

SRV APPLICATION ATTACHMENT Q

Council reports – December 2016 and February 2017



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**Item:** 11.1

**Subject:** SPECIAL VARIATION - APPLICATION TO IPART

**File/Index:** Special Variation - Application to IPART

**Presented by:** Liz Jeremy, General Manager  
Michelle McFadyen, DGM - Corporate & Community  
Matt Fanning, DGM - Operations  
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Maxine Compton, Grants & Business Development Officer

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### **ALIGNMENT WITH DELIVERY PROGRAM**

(CL) CIVIC LEADERSHIP

(CL.2) Our community is informed and engaged with a strong sense of civic leadership.

(CL.2.1) The community is engaged in decision making and implementation.

(CL.2.1.0) The community is engaged in decision making and implementation - Other Activities.

### **RECOMMENDATION**

That Council:

1. Acknowledge the feedback received from the community during the community engagement and public exhibition process and provide this to the NSW Independent Regulatory and Pricing Tribunal (IPART) as part of the Special Variation application by Bellingen Shire Council for the years 2018/19-2020/21
2. Adopt the updated Long Term Financial Plan attached to this report that includes the permanent, three year Special Variation of 6% inclusive of the rate peg (19.1% cumulative) for years 2018/19 – 2020/21
3. Adopt the updated Delivery Program attached to this report that includes the permanent, three year Special Variation of 6% inclusive of the rate peg (19.1% cumulative) for years 2018/19 – 2020/21
4. Make application to the NSW Independent Regulatory and Pricing Tribunal (IPART) for a permanent, three year Special Variation of 6% inclusive of the rate peg (19.1% cumulative) under Section 508(A) of the *NSW Local Government Act 1993*, commencing in the 2018/19 financial year for the specific purpose of implementing and partly funding the Sealed Road Resurfacing and Bridge Renewal Programs, based on the contents of this report.

### **EXECUTIVE SUMMARY**

Council resolved at its December Ordinary 2017 Meeting to engage with the community regarding revised Integrated Planning and Reporting (IP&R) documents (Long Term Financial Plan (LTFP) and Delivery Program (DP)) relevant to the proposed permanent, three year Special Variation (SV) of 6% inclusive of the rate peg (19.1% cumulative). These documents were placed on public exhibition from Thursday 14 December 2017 to Friday 26 January 2018 with public submissions invited. Concurrent to this, a broad community engagement process was undertaken.



This report overviews submissions received regarding the IP&R documents and the SV proposal generally during the community engagement process. The revised versions of the IP&R documents are attached (Refer to Attachments A and B). This report also recommends that Council adopt the revised documents and submit an application to the NSW Independent Regulatory and Pricing Tribunal (IPART) for a permanent, three year SV of 6% inclusive of the rate peg (19.1% cumulative) in accordance with Section 508(A) of the *NSW Local Government Act 1993*.

Council is required to submit the SV application to IPART by Monday 12 February 2018. Once Council has made a resolution on the matter, the application is able to be finalised and will be circulated separately. The full application will also be available on Council's website.

## REPORT DETAIL

### 1. Overview

In December 2016, Council considered a report that outlined a funding shortfall relative to the infrastructure gap to renew Council's transport infrastructure and its ability to fund important and necessary works. The report outlined:

- Local Government Reform, in particular, the Fit for the Future process and outcomes
- Council's review of road infrastructure including the necessary required investment
- Council's financial position in terms of priority resurfacing (renewal) works
- The impact of the proposed SV on ratepayers
- Priority resurfacing works that would be enabled by a SV
- The process, criteria and timeframe to nominate and apply for a SV
- The proposed community engagement strategy

In addition to this, between September and December 2017, the Council participated in a series of workshops to better understand the backlog in its transport infrastructure, specifically sealed road resurfacing and timber bridge renewal, the funding required to address the gap in Council's current budget and the need for a SV in the context of Council's overall imperatives around assets and infrastructure and financial sustainability.

In consideration of the December 2016 report and subsequent workshops, Council resolved at its November 2017 Ordinary Meeting:

### **MOVED (Cr Fenton/Cr Harrison)**

That Council:

1. Notify the NSW Independent Regulatory and Pricing Tribunal of its intention to lodge an application for a Special Variation for the 2018-19 to 2020-21 financial years.
2. Present to the December Ordinary Meeting of Council the engagement and exhibition materials for endorsement including amendments to Council's Integrated Planning & Reporting documentation (Delivery Program and Long Term Financial Plan) to support the Special Variation application.

**For: Cr King, Cr Klipin, Cr Harrison, Cr Fenton and Cr Wright-Turner.**

**Against: Cr Carter and Cr Jenkins.**



## 2. THE 2017-18 RATE PEG

Roads and bridges are vital transport infrastructure that connect and support our communities. Local government has been subject to rate pegging for 40 years and, as a consequence, the majority of councils in NSW are suffering from an infrastructure backlog, meaning that they have not been in a position to generate sufficient income to renew their infrastructure in a timely fashion.

Rate pegging has been in place since 1977. The rate peg determines the maximum percentage amount by which a council may increase its general income for the year. For 2018/19, the rate peg has been set by the NSW Government at 2.3% based on the change in the Local Government Cost Index (LGCI) and consideration of a productivity factor.

IPART calculated the rate peg by:

- Taking the increase in the LGCI for the year to September 2016 of 2.3%
- Setting the productivity factor of 0.0%

This resulted in a rate peg of 2.3% for 2018/19.

Local Government NSW (LGNSW) released commentary regarding the rate peg percentage applied by the NSW Government expressing their concern that it simply does not meet the needs of local councils. In a media release dated 28 November 2017, LGNSW President Keith Rhodes, states, "For more than 40 years, local government has opposed the rate peg because it is a political sleight of hand".

"The cap doesn't protect family budgets, because families are often forced to pay in other ways – deteriorating local roads, reduced services or new charges and levies. The reality is that budgets only stretch so far, and rate-pegging just disguises the financial impact on communities and local economies".

Cr Rhoades said the rate peg – calculated by IPART on the basis of the Local Government Cost Index, similar to the Consumer Price Index – had been set at 2.3% for 2018-19. This is an increase on the 1.5% peg this year, and 1.8% the year before – an increase IPART has attributed to the rising costs faced by councils.

Keith Rhodes went on to further state, "IPART has attributed the increase to increases in labour costs, electricity and street lighting charges, and higher constructions costs for roads, drains, footpaths, kerbing and bridges," he said. "They have heard us about the pressures on local budgets."

The Riverina Eastern Regional Organisation of Councils (REROC) recently submitted a discussion paper to IPART regarding the methodology and calculation of the Local Government Cost Index. It appears from this analysis, that the Local Government Cost Index used to calculate the rate peg does not take into account the true costs faced by local councils. The following information outlines some of the discussion points REROC presented in their paper:

- Local Government's biggest cost is employee benefits and on-costs. IPART look at the Public Sector NSW Wage Price Index which, for 2015/16 rose by 1.9% and not the Local Government Award that councils are required to pay staff under which for the same period rose by 2.8%.
- IPART uses CPI for provision of services such as electricity which does not take into account the service charges which have seen increases of between 18% - 33%
- IPART does not consider depreciation or loan borrowings



- IPART does not take into account the Community Strategic Plan which councils have a legislative requirement to prepare and implement
- The Local Government Cost Index that IPART uses to develop the rate peg also does not take into account the funding needed to address the infrastructure backlog or future service requirements
- IPART are basing the index expenditure weightings on a survey conducted in 2010 as opposed to current figures

Bellingén Shire Council, as with neighbouring councils, has a significant infrastructure renewal program that has been identified in its LTFP. One of the key areas of renewal requirement is the resurfacing of its bitumen road network. Council is responsible for maintaining, renewing and improving 598kms of roads valued at approximately \$275M. On average, the Council needs to invest \$800,000 each year to renew the surface of its bitumen road network. Council's bridge renewal program also requires an investment of \$20M over the next 10 years to either rehabilitate or renew 85 aged timber bridges. These works form the basis of the proposed 2018/19 to 2020/21 SV.

