the SRV (option 1 below) would now be 1.5%.

Impact on residential rates

November 2016



Below you will find the impact on residential rates of a 508(A) special variation and an expiring special variation.

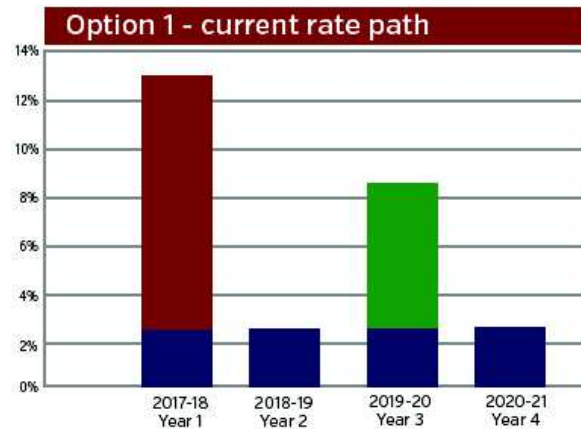
Gloucester Region based on average residential rate of \$1,081 pa						
Option 1: Current rate path Existing approved rate increase and rate peg	2016-17	2017-18	2018-19	2019-20	2020-21	Cumulative increase
Average residential rate with assumed rate peg of 2.5%	\$1,081	\$1,222*	\$1,252	\$1,284	\$1,316	
Annual Increase		13%*	2.5%	2.5%	2.5%	21.7%
Note: * These figures include an existing overall approved rate increase of 13%, approved by IPART before the merger						
Option 2: Special Rate Variation proposal 1 x 11% plus 3 x 5% (Inclusive of rate peg and Environmental Levy)	2016-17	2017-18	2018-19	2019-20	2020-21	Cumulative increase
Average residential rate with: • 13% special rate variation <i>dropping out</i> • 6% environmental levy <i>coming in</i> • 2.5% SRV and 2.5% rate peg <i>coming in</i> Commencing in 2017-18	\$1,081	\$1,200	\$1,260	\$1,323	\$1,389	28.5%
Annual Increase	-	11%	5%	5%	5%	
Note: In 2017-18 the increase includes the 2.5% rate peg and 2.5% for roads and bridges. It takes into account the existing 13% special rate variation approval dropping out, and includes the introduction a 6% Environmental Levy. From 2018-19 the 5% represents the 2.5% rate peg and 2.5% for roads and bridges.						

Impact of a special rate variation on residential rates: Gloucester Region

The information overleaf has been prepared in accordance with IPART requirements. To help you interpret this information, we have summarised the impact of a SRV on residential rates into simpler language and included a graph that may help in explaining the two options - the current rate path, and the special variation proposal.

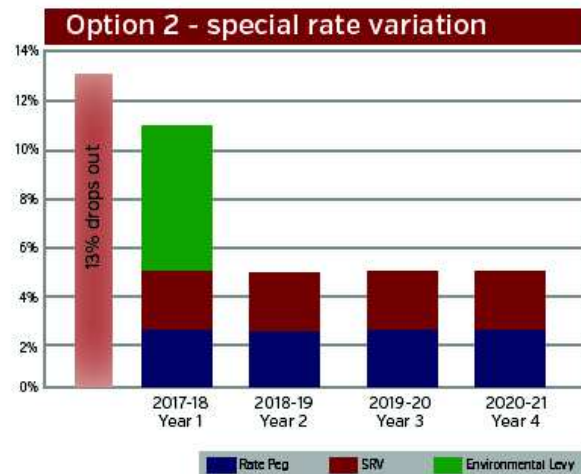
When applying for a SRV, IPART requires us to express the proposed variation as a total figure, inclusive of the rate peg and any other special variations and levies, for example, the environmental levy.

Notes



Under the current rate path your rates:

- Year 1 - will increase by 13% in year 1. [the assumed rate peg set by IPART plus an existing special rate variation]
- Year 2, 3, 4 - will increase by 2.5% per year. [the assumed rate peg set by IPART]
- Year 3 - may include a 6% environmental levy. Under this option, MidCoast's plan would be to apply for an environmental levy at a consistent level of 6% across the MidCoast region [the Great Lakes and Manning regions have existing environmental levies].