The proposed SV will enable Council to attend to urgent road resurfacing and bridge renewal works that has been both assessed and prioritised. This will also enable a greater focus on the strategic management of its infrastructure while putting steps in place to ensure that any renewal requirements are addressed. The SV will assist in facilitating a refocus from reactive maintenance to proactive renewal of its transport infrastructure.

### 3. LOCAL GOVERNMENT REFORM

Four years of discussion with the State Government has resulted in the local government reform process. This encapsulates a number of different undertakings including a series of reviews and, in particular, the Fit for the Future program.

The Government released its Fit for the Future package in September 2014 in response to the findings of the three-year Independent Review of Local Government. As part of the local government reform process, councils were asked to consider new ways of working and new structural arrangements. A strong focus of the Fit for the Future program was financial sustainability and addressing the issues around the long term maintenance and improvement of councils' infrastructure.

Bellingén Council was asked to submit a proposal by 30 June 2015 outlining its strategy to remain 'Fit for the Future' based against a specific set of criteria. IPART assessed all council submissions and Bellingén was initially determined as 'not fit' due to not fully meeting two of seven financial criteria – one of which was the infrastructure and asset renewals ratio.

IPART's assessment of Council's original 2015 submission provided the following key findings:

- *The council does not satisfy the sustainability criterion based on its forecast for a negative operating performance ratio'.*
- *'....does not meet the criterion for sustainability based on its continuing operating deficits and relatively low building and infrastructure asset renewal ratio'.*
- *'We consider a council's operating performance ratio is a key measure of financial sustainability that all Fit for the Future (FTFF) councils must meet, therefore the council is not fit'.*
- *'.....demonstrates good regional collaboration'.*



- *‘.....analysis has not identified evidence for a better alternative to the council’s proposal to stand alone’.*
- *‘...has limited options to improve its financial position and relies on the successful application for and adoption of a special variation’.*

Council has carried out a significant body of work in addressing the feedback from IPART particularly regarding the operating result. A steady improvement over the past few years is due to implementation of a broad suite of initiatives that have been underway for some time, as well as holding to the commitments made in Council’s Fit for the Future submission and resubmission.

Council, along with a number of other councils across the State, was provided with an opportunity to make a resubmission to the Office of Local Government (OLG) for reassessment against the Fit for the Future criteria and this was completed in July 2016 following extensive consultation with and endorsement by the 2012-16 Council.

Council was advised on 6 December 2016 that it has been deemed fit on the basis of the strategies outlined in its reassessment submission.

Council’s overall operating result has improved from a deficit of \$9M in 2014 to a surplus of \$0.28 million in 2017. This is a net improvement of \$9.3 million over the last three years.

Significant achievements contributing to the turnaround in results include:

- Special variation in 2014/15
- Revaluation of roads, bridges, footpaths and drainage
- Option to no longer recognise Rural Fire Service assets
- Review of fees and charges
- Achievement of the Fit for the Future expenditure reduction commitments
- Staffing initiatives – review and reduction in staff overtime and leave liabilities
- Increase in Roads and Maritime Services (RMS) State road works
- Shift in operational works to renewal (capital) works
- Energy efficiency initiatives
- Shared service and alliancing initiatives
- A continuing focus on organisational improvements including implementing a program of Service reviews
- Regional advocacy, programs and support through participation in the Mid North Coast Region of Councils (MIDROC)
- General cost containment strategies as previously reported through Council’s Special Variation Implementation Planning and Policy Committee
- Early part payment of the 2018/19 Financial Assistance Grant

Whilst the various initiatives outlined above have delivered significant improvement in Council’s overall operating result, there remains a major financial commitment that needs to be made. These have been outlined in numerous previous reports to Council and the reassessment documentation endorsed by Council and submitted to government, in order to address infrastructure renewal.

Council foreshadowed anticipated rate increases in its Fit for the Future resubmission. Specifically, Council’s original Fit For the Future implementation plan proposed a SV of 6% (inclusive of the rate peg) for the period of 2017/18 to 2023/24. This has since been revised and significant modelling and operational improvements have resulted in an adjustment to the SV forecast to require 4 x 6% increases inclusive of the rate peg. This



effectively reduces the original forecasts by 12% or two years of 6% inclusive of the rate peg. The first of the required 4 x 6% including the rate peg SV was applied for and approved by IPART in 2017/18. The balance is the subject of this report and represents a cumulative total increase of 19.1% (inclusive of the rate peg).

IPART recognise that councils, like Bellingen, are restricted in their ability to generate additional revenue. This is evidenced in IPART's 2015 findings that state, *'the council has limited options to improve its financial position and relies on the successful application for and adoption of a special variation'*.

On this basis, this report presents two options in terms of rating for 2018/19 to 2020/21. These options include:

- A 2.3% rate peg increase
- A three year 6% SV increase (inclusive of the rate peg) for years 2018/19 to 2020/21 (cumulative impact 19.1%)

Should an application for a SV be made, and approved, it would be a permanent, three year variation to the general rate income.

The following summary outlines what each option will generate in additional revenue.

Option number	Percentage increase	Revenue Generated 2018/19	Revenue Generated 2019/20	Revenue Generated 2020/21
One	Rate peg 2018/19 – 2.3% 2019/20 – 2.5% 2020/21 – 2.5%	\$168,484	\$194,137	\$205,785
Two	6% Special Variation (Inclusive of rate peg)	R/Peg - \$168,484 SV - \$271,039 Total - \$439,522	R/Peg - \$194,137 SV - \$271,792 Total - \$465,930	R/Peg - \$205,785 SV - \$288,100 Total - \$493,885

#### 4. LONG TERM FINANCIAL PLAN (LTFP)

Council's adopted LTFP balances revenue and expense over a ten year period in the knowledge that asset renewal is under-funded. It also indicated that a SV report would be submitted to Council proposing options for two scenarios. These scenarios were modelled as required under the IP&R & SV guidelines. The models focus on Fit for the Future benchmarks around financial sustainability.

The two financial models are:

##### Model 1 – Service Levels Maintained

'Model 1' is the base model used throughout this document and assumes a permanent 6% per year special rate variation across all categories in years 2017/18 – 2020/21. The scenario also models a \$300K operational cost reductions/savings, commencing with \$150K saving in 2017/18 and \$150K in 2018/19, continued throughout the LTFP in order to improve Council's infrastructure.

##### Model 2 – Service Levels Reduced

The purpose of 'Model 2' is to model the impact on Council's financial position if Council was not to include any new special variation over the life of LTFP, i.e. increase rates by the annual rate peg limit only. This model incorporates a permanent special variation that commenced in the 2014/15 financial year to fund road improvements and maintenance,



as well as infrastructure programs. This model incorporates a reduction in infrastructure renewal expenditure, which in turn results in a reduction in service levels.

Financial Model 1 was adopted as part of the LTFP and Council's Fit for the Future reassessment proposal. Application of SV income would enable Council to bring forward or implement essential asset renewal projects.

The recommendation to this report, is the application for a permanent three year 6% inclusive of the rate peg, (cumulative 19.1%) SV for 2018/19 – 2020/21 which accords with Council's adopted LTFP.

## 5. ASSET MANAGEMENT

Bellingren Shire manages over \$0.5 Billion in assets on behalf of its community of which, its transport infrastructure forms a significant component.

Council has embarked on the implementation of advanced asset management practices including the implementation of a risk based maintenance management system and full technical analysis of its timber bridges and road pavements. These systems are driving modern best value for money decision making processes. This information has been used to develop the current LTFP.

The condition assessment of the sealed road network has been completed. One of the most significant findings from these assessments is that the condition of the rural sealed road network is well below satisfactory. It has identified that \$6M is required to be spent over the next 10 years to renew the rural roads sealed pavement surface and that an additional \$2M is required for the same period for urban streets. This represents a total sealed pavement resurfacing renewal investment of more than \$8M or approximately \$800,000 per year ongoing to renew sealed pavements to a satisfactory standard.

The Council is custodian for 85 timber bridges. Of these 85 bridges, 22 are load limited and 2 closed due to their deteriorated condition as a consequence of a detailed assessment carried out during 2017, which has been subject to detailed reporting to Council. The load limiting of these bridges places a level of service reduction onto those residents, businesses and industry which rely on these timber bridges to access their place of residence or business. In addition, it poses risk to the community as access for emergency and essential services, such as energy authorities and even the Council, is restricted potentially limiting routine service delivery.

These 85 timber bridges have been prioritised in order of importance considering a range of factors. A \$20M investment is required over the next 10 years to either rehabilitate or renew these essential infrastructure assets. Both the Resurfacing and Bridge renewal programs LTFP are attached for information. (Attachments B page 54, and Attachment C and E)

The intention for the revenue generated from a proposed permanent, three year SV of 6% inclusive of the rate peg (19.1% cumulative) is to continue to undertake urgent road resurfacing works and focus on vital bridge renewal works. This is based on the following:

- Limited grant funding available for road renewal projects
- While extremely competitive and limited, funding to support timber bridge works is available. However, to date, most grant funding has concentrated on the National Freight Task within which these bridges and road networks do not qualify. If work



is not undertaken to reseal the road network as a priority, it is at risk of needing a full reconstruction which will exponentially increase the cost of works.

- The proposed SV will enable the resurfacing program of works to be completed sooner than later, minimising the risk of accelerated deterioration of the sealed road network, and attendance to urgent bridge repair works
- The proposed SV will partially provide the necessary revenue to renew Council's timber bridges and remove the 22 load limits currently applied
- The implementation of a three year SV will provide the Council with funding certainty allowing it to forward fund grant applications and maximise its investment through the alignment of its renewal program both locally and regionally achieving better value for money.

As a requirement of the application and assessment process, Council has identified the proposed program of works that will be undertaken as a result of an approved SV.

A full list of all condition 5 bitumen seal surfaces formed part of the consultation undertaken. These sections of pavement will be the first areas targeted in the resurfacing program. The detail is provided hereunder.





Bellingen Shire COUNCIL

### Urban Resurfacing – Priority Roads (~29km) \$1M

Accia Street	0.05	Evans Street	0.17	Laurdes Avenue	0.25	Queen Street	0.25
Alex Pike Drive	0.25	Fern Street	0.05	Marina Crescent	0.22	Railway Street	0.21
Ash Street	0.25	Ferry Street	0.12	Marshall Place	0.09	Rawson Street	0.25
Baker Street	0.25	Fitzroy Street	0.47	Mary Street	0.18	Rampton Road	0.25
Balgallow Street	0.33	Ford Street	0.84	Minerva Lane	0.44	Robert Street Lane	0.14
Baydon Drive	0.54	Forest Drive	0.13	Margo Street	0.70	Rosewood Street	0.25
Bellinger Street	1.00	George Moore Lane	0.15	Mount Street	1.44	Scullin's Road	1.00
Beisdown Street	0.25	Gurney Street	0.75	Myrtle Street	0.64	Short Street	0.09
Binnville Street	0.17	Hammond Street	0.50	Nambucca Street	0.08	Short Street Lane	0.22
Bowraville Road	0.58	Hayden Street	0.60	Newry Island Drive	0.75	South Street	0.22
Casey Lane	0.20	Hickory Street	0.65	Newry Street	0.24	South Street East	0.21
Casuarina Street	0.24	High Street	0.25	Newry Street (East)	0.34	Tyringham Road	1.75
Cedar Street	0.50	Hill Street	0.44	North Street	0.65	Tyringham Street	0.44
Church Street	0.25	Hollbone Street	0.25	Old Coast Road	0.50	Vale Street	0.09
Comlaroi Street	0.18	Humer Street	0.14	Old Pacific Highway	0.50	Vernon Crescent	0.23
Coopers Lane	0.25	Hyde Street	0.35	Old Punt Road	0.15	Vine Street	0.52
Crown Street	0.25	Hydro Street	0.13	Pilot Street	0.25	Water Street	0.17
Dudley Street	0.09	Island Place	0.30	Pilot Street (East)	0.61	Wheatley Street	0.75
Eliot Close	0.24	Kurrajong Street	0.25	Pine Street	0.25	William Street Lane	0.35
		Kylie Street	0.14	Prince Street	0.45		

In addition, the full resurfacing works program displayed on the shire map is appended as Attachment D to demonstrate the demographics of the required works. This also was presented as part of the public consultation documentation and forms part of Council's web-based interactive map tool available to the community.

The proposed SV will partially provide the necessary revenue to renew Council's timber bridges and remove the 22 load limits currently applied. A copy of the Timber Bridge Renewal Priority List, Timber Bridge Condition Map and Load Limited Bridge Map are appended as Attachment E, F and G.

## 6. DEMONSTRATED NEED FOR A SPECIAL VARIATION (SV)

### Satisfaction Surveys

The community's needs and desires in relation to service delivery and asset maintenance and provision relevant to the SV application are identified in the 2016 Customer Satisfaction Surveys and Council's recently completed condition assessments of the sealed road network, as outlined in section 5 of this report. Further commentary in terms of the Customer Satisfaction Survey and asset management is provided in sections 7 and 5 of this report respectively.

These drivers provided the basis for recommendations to Council in December 2016 including further engagement with the community on the need to invest in transport infrastructure, specifically the sealed road network.

The community satisfaction survey was a random and representative telephone survey of 400 local residents to measure their satisfaction with Council service levels. It was completed in late 2016. Residents were asked to contribute to a series of questions including:

- Satisfaction with and importance of key services and facilities
- Overall satisfaction with Council
- Contact with Council
- Council website
- Perception of safety
- Overnight visitors



The report highlighted the following:

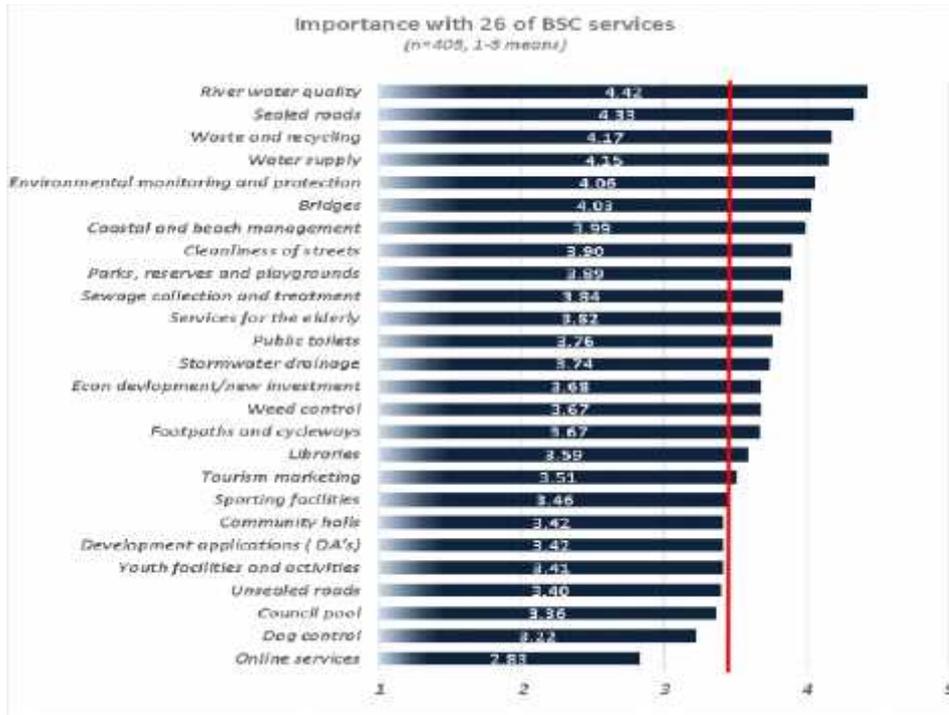
- The highest mentioned priority for future Council resourcing was sealed roads at 41%
- Sealed roads was also highlighted as the greatest shortfall i.e. least satisfied
- In terms of their overall satisfaction with Council’s performance, 26% of respondents declared themselves satisfied against 36% dissatisfied and the balance neutral
- Among the eight facilities and services scoring less than or equal to the neutral ranking both unsealed and sealed roads as well as weed control scored poorly and a fraction higher than development applications and business development/new investment
- Bridges scored highly at 19% in terms of priorities for future Council resourcing

Table 1 below, extracted from the survey results, highlights the position of sealed roads as high importance but low satisfaction.