Under the special variation proposal your rates:

- Will increase a total of 11% in year 1 followed by 5% for 3 years.
- Year 1 - this is 2% less than the already approved 13% SRV increase. The 13% drops out and is replaced by the 11%.
- Year 1 - the 11% includes 2.5% rate peg, 2.5% SRV for roads and bridges and 6% environmental levy.
- Years 2, 3 & 4 - rates will increase 5% per year. This includes the 2.5% rate peg plus 2.5% SRV for roads and bridges.

We have provided information on the average residential rate as this impacts the broadest number of ratepayers. The percentage will be the same across the rating categories, however the average rate as shown overleaf will be different.

To calculate the impact on your rates, apply the percentages above to the total shown on your annual rates notice (not including the waste charges as the SRV does not impact that component of your rates).

ANNEXURES

1 Local Government Amendment (Rates - Merged Council Areas) Bill 2017

Second print



New South Wales

Local Government Amendment (Rates— Merged Council Areas) Bill 2017

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1 Name of Act	2
2 Commencement	2
Schedule 1 Amendment of Local Government Act 1993 No 30	3

Local Government Amendment (Rates—Merged Council Areas) Bill 2017 [NSW]

The Legislature of New South Wales enacts:	1
1 Name of Act	2
This Act is the <i>Local Government Amendment (Rates—Merged Council Areas) Act 2017</i> .	3
	4
2 Commencement	5
This Act commences on the date of assent to this Act.	6

Schedule 1	Amendment of Local Government Act 1993 No 30	1
Section 218CB		2
Insert after section 218CA:		3
218CB	Transitional provision for maintenance of pre-amalgamation rate paths	4
(1)	The Minister may make a determination for the purpose of requiring a new council, in levying rates for land, to maintain the rate path last applied for the land by the relevant former council.	5 6 7
(2)	A determination applies to the levying of rates by the new council for the 3 rating years immediately following the rating year for which the relevant proclamation makes provision for the levying of rates (the <i>relevant period</i>).	8 9 10
(3)	Without limiting the content of a determination, a determination is to set out the methodology that the new council is to apply when setting rates for land for the relevant period, including in relation to the following:	11 12 13
(a)	the structure of rates,	14
(b)	the categorisation or subcategorisation of land for rating purposes,	15
(c)	the calculation of the new council's notional general income for rating purposes,	16 17
(d)	the treatment of any variation of a former council's notional general income under Part 2 of Chapter 15 that would have been applicable, had the amalgamation effected by the relevant proclamation not occurred, to the determination of rates and charges for land within the new area.	18 19 20 21
(4)	A determination must be published in the Gazette and may be revoked or varied only by a further determination of the Minister published in the Gazette.	22 23
(5)	While a determination is in force, the provisions of this Act that apply in relation to rates are modified to the extent necessary to give effect to the determination.	24 25 26 28
(6)	This section does not apply to a new council constituted before 12 May 2016.	27
(7)	This section does not affect any power to make a proclamation under this Part relating to rates.	28 29
(8)	Nothing in this section prevents Mid-Coast Council from making an application under section 508A during the relevant period.	30 31
(9)	A determination under this section is to take into account a determination under section 508A made on an application referred to in subsection (8).	32 33
(10)	A determination under section 508A made on an application referred to in subsection (8) has effect despite subsection (5).	34 35
(11)	Any prohibition that expressly prevents any new council from making an application under section 508A that is contained in the guidelines made under that section does not apply to Mid-Coast Council.	36 37 38
(12)	In this section:	39
	<i>former council</i> , in relation to a new council, means a council of a former area.	40
	<i>new area</i> means the area constituted by the amalgamation of areas (<i>former areas</i>) by the relevant proclamation.	41 42

<i>new council</i> means the council of a new area constituted by section 219.	1
<i>relevant proclamation</i> means the proclamation made pursuant to Part 1 of Chapter 9 that amalgamates former areas into the new area and constitutes the new council.	2
	3
	4

2 Addendum Guidelines to the *Guidelines for the Preparation of and Application for a Special Variation to General Income for 2017/18*



ADDENDUM GUIDELINES

TO THE GUIDELINES FOR THE PREPARATION OF AN APPLICATION FOR A SPECIAL VARIATION TO GENERAL INCOME FOR 2017/2018 ISSUED ON 15 DECEMBER 2016