Higher Importance, Lower Satisfaction	Higher Importance, Higher Satisfaction
Sealed roads Econ development/new investment Stormwater drainage Footpaths and cycleways Weed control	Water supply Cleanliness of streets Waste and recycling Parks, reserves and playgrounds River water quality Bridges Coastal and beach management Libraries Services for the elderly Sewage collection and treatment Public toilets Environmental monitoring and protection
Lower Importance, Lower Satisfaction	Lower Importance, Higher Satisfaction
Unsealed roads Development applications ( DA's)	Tourism marketing Youth facilities and activities Online services Dog control Council pool Sporting facilities Community Halls

**Table 1 – provision of services by importance and satisfaction.**

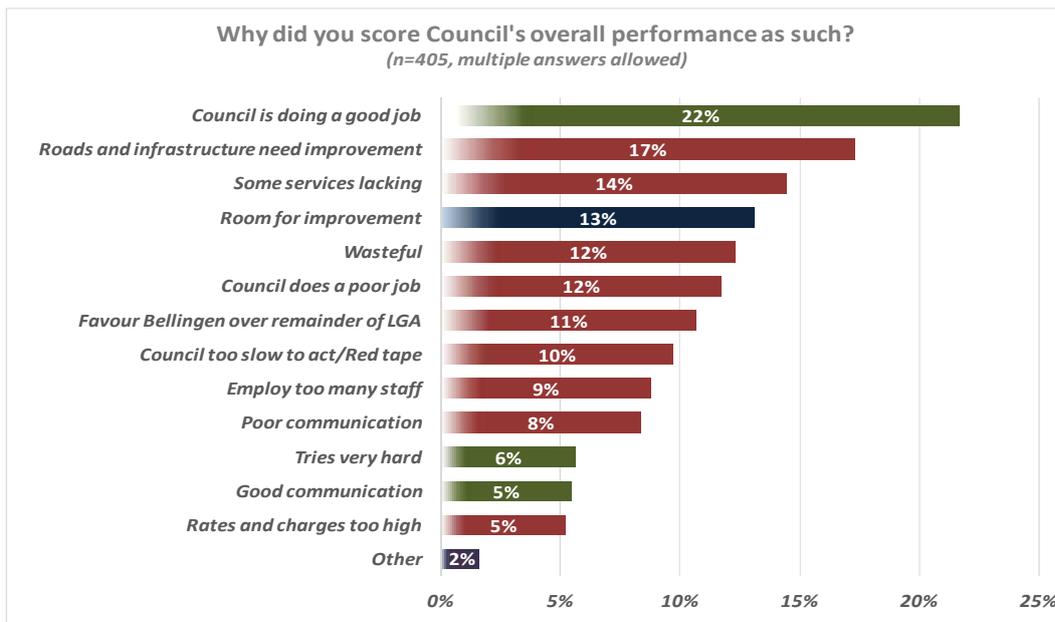
Table 2, extracted from the survey results, indicates that ‘everything is considered important’ based on the mean importance score of 2.83 (out of a possible 5).



**Table 2.- Importance of services**

This demonstrates a community expectation that Council will continue to deliver a broad range of services to the community. This raises challenges around service delivery and the potential opportunity cost of the delivery of those services.

**Table 3**, extracted from the survey results, outlines satisfaction in terms of service provision.



**Table 3 – overall performance**



Table 4, extracted from the survey results, outlines which three services are believed to be the most important in terms of allocating Council resources.

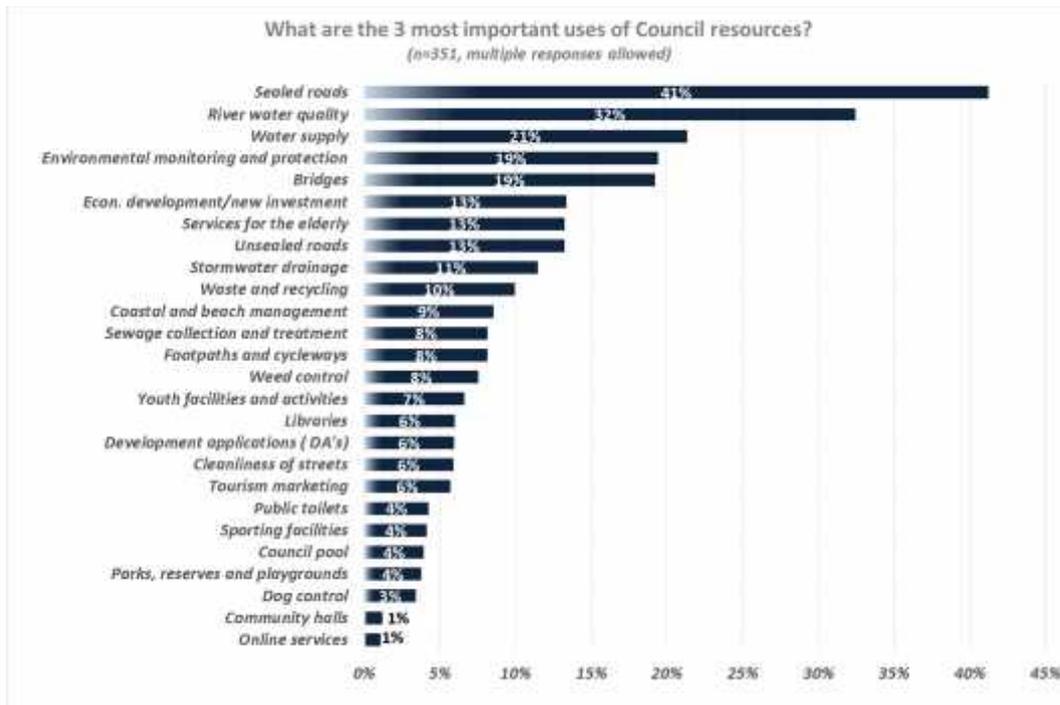


Table 4 – importance in terms of allocation of resources

It is considered that the foregoing demonstrates the need for Council to continue to progress its plan to invest in local infrastructure and specifically in its road resurfacing and bridges renewal programs of work that a SV will assist in realising. It also supports the need for Council and the community to consider a SV as well as ongoing engagement around service provision priorities in the context of service cost and overall willingness to pay for such services.

**6.1 Industry Reviews**

**6.1.1 TCorp**

In 2013, the NSW Government engaged NSW Treasury Corp (TCorp) to undertake a financial capacity and sustainability review of all NSW councils. The review considered the councils’ financial performance against a range of benchmarks, looking at councils’ borrowing capacity and their financial sustainability. To be considered financially sustainable, councils had to show that they had sufficient revenue to deliver the level of services that the communities expect. The outcome was that each council was provided with a Financial Sustainability Rating (FSR) and financial outlook.

Bellingen Shire Council received a FSR rating of **moderate** and an outlook of **negative**. This meant that Council has adequate capacity to meet its financial commitments in the short to medium term, and acceptable capacity in the longer term. However, the negative rating means that Council’s financial position could deteriorate in the future unless it takes steps to improve its sustainability.

In its review, TCorp made the following observations of Bellingen Shire Council:



- Council's Unrestricted Current Ratio had been well above benchmark for the previous four years, indicating sufficient liquidity;
- BSC had operating deficits for the previous four years, and forecasted operating deficits into the future;
- High reliance on grants, not sustainable without grants;
- Forecast capital expenditure was insufficient to cover the cost of forecast asset renewals;
- No additional borrowing capacity in the short to medium term;
- A high number of flood events had negatively affected BSC's operating expenses and ability to renew its assets;
- High infrastructure backlog with an increasing trend.

For councils assigned with a negative outlook, TCorp provided some recommendations and areas of investigations to assist in improving the sustainability position. The recommendations include:

- The need to source additional revenue, such as by a Special Variation (SV);
- For councils with sufficient borrowing capacity, to consider using debt funding to reduce infrastructure backlogs;
- Devising programs and strategies to contain costs and improve efficiencies;
- Further improvements in Asset Management Plans and integration into the Long Term Financial Plan;
- Increasing spending on maintenance and infrastructure renewal while balancing this with the need for capital expenditure on new assets.