1. Introduction

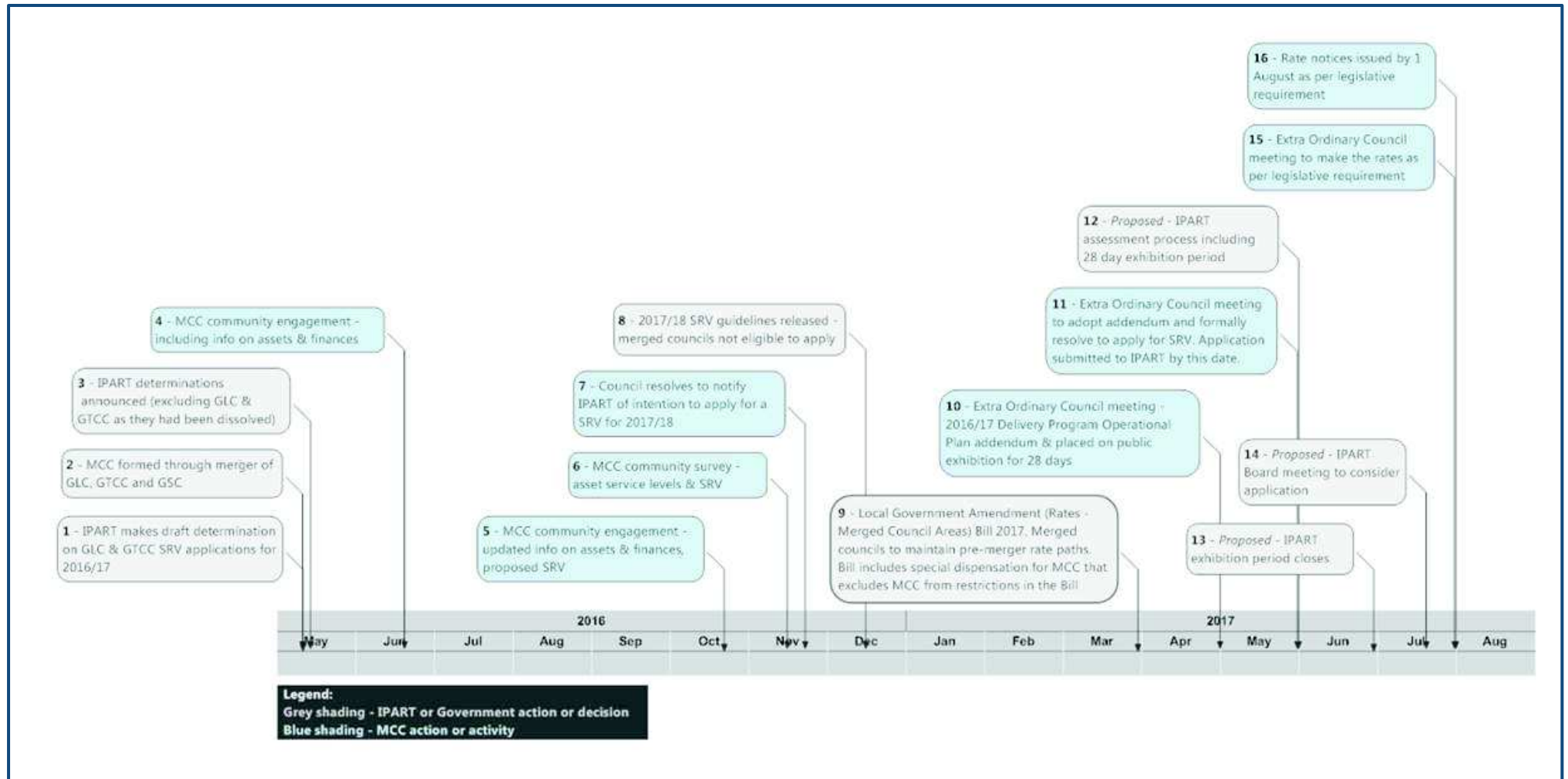
- 1.1 This instrument is issued by the Chief Executive of the Office of Local Government (**Chief Executive**) pursuant to the *Local Government Act 1993* as Addendum Guidelines to the *Guidelines for the Preparation of an Application for a Special Variation to General Income for 2017/2018* issued by the Chief Executive on 15 December 2016 (**the Guidelines**).
- 1.2 Terms used in these Addendum Guidelines that are defined in the Guidelines have the meaning provided in the Guidelines.
- 1.3 These Addendum Guidelines commence on the date they are issued by the Chief Executive.

2. Application timetable for Mid-Coast Council for 2017/18

- 2.1 The application timetable for Special Variation for 2017/18 set out in Part 8.2 of the Guidelines does not apply to:
 - (a) Mid-Coast Council, or
 - (b) IPART, as the Minister's delegate for the purposes of s. 508A of the *Local Government Act 1993*, with respect to acceptance and determination of an application for Special Variation made by Mid-Coast Council.
- 2.2 The requirement to lodge an application on or before 13 February 2017 contained in Attachment 5 to the Guidelines does not apply to Mid-Coast Council with respect to an application for Special Variation for 2017/18.
- 2.3 IPART will determine any application for Special Variation for 2017/18 made by Mid-Coast Council within 90 days of receipt of such application.

4 APRIL 2017

3 Timeline of actions & decisions



4 Community survey information package

Community survey information

November 2016

MidCoast
Council

Learn about the new MidCoast region, the condition of the sealed road network, gaps in funding for sealed roads and bridges, and our environmental program.

Help us understand your current levels of satisfaction with sealed roads and bridges, your views about funding maintenance and renewal of sealed roads and bridges, and your awareness of the Great Lakes and Manning regions' environmental levies and their purpose.

Have your say on a proposed special rate variation (SRV) to fund improvements to roads and bridges, whether you support the environmental levy, and your willingness and capacity to pay for a proposed SRV.

Thank you for agreeing to participate in our survey on assets and a proposed special rate variation.

Jetty Research will contact you in the next week or so to undertake the survey, and their questions will be based on the information in this brochure. We anticipate the phone survey will take around 15 minutes to complete.

Please review the enclosed information carefully, discuss your views with others, and consider the questions highlighted in the red panels under each section.

Since the merger we have integrated and reviewed asset data for sealed roads and bridges from the 3 former councils, with assistance of asset experts Morrison Low. This has helped us develop a proposed way forward which will be the focus of our survey.

With roads and bridges representing 76% of the total value of our \$3.3 billion asset base, they are our greatest challenge. As a road user we want your perspective on how the MidCoast roads and bridges are being maintained, renewed and funded.

Our communities have also highlighted the environment as another key priority for the MidCoast region. Through the survey we'll also ask for your perspective on continued support for an environmental levy to fund programs that are currently in place in both Great Lakes and Manning regions. We'll also explore your views on including the Gloucester region in this environmental work, to support a healthy catchment across the entire region.

The information in this brochure provides a snapshot of our current position and a proposed way forward. Your views will be sought in the survey, which will help guide our future planning for the MidCoast area.

MidCoast Council was formed in May 2016 through the merger of the former Great Lakes, Greater Taree City and Gloucester Shire Councils.

Our new region has a population of over 90,000, covers more than 10,000 km², and includes 190 kms of coastline, 3,574 kms of roads and 542 bridges, 195 of which are timber.



Before you get started...

Become familiar with the following terms that will be used throughout the brochure and in the survey

Assets: Things like public buildings, roads, footpaths and bridges that are managed and maintained by Council on behalf of the community.

Renewals: Replacing a failed structure with a new structure that serves the same purpose - but not upgrading it. For example, taking a poor road back to a new condition, or placing a new surface over a worn surface to preserve the underlying pavement.

Maintenance: A temporary measure to prolong use. For example, filling potholes, or light patching of a road.

Enhancements: Replacing a structure with a new upgraded one. For example, replacing a single lane bridge with dual lanes. Enhancements are not backlog.