In response to the TCorp Review, Council has already undertaken a broad range of initiatives to address the issues including successful applications to IPART for SVs in 2014/15 and 2017/18 which has resulted in the following:

#### **Special Rate Variation 2014-2015**

The ordinary rates included an 11.8% Road Levy which was approved by the Minister in June 2014. The Levy applies to all rateable land within the Shire. The 2014/15 SRV generated approximately \$0.56M in additional revenue in 2014/15, and \$6.42M over 10 years. The increase is funding and servicing a loan of \$4.85M for Council's capital works program to address transport infrastructure backlog and additional maintenance on the road network. The \$6.42M SRV funds are allocated in the following way:

- \$0.75M to meet the balance of interest on a loan which Council successfully received an interest rate subsidy under the Local Government Infrastructure Renewals Scheme.
- \$4.85M to repay principle of the loan.
- \$0.82M additional expenditure on capital works program.

**2016/17 Capital Works**

<b>Projects</b>	<b>2016/17 Actual</b>	<b>SRV Contribution</b>
Bridge Renewal Projects	\$773,594	\$581,594
Road Renewal Projects	\$857,251	\$686,695
Heavy Patching & Reseal Projects	\$746,720	\$600,00
Gravel Road Formation Renewal Projects	\$442,911	\$442,911
Gravel Road Resheeting	\$387,382	\$387,382
Shoulder Grading	\$43,630	\$43,630
<b>Total Capital Works Delivered in 2016/17 FY</b>	<b>\$3,251,487</b>	
<b>Total Capital Works funded by SV 2016/17</b>		<b>\$2,742,212</b>
<b>Maintenance Funded by SV</b>		<b>\$200,00</b>
<b>SV Income 2016/17</b>		<b>\$583,420</b>

These measures are factored into the IP&R documents and Fit for the Future initiatives.



### 6.1.2 Fit for the Future Assessment

Section 3 of this report provides an overview of the local government reform process and assessment of Bellingham Council against the Fit for the Future ratios. These ratios are underpinned by modelling which incorporates the generation of additional income above the rate peg. This was factored into the 2017/18 LTFP as well as the revised IP&R documents that were placed on exhibition during December 2017 and January 2018. The proposed SV is based on commitments within the adopted IP&R documents and Council's Fit for the Future reassessment.

### 6.1.3 Commentary

TCorp's financial assessment and the Fit for the Future analysis articulates Council's challenges in terms of having the required level of revenue to meet expenditure requirements into the future.

In order to be financially sustainable for the long term, Council continues to endeavour to balance its need to maximise its revenue with the principles of fairness and equity as outlined in the Community Strategic Plan, also known as the Community Vision.

The long term objective in terms of financial sustainability is for operating revenue to cover operating expenditure, including the cost of maintenance and renewal of its assets. This is the underlying premise of the Fit for the Future modelling as reflected in Council's LTFP.

Council's LTFP had forecast an operating deficit of \$2.072M for 2016/17. Due to the early payment by Government of the 2017/18 Financial Assistance Grant in 2016/17, Council's financial statements reported an operating surplus of \$277,000, resulting in Council meeting the operating performance ratio. If the early Financial Assistance Grant was not received, the reported operating result would have been a deficit position of \$1,449,000.

Council's LTFP forecasts a return to a continuous surplus in the general fund from 2023/24. This is dependent on the successful application of the permanent, three year SV of 6% inclusive of the rate peg (19.1% cumulative).

Council continues to address its infrastructure priorities and applying for the permanent, three year SV of 6% inclusive of the rate peg (19.1% cumulative) 2018/19 – 2020/21 is one platform within Council's overall financial strategy. The securing of a SV will enable investment in transport infrastructure resulting in reduced whole of life costs by facilitating intervention in the asset lifecycle when necessary. This will have the effect over the medium to long term of moving expenditure from reactive maintenance to proactive preventative maintenance activities.

Council continues to make significant progress in improving its asset management processes and financial modelling, through the IP&R framework, to better understand and proactively manage future financial and infrastructure needs. Council will continue to engage with the community on service levels and acceptable infrastructure conditions.

## 7. COMMUNITY AWARENESS AND ENGAGEMENT

IPART requires councils to actively engage residents in discussions about any proposed increase above the rate peg, which has been set at 2.3%, based on the IPART guidelines. Councils can do this by using community engagement tools that suit their population.



IPART will consider how effective each councils' community engagement has been before determining its application to increase charges above the rate peg that has been established by the State Government.

This report outlines a program of engagement activities which have been undertaken since Council's December 2017 resolution in the matter and include:

- Community drop in forums in Dorrigo, Bellingen and Urunga
- Mail out to all residents
- Newspaper advertisements
- Media releases
- Fact sheets
- Community newsletters
- Council SV Information Centre via 'Create'
- Documentation on public exhibition
- Rates calculator so residents can understand individual impact
- Kiosk – showing interactive maps and rates calculator as stated above
- Banners depicting the impact to ratepayers, program of works to benefit from the proposed SV, funding allocated to the program of works, recent Council infrastructure improvements

As part of the engagement and provision of information process outlined above, detailed information was provided regarding the proposed program of works and impact on rating categories.

Council has an adopted Community Engagement Strategy and Framework that formed the basis of the development of a specific community engagement plan for the SV. In order to meet the IPART criteria for a SV, Council must demonstrate that it has consulted broadly with the community. The SV engagement plan identified specific community engagement as well as other communication activities for additional key stakeholders.

Engagement was undertaken in three phases. Phases one and two included engagement with the community through the various mediums as outlined above. Phase three consisted of internal and some external engagement predominantly about receiving and assessing the information and feedback from phases one and two.

The community engagement schedule is as follows:

Engagement Activity	Phase 1 - Dec 2017	Phase 2 – January 2018	Phase - 3 February 2018
<b>Inform</b>			
Create Bellingen page	x	x	x
Community drop in sessions x 3	x	x	
Mail out to all residents		x	
Notice/newspaper advertisement	x	x	x
Media Release/s	x	x	x
Website SV information page	x	x	x
Community		x	



Engagement Activity	Phase 1 - Dec 2017	Phase 2 – January 2018	Phase - 3 February 2018
newsletters			
<b>Consult</b>			
Create Bellingden page	x	x	
Community drop in sessions x 3		x	
Invite submissions	x	x	
Public exhibition	x	x	

As a component of IPART's assessment, Council needs to demonstrate:

- Community awareness of their plans
- The need for higher increases to charges
- A reasonable impact on ratepayers
- A sustainable financing strategy
- A history of well-documented council productivity improvements

In addition to Council's evidence, IPART will assess any other information they consider relevant. IPART can wholly or partially approve, or reject Council's application.

### 7.1 SV TIMELINE

The timeframe for nomination and application to IPART for a SV is established by the NSW Office of Local Government, not Council, and outlined in the SV guidelines.

An outline of the key activities and timelines as stated in the guidelines are as follows:

Activity	Timeframe
Council resolution notifying intent to apply	22 November 2017
Community engagement	14 December – 26 January 2018
Council notification of intent to apply for a SV to IPART	15 December
IP&R document exhibition period	14 December – 26 January 2018
Council resolution - application to IPART (Special Council Meeting)	7 February 2018
SV application	12 February 2018

Council is required to consider feedback from the community as well as meet the criteria under IPART's assessment guidelines. Applications for a SV close on 12 February, 2018. These milestones and timelines frame the engagement process and affiliated timeframes as outlined above.

### 7.2 Community Surveys

Section 6 to this report provides a detailed overview of the community survey undertaken in 2016 which was a random and representative community survey.

### 7.3 2018 Feedback to Documents on Exhibition

Council invited submissions to the IP&R documents on exhibition during December 2017 and January 2018 and proactively sought to engage with the community during the engagement process.

The process was broadly promoted and involved:



- Community drop in forums in Dorrigo, Bellingen and Urunga
- Letterbox drops to all Shire residents
- Newspaper advertisements
- Media releases
- Fact sheets
- Council SV Information centre 'Create'
- Stakeholder forums
- Documentation on public exhibition
- Banners depicting the impact to ratepayers, program of works to benefit from the proposed SV, funding allocated to the program of works, recent Council infrastructure improvements
- Media interviews

The fact sheets and brochure are provided in Attachment H and I.

The community drop in sessions played an integral role in the engagement approach and saw approximately 70 people attend. Council was active in engaging with the community at the drop in sessions and was proactive in making sure as many community views, needs and expectations were recorded with feedback forms provided to those not able to access the 'Create' website.