Backlog: The total amount of renewal works to bring a group of assets (eg. sealed roads) to an acceptable standard.



www.midcoast.nsw.gov.au

Sealed roads and bridges

Road conditions

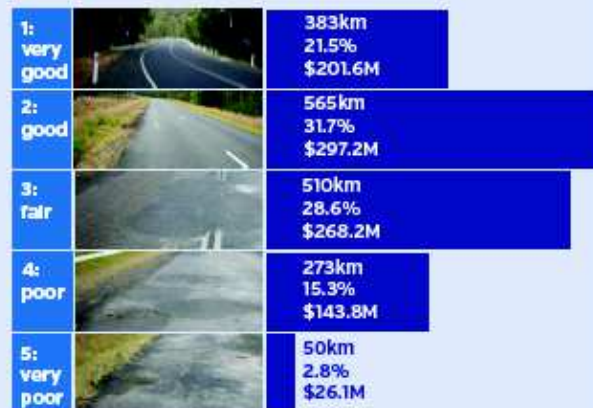
We assess sealed roads on a scale of 1 (very good) to 5 (very poor).

The condition ratings of our region's sealed road network are shown in the graph [see right], which indicates almost 50% are currently categorised as condition 3 (fair) to condition 5 (very poor).

Once roads slip into condition 4 and 5, the cost to bring them back to standard increases significantly. They become a renewal issue, as regular maintenance such as filling potholes becomes inadequate. If funding is not available for these renewal works, the backlog of works and community dissatisfaction with the road network increases.

Previous community research undertaken by the former councils indicates general satisfaction with condition 3 roads, and condition 4 for lesser used roads.

MidCoast Council road condition



Around half of our 3,500km of roads are sealed. The graph above shows the proportion of our sealed road network by condition, indicating the length (km), percentage of total network, and value of roads in the current condition (\$M).

Q: Do you agree with our aim to maintain the majority of roads at condition 3?

Renewal and backlog



Our roads:

Recent assessment by asset experts Morrison Low found we currently have an annual shortfall in renewal funding for roads of \$5 million. We need an additional \$5 million per year to allow us to stop the decline of our road network by preventing roads falling from condition 3 to 4, and condition 4 to 5.



Our bridges:

At the time of the merger, the combined bridge backlog was estimated to be about \$4 million, however further assessment now indicates this will be significantly higher. Investigations continue and are expected to impact the total asset backlog figure.



Our total backlog:

The current asset backlog for roads and bridges is expected to be between \$150 million and \$180 million. We recognise that addressing the backlog is a generational issue, and funding this fully in the short term is not possible. However, if we can fund our required renewal works the backlog will not increase, and with efficiencies and savings, over time we will start to address the backlog.



Our strategy to address renewals and backlog

Our immediate goal is to increase funding to:

- Maximise the asset life of our roads, through an increase in our renewal program of \$5 million per year
- Prevent condition 3 roads slipping into condition 4, and condition 4 to 5, which is unacceptable from an asset management perspective
- Start to reduce the backlog

Without an increase in funding the condition of sealed roads will continue to deteriorate and our backlog of works will continue to increase.



Q: Do you support the above strategy?

The environment

Protecting our environment

A critical component of the community strategic plans of each former Council region is the protection of our natural environment. This was reinforced recently when we engaged the community in defining our new region's identity. The unique natural assets that make up our area - the natural landscapes, bushland, rivers, lakes and coastline - were highlighted as key to setting MidCoast apart.

A significant environmental program aimed at protecting and improving our natural assets has been well-supported in both the Great Lakes and Manning regions. The program is funded through a long-standing environmental levy of 6% in Great Lakes, and more recently a 5% levy in the Manning region.

MidCoast Council is now seeking to continue the levy in the Great Lakes and Manning regions, and extend it to the Gloucester region at a consistent level of 6% across the entire local government area.

The levy funds a program of initiatives that benefits us all, as residents and business-owners, and to visitors to the area. The viability of many of our industries and the lifestyle we enjoy is impacted directly by the health of our natural environment. Our oysters need clean water, our farmlands benefit from a healthy catchment and sustainable farming practices, and our tourism industry thrives on our pristine water, coastline and valleys.