Council used a number of reference tools to ensure the community was properly informed and provided with detailed information including:

- The proposed SV
- How the revenue generated would be invested
- The cost relative to rating categories
- The program of work that would be undertaken including specific roads and bridges
- How the SV would benefit the broader community
- The impact on individual ratepayers.

The reference tools used included:

- Large banners
- Maps showing the road resurfacing program down to individual roads and priorities
- Community brochure
- Fact sheets
- Financial statements
- Feedback forms
- Kiosk that provided access to the rates calculator and interactive maps

Council also prepared key messages regarding comparisons with other and neighbouring councils that assisted in responding to questions raised at these sessions. These were also provided as additional FAQs on Council's 'Create' website.

A register of submissions was developed and included feedback from all avenues of consultation including online, written, community drop in forums and Council's email address.

In summary, 101 submissions were received across all mediums and are broken down as follows:

- 74 – Formal (Email, Hard Copy, Bellingen Shire Council website 'have your say')



- 25 – ‘Create’ portal feedback comments (3 additional comments were received after the exhibition closing date)
- 2 - Drop in sessions submissions

Copies of the feedback received is provided in Attachment J.

Unrelated concerns and issues raised were also recorded by Council’s Customer and Business Support staff at the Drop In Sessions and will be addressed and responded to in accordance with Council’s Customer Service Management Policy and procedures. These issues included:

- The Town Beautification Project
- Same sex marriage plebiscite/rainbow flags
- Issues relating to Crown Lands reserves
- Cost of engaging with the community around the SV

Feedback from all submissions provided a number of views with respect to the proposed SV.

Of the submissions received opposing the SV, many reflected factors outside of Council’s control, including:

- The need to rate State Forests
- The NSW Government should support the costs associated with the provision of local roads and bridges
- Land values set by the Valuer General
- Historical issues from previous councils
- Financial Assistance Grants need to be increased
- Rate pegging
- Cost of living

Comments were received regarding Council internal costs and administration and claimed that:

- There are too many staff compared to other councils
- Staff are paid too much
- Cutting Council jobs would free up more funds to go towards fixing roads and bridges
- Mismanagement of funds

Other general comments claimed:

- The impact on pensioners as a result of the increase
- Too much money taken up in administration
- Other neighbouring council comparisons
- Claims of Council inefficiency
- Long term maintenance a priority for our roads
- Council’s roads and bridges need work
- Ensuring extra money going to roads and not on administration

In response to the issues outlined above, and in the interests of transparency, Council provides the following information.

Council remuneration arrangements are in accordance with the provisions of the Local Government State Award 2017, contractual provisions and industry benchmarks. In



2015/16, Council staff costs equate to 34.48% of operating expenses. This is below the Group 11 council average of 35.44% and State average of 37.79%.

Council restructured its operations in 2012 with an establishment number of 142. Since that time, Council has resumed the operations of its waste facilities and now employs those staff directly (as opposed to under contract) which has resulted in an increase of 6 staff to 148. Council employed one additional officer in 2014/15 in Land Use Services as a consequence of a major review in the context of legislative requirements. Council's operational staff comprise 53% of its staff complement.

Council receives approximately \$850K per year for the roads component of the Federal Financial Assistance Grant (FAG) and every dollar is spent on transport infrastructure. In 2016/17, Council spent well over \$5M renewing and maintaining road and bridge infrastructure. Council also spent more than \$3.3M in 2015/16. On average, the FAGs road component makes up 31% of the annual road and bridge maintenance budget.

With regards to issues raised around cost of living, there are broader taxation and revenue raising issues that need to be considered and by other levels of government. In addition Council also incurs many 'cost of living' price increases impacting on the delivery of services to the community. As previously mentioned in this report, the rate peg increase does not cover the increase in these costs borne by councils.

Council has made numerous submissions and representations to State and Federal Governments regarding the financial arrangements for local government and provision of assistance grants, cost shifting, rating of State Forests and other issues impacting on Council's financial position. Council will continue to advocate for change on behalf of the community.

Council publishes its financial information in accordance with legislative guidelines. Council's financial statements are audited annually and the audit report is also published.

It is considered that the submissions and feedback received whilst addressing issues affiliated with the proposed SV do not warrant amendments to the IPR documents on exhibition. Further, it is also considered that the various issues raised have been addressed in the extensive documentation that has been produced and publicly available including previous reports to Council, SV fact sheets, letterbox drops, newspaper ads, media releases, Council SV Information Centre on 'Create', detailed information provided at the drop in sessions, and Council's annual statements.

## **8. ASSET MANAGEMENT PLANS**

Council has significantly progressed the process of updating its core asset management plans. The next generation of asset management planning is currently being finalised and will involve the full incorporation, analysis and modelling of the recently collected road and bridge condition data. This will better inform Council's future infrastructure renewal programs and improve the maturity of the LTFP through any revised asset renewal profiles. This information will also prove invaluable for future grant applications. The updated plan is due to be finalised by the end of February and will be provided to IPART at that time, if required.

## **9. SPECIAL VARIATION CRITERIA AND ASSESSMENT**

### **9.1 OLG Requirements**



The Office of Local Government releases a set of guidelines each year for the preparation of an application for a special variation to general income. These guidelines outline how IPART will assess council applications. The Guidelines, released in November 2017, provide the Council with limited time to formalise its responses against the criteria for the SV should it decide to do so.

The need for additional funding through a SV must be identified through Councils' IP&R processes. Based on this requirement, Council updated its LTFP and Delivery Plan documents to reflect the SV Council is proposing to apply for. These documents were publicly exhibited from 14 December 2017 until 26 January 2018.

### 9.2 IPART Requirements

IPART requires councils to actively engage residents in discussions about any proposed increase above the rate peg. Councils can do this by using community engagement tools that suit their population. IPART will consider how effective each council's community engagement has been before determining its application to increase charges above the rate peg that has been established by the State Government.

This report outlines a program of engagement with our residents that included:

- Community drop in forums in Dorrigo, Bellingen and Urunga
- Mail out to all residents
- Newspaper advertisements
- Media releases
- Fact sheets
- Community newsletter
- Council SV Information Centre 'Create'
- Stakeholder forums
- Documentation on public exhibition
- Questions and Answers

As part of the provision of information as outlined above, detailed information was provided around the proposed program of works and impact on rating categories in accordance with the provisions of Council's community engagement framework. The outcomes of the engagement and exhibition process are outlined in detail in the Engagement section of this report.

### 9.3 IMPACT OF PROPOSED SV ON OUR COMMUNITY

Council is currently considering two options in terms of rating for 2018/19 – 2020/21.

These options include:

- The 2.3% State Government determined rate peg increase
- A 6% SV increase (rate peg + 3.7%)

This report proposes that Council apply for a permanent increase under the provisions of Section 508(A) of the NSW Local Government Act.

Option number	Percentage increase	Revenue Generated 2018/19	Revenue Generated 2019/20	Revenue Generated 2020/21
One	Rate peg 2018/19 – 2.3% 2019/20 – 2.5%	\$168,484	\$194,137	\$205,785



	2020/21 – 2.5%			
Two	6% Special Variation (Inclusive of rate peg)	R/Peg - \$168,484 SV - \$271,039 Total - \$439,522	R/Peg - \$194,137 SV - \$271,792 Total - \$465,930	R/Peg - \$205,785 SV - \$288,100 Total - \$493,885

The two possible increases in rate revenue have been apportioned to the different Council rate categories in the table below. This shows the average annual dollar increase in rates for each of our rating categories.

**Rating Categories – Average Annual Dollar Increase**

The proposed SV to address our community’s transport infrastructure, e.g., our roads and bridges is estimated to have the following impact on the rating categories:

Annual Rate Increase (%)	2018/19	2019/20	2020/21	Cumulative
Rate Peg (Estimate)	2.3%	2.5%	2.5%	
Special Variation	3.7%	3.5%	3.5%	
<b>Total Annual Increase</b>	<b>6.0%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>19.1%</b>

**For Residential Ratepayers**

Average Rate (Incl. Rate Peg)	Current	2018/19	2019/20	2020/21	Av. Increase
Annual Rate	\$1,078.59	\$1,143.30	\$1,211.90	\$1,284.62	-
Annual Increase		\$64.72	\$68.60	\$72.71	<b>\$68.68</b>
Weekly Increase		\$1.24	\$1.32	\$1.40	<b>\$1.32</b>

**For Business Ratepayers**

Average Rate (Incl. Rate Peg)	Current	2018/19	2019/20	2020/21	Av. Increase
Annual Rate	\$1,341.20	\$1,421.67	\$1,506.97	\$1,597.39	-
Annual Increase		\$80.47	\$85.30	\$90.42	<b>\$85.40</b>
Weekly Increase		\$1.55	\$1.64	\$1.74	<b>\$1.64</b>

**For Farmland Ratepayers**

Average Rate (Incl. Rate Peg)	Current	2018/19	2019/20	2020/21	Av. Increase
Annual Rate	\$2,520.26	\$2,671.48	\$2,831.76	\$3,001.67	-
Annual Increase		\$151.22	\$160.29	\$169.91	<b>\$160.47</b>
Weekly Increase		\$2.91	\$3.08	\$3.27	<b>\$3.09</b>

*\*The above rates are estimates only based on rate category averages. The final rate amount will be dependent on your land value and the final rates model adopted by Council in June 2018.*



In addition to the general rate, Council also applies water, sewer and domestic waste charges to properties that access those services. The table below provides an example of the projected pricing for 2018/19 – 2020/21 for residential properties based on the net average increase for a typical residential rate.

**Note: Water pricing comprises an availability charge and a user charge.**

	2018/19	2019/20	2020/21
<b>Water / Sewer</b>			
Average Sewer / Water Charges	\$ 1,085.00	\$ 1,112.00	\$ 1,140.00
Percentage Increase	3.00%	2.50%	2.50%
<b>\$ Increase per year</b>	<b>\$ 26.00</b>	<b>\$ 27.00</b>	<b>\$ 28.00</b>
<b>\$ Increase per week</b>	<b>\$ 0.50</b>	<b>\$ 0.52</b>	<b>\$ 0.54</b>
<b>Waste Services</b>			
Average Waste Charges	\$ 674.00	\$ 691.00	\$ 708.00
Percentage Increase	3.00%	2.50%	2.50%
<b>\$ Increase per year</b>	<b>\$ 16.00</b>	<b>\$ 17.00</b>	<b>\$ 17.00</b>
<b>\$ Increase per week</b>	<b>\$ 0.31</b>	<b>\$ 0.33</b>	<b>\$ 0.33</b>
<b>Total</b>	<b>\$ 3,046.26</b>	<b>\$ 3,167.50</b>	<b>\$ 3,294.37</b>

#### 9.4 IMPACT ON THE RATING STRUCTURE

The proposed SV is to be applied equally to all categories of the ordinary rate. Council considers that, as the variation is intended to be utilised for transport infrastructure across the whole Local Government Area and will benefit all road users, the cost should be distributed proportionately to all ratepayers.

Council will model a number of scenarios for consideration along with a formal public exhibition period prior to the adoption of the Operational Plan and Revenue Policy for 2018/19.

Council's current rate structure comprises an ad valorem amount together with base amount in order to achieve an equitable distribution of rates and minimise excessive fluctuations.

#### 9.5 COMMUNITY'S CAPACITY TO PAY

In consideration of making an application for a SV, Council has considered the community's capacity to pay based on the SEIFA Index of Advantage and Disadvantage, level of proposed increase and other cost indices. Given that many comparisons were made with neighbouring councils by respondents to the engagement process, the following information is provided.

Bellingen Shire's SEIFA index, in comparison with some neighbouring councils, states Bellingen (950.1) has a higher capacity to pay compared to other like councils, e.g. Nambucca (900.0) that ranked higher in terms of their level of disadvantage. Kempsey also ranks higher with an Index of 879.7.



When comparing residential rates across neighbouring councils, Bellingen Shire ratepayers pay less on average with the exception of Nambucca Shire where the residential rates are \$56 a year less on average. While each council uses different multiple rate categories, the following information outlines comparative rate averages across Bellingen, Nambucca, Coffs Harbour and Port Macquarie local government areas:

	BELLINGEN	NAMBUCCA	COFFS HARBOUR	PORT MACQUARIE	NSW AVERAGE
Average Ordinary Rate 2015/16	\$1,078	\$1,022	\$1,280	\$1,263	\$1,325

Further comparisons between the four councils indicate that farmland and sewer rates are higher but water is lower. However, Council’s combined water and sewer typical residential bills are lower than the State and National averages.

The following rating information for Coffs Harbour is also provided by way of comparison. This indicates that even with the three year SV, the average general rate applied by Bellingen Shire Council would be lower than the current Coffs Harbour City Council projections.

Model 1: Current Services Maintained

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
<b>Rates</b>										
<b>Bellingen</b>										
Average Rates	\$ 1,214.40	\$ 1,287.26	\$ 1,364.50	\$ 1,446.37	\$ 1,482.53	\$ 1,519.59	\$ 1,557.58	\$ 1,596.52	\$ 1,636.43	\$ 1,677.35
Percentage Increase	6.00%	6.00%	6.00%	6.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
\$ Increase per year		\$ 72.86	\$ 77.24	\$ 81.87	\$ 36.16	\$ 37.06	\$ 37.99	\$ 38.94	\$ 39.91	\$ 40.91
\$ Increase per week		\$ 1.40	\$ 1.49	\$ 1.57	\$ 0.70	\$ 0.71	\$ 0.73	\$ 0.75	\$ 0.77	\$ 0.79
<b>Coffs Harbour</b>										
Average Rates	\$ 1,424.77	\$ 1,460.39	\$ 1,496.90	\$ 1,534.32	\$ 1,572.68	\$ 1,612.00	\$ 1,652.30	\$ 1,693.60	\$ 1,735.94	\$ 1,779.34
Percentage Increase	7.75%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
\$ Increase per year		\$ 35.62	\$ 36.51	\$ 37.42	\$ 38.36	\$ 39.32	\$ 40.30	\$ 41.31	\$ 42.34	\$ 43.40
\$ Increase per week		\$ 0.68	\$ 0.70	\$ 0.72	\$ 0.74	\$ 0.76	\$ 0.77	\$ 0.79	\$ 0.81	\$ 0.83

Council also considered the Bellingen Shire average weekly household income. The 2016 ABS Census Data states that 29.8% of Shire residents earn between \$650 - \$1,249 a week compared to the NSW Regional average of 25.5% and the Mid North Coast average of 29.6%.

**9.6 ADDRESSING HARDSHIP**

Bellingen Council recognises that ratepayers may at times experience difficulty in paying rates and charges. Council has a Hardship Policy in place to provide assistance to ratepayers who are experiencing genuine difficulties with the payment of their rates and charges. The Hardship Policy was most recently adopted on 25 September 2013 and is reflected in Council’s IP&R Revenue Policy.

The NSW Local Government Act 1993 (LGA) gives Council the authority necessary to provide assistance to those ratepayers under the following sections of the LGA:

- A. Section 564 of the LGA provides Council with the option to accept payment of rates and charges due and payable in accordance with an agreement made with



COUNCIL 25 SEPTEMBER, 2013 Page 14 of 75 the ratepayer and to write off or reduce interest accrued on rates and charges if the ratepayer complies with the agreement.

- B. Section 567 of the LGA provides for Council to write off accrued interest on rates and charges payable by a ratepayer if, in Council's opinion the reasons that the ratepayer was unable to pay the rates and charges when they became payable were beyond the ratepayer's control, or that the ratepayer is unable to pay the accrued interest for reasons beyond that ratepayer's control, or that the payment of the accrued interest would cause the ratepayer hardship.
- C. Section 575 of the LGA provides for the granting of concession on rates and charges for eligible pensioners.
- D. Section 601 of the LGA provides for ratepayers who incur a rate increase as a result of a revaluation of land to apply to Council for financial relief if the increase in the amount of rates payable will cause them substantial financial hardship.

The Hardship Policy requires ratepayers to be means tested and make an application for a formal payment arrangement. Once the payment arrangement has been finalised, Council may also remove any interest accrued should this contribute to any additional hardship.