Aligning the environmental levy across the MidCoast region will:

- Deliver on community priorities of a healthy environment
- Allow for integration of strategic environmental protection across the region
- Attract additional environmental grant funding to deliver community outcomes

Examples of the types of projects that might be funded through the environmental levy include:

- Wallis Lake, Karuah and Manning catchment water quality improvement works
- Wallis Lake, Karuah and Manning estuary health assessment and reporting
- Biodiversity corridors, from tops to lakes
- Erosion management such as sealing creek crossings on gravel roads
- River management including weed control and bank stabilisation
- Fish passage (barrier removal)
- Urban stormwater improvement

If the existing environmental levies are allowed to expire and a new levy is not introduced in their place, the programs and services they provide may no longer be delivered. The alternative is that the funding for these programs would have to be taken from the general revenue of Council and away from other key priority areas like roads and bridges.

Without an environmental levy our proposal for extra renewal works on our roads would be impacted.

Q: Do you think maintaining our natural environment should remain a priority for the MidCoast region?

Case Study: Riverbank Restoration

A severely eroded section of riverbank along the foreshore at Harrington was targeted for restoration in February this year.

Through a NSW Department of Primary Industries Recreational Fishing Trust Habitat Action Grant, combined with the Manning region's environmental levy, rock fillets were installed, along with 1.2km of cattle exclusion fencing and planting of 1,000 trees.

The recolonisation of mangroves in spring is an early indication of success, and will assist in protecting the riverbank from further erosion.

Over time the rock fillets will also contribute to improved water quality and a healthier habitat for local fish and marine life.



Funding success

One of the benefits of the environmental levy is that it enables us to attract additional funding from the State and Federal Governments, as most grant programs require matching funding.

Special Rate Variation (SRV) proposal

We believe that by working in partnership we can find a constructive and fair way to deliver community priorities and a strong regional Council. Since May we've been working at achieving savings and efficiencies, and have already identified \$18 million in savings over 4 years, a great result that can be put towards community priorities like roads. Our proposal includes investment from Council through these savings, from the State Government, and from our community through a proposed special rate variation.

All three former Councils highlighted the need for a SRV to address asset renewal and backlog issues. As MidCoast Council, the need remains and we are proposing a modest SRV which encompasses:

- 5% each year for roads and bridges (including the 2.5% rate peg) for four years; and
- a 6% environmental levy across all three regions

This equates to a total SRV of 11% in year 1, then 5% (inclusive of the rate peg) for the following three years. The 11% includes the 2.5% rate peg, 2.5% for roads and bridges and a 6% environmental levy for the region. The 6% environmental levy would impact rates as follows:

- Great Lakes - replace the existing levy (no net increase in rates from environmental levy)
- Manning - replace the existing levy (1% net increase in rates from environmental levy)
- Gloucester - introduce the levy at 6%

What the SRV will fund

The income available from a successful SRV application would be used to address the condition of our roads and bridges. Specifically it will:

- Fund the \$5 million annual renewal gap
- Prevent the backlog of works on the sealed road and bridge network from increasing
- Assist in beginning to reduce our backlog
- Improve community satisfaction with the road network
- Continue/extend our environmental program

In addition to SRV funding, savings made through efficiencies we're already seeing will be captured and applied to areas of high community priority, the immediate need being for roads and bridges.

How your rates will be impacted

The rating structure in the 3 former Council areas varies. This means average rates for various categories (eg. residential, business, and farmland) are different depending on where your property is located.

Once a new Council is elected, they will review the rating structure for the MidCoast area and adopt a new harmonised model. Until that occurs, the rates between the 3 former areas will reflect the pre-merger structure.

The current variance between areas means the impact of a SRV on rates will also vary by area.

Refer to the attachment to see how the average residential rate will be impacted in your region.

Q: Do you support the special rate variation proposal?

Affordability and impact on our ratepayers is key to our proposal

We've worked hard to balance the impact on our ratepayers while also responsibly addressing our key challenges.

To assist with this, we are proposing to freeze the waste charge for 3 years, providing rate-payers with a cumulative saving of \$120 over 3 years.

We have also worked hard to ensure the cumulative impact of the proposed SRV is similar to, or in some cases, significantly less than what was planned by each of the three former councils.



Thanks again for agreeing to take part in our survey.

A representative from Jetty Research will call you approximately one week from the day you received this brochure. If you're not home or the time they call doesn't suit you, they will be happy to phone back later.

If you have any questions about this information or the proposed SRV in the meantime, please contact us by emailing council@midcoast.nsw.gov.au or calling 6591 7222.