As stated above, Council also provides concession on rates and charges for eligible pensioners. Bellingen Council has 24% of ratepayers that receive a pensioner concession on their rates. The following is an extract from Council's Revenue Policy (page 5) that outlines the level of concession available to pensioners.

*Pensioner Rebates (Sec 575 NSW Local Government Act 1993)*

*Rebates are available to eligible pensioners who are solely or jointly liable for the payment of rates and charges. The pensioner must occupy the dwelling as their sole or principal place of living. The rebates are as follows:*

- 50% of the combined ordinary rates and domestic waste management charge up to a maximum rebate of \$250.00.*
- 50% of water charges up to a maximum rebate of \$87.50.*
- 50% of sewerage charges up to a maximum rebate of \$87.50.*

*The pensioner rebate must be applied against the rate assessment or water billing account in the name of the ratepayer and not a Body Corporate or a Company, except where it is allowed by special agreement. The special agreement would cover circumstances such as where an applicant is the sole shareholder of the company that owns the property and the property is used as the applicants' principal place of residence. The application must be approved by the General Manager.*



Council's outstanding rates and annual charges ratio for 2015/16 general fund sat at 2.45%. This is well below the rural council benchmark of 10% and significantly lower than the Group 11 average. This might suggest the community is experiencing less difficulty paying rates compared to other councils.

### **9.7 PRODUCTIVITY IMPROVEMENTS AND COST CONTAINMENT STRATEGIES**

Council has worked extensively over the past few years to deliver a significant improvement in its operating result. This was reported to Council in conjunction with its 2016/17 Annual Report. The result is due to a focus over the past five years on organisational reform, asset management and financial sustainability as well as Council's Fit for the Future initiatives.

Council's overall operating result has improved from a deficit of \$9 million in 2014 to a surplus of \$0.28 million in 2017. This is a net improvement of \$9.3 million over the last three years. Council will continue to look for productivity improvements, efficiencies and cost containment strategies to assist in improving Council's future financial sustainability. A snapshot of the key initiatives is provided in Attachment K.

#### **9.7.1 Organisational Review**

In accordance with the provisions of the *NSW Local Government Act 1993*, Council must review their structure every 4 years and within 1 year of an election. Council undertook an extensive review of its structure in 2012 and reaffirmed its structure in 2017 in accordance with legislative provisions. Council's approach is to review its provision of works and services on an ongoing basis and work continues in this regard with a current focus on service reviews across a range of activities to accommodate initiatives currently underway around financial sustainability, productivity and efficiency, shared servicing alliancing, etc.

#### **9.7.2 Governance Framework**

Community and Councillor engagement with regard to the 2014 Special Variation resulted in the development of a works enablement plan and a program identifying cost savings. Within the context of an overall governance framework, two programs were created:

- A Transport (Road and Bridge) Infrastructure Sustainability Program to implement the SV rolling works program
- A Financial Sustainability Program to realise benefits from efficiency, productivity, and cost containment initiatives across Council

Both programs adopted a formal program management methodology with key processes for:

- Management Control
- Benefits Management
- Financial Management
- Stakeholder Engagement
- Risk Management
- Organisational Governance
- Resource Management

Council adopted a portfolio management approach to overseeing these and other programs through integration with, and enhancement of, Council's existing Integrated Planning and Reporting Framework.



The 10 year rolling LTFP in the Delivery Program will form the basis for the long term works program. The annual Operational Plan will incorporate detail on the shorter term works program.

Moving forward, the Delivery Program, Operational Plan and Annual Report as well as Council's Audit and Risk Committee have existing reporting periods protocols and mechanisms that will facilitate reporting to Council and community. The Operational Plan for works related to the proposed SV will incorporate expanded data points for key performance indicators, goals (and progress), and milestones to satisfy the commitment to greater transparency and accountability. The Audit Committee will receive reports regarding productivity and efficiency improvements, service reviews and financial sustainability initiatives.

### **BUDGET IMPLICATIONS**

Funds have been allocated for the preparation and formalisation of a SV application. Costs relate primarily to community engagement and project management.

Project resourcing has been provided using existing staff.

The proposed SV has been based on the modelling undertaken in relation to the Fit for the Future submission in 2016 which has enabled the Council to be classified as 'Fit'.

This modelling was in turn reflected in Council's LTFP and adopted by the Council. The IP&R documents placed on exhibition during this SV engagement process were consistent with Council's adopted position.

In the event that the additional funds anticipated by the proposed SV are not realised, this will impact the ratios within the Fit for the Future projections negatively and the long term implications for this need to be considered in terms of Council's long term financial sustainability and the ability to appropriately maintain its asset base.

Apart from the impact on the ratios, this may place Council in a vulnerable position in terms of loan borrowings as with the current 'Fit' status, Council is able to access borrowings through TCorp.

The revenue generated from the proposed three year SV of 6% inclusive of the rate peg (cumulative 19.1%) is to undertake targeted 10 year road resurfacing and bridge renewal programs of work representing an investment of \$8.1M. The funds will be spent specifically on addressing the rural and urban priority bitumen roads with a condition rating of 3, 4 or 5 (commencing with condition 5 assets) as well as Council's priority bridge renewal program.

Should the proposed SV not be approved then it would be necessary for the Council to resolve the following:

1. Reduce the proposed resurfacing and bridge renewal programs by the amount of the additional revenue generated from the proposed SV.
2. Should the Council wish to complete the proposed resurfacing and bridge renewal programs, reallocate the necessary funds from other budget items, e.g., reduce service levels.



## SUSTAINABILITY ASSESSMENT

This report recommends that Council apply for a permanent three year SV of 6% inclusive of the rate peg (cumulative 19.1%) for 2018/19 – 2020/21. The proposed SV is focused on a program of infrastructure investment with the overall objective of improving the road and bridge network. This allows intervention at a point where the network does not suffer further decline and contributes to Council's ongoing focus on financial sustainability as well as satisfying the Fit for the Future modelling and undertakings.

## ENGAGEMENT

The Bellingren Shire Council Community Engagement Strategy was adopted by Council at its meeting on 22 February 2012. This strategy is designed to outline the approach Bellingren Shire takes towards engaging with our community.

Having regards to the Community Engagement Strategy, it is considered that the actions/initiatives contained within this report are appropriately categorised as having a LEVEL 1 impact (high impact – Shire wide). To address the requirements of Council's Community Engagement Strategy and the *NSW Local Government Act 1993*, Council carried out the actions as outlined in the December 2016 Council report in this matter. These initiatives and the outcomes are outlined in Sections 6 and 7 of this report.

In summary:

- 101 responses were received from the exhibition and engagement process
- 9 phone calls to Council's Business and Customer Service Team were taken in relation to the SV
- 5 media articles were published  
4 advertisements were placed in local papers
- 70 people attended the community drop in sessions
  - 16 in Dorrigo
  - 22 in Urunga
  - 32 in Bellingren
- Of the 70 in attendance, 2 indicated they were a resident but not a ratepayer and 1 was neither a ratepayer nor resident

A summary of the engagement activities on the 'Create' Bellingren website includes:

- Total unique visits – 318
- Documents downloaded – 83
- Visits to key dates page – 24
- Registered users that contributed to the feedback forum – 26
- Registered users that viewed photos - 3

A detailed report of the community engagement outcomes is provided in Attachment J.

## ATTACHMENTS

- 11.1.A Delivery Program
- 11.1.B Long Term Financial Plan 2017-2027
- 11.1.C Bitumen Roads - Resurfacing Priority List
- 11.1.D Bitumen Roads - Resurfacing Priority Map
- 11.1.E Timber Bridge Renewal Priority List
- 11.1.F Bellingren Shire Bridge Condition Map



- 11.1.G Load Limited Bridges Map
- 11.1.H Community brochure
- 11.1.I Fact sheets
- 11.1.J Submissions and feedback SV engagement
- 11.1.K Savings and Efficiencies Initiatives



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**Item:** 13.2

**Subject:** PUBLIC EXHIBITION OF THE UPDATED DELIVERY PROGRAM AND LONG TERM FINANCIAL PLAN

**File/Index:** Public Exhibition of the updated Delivery Program and LTFP documents

**Presented by:** Matt Fanning, Deputy General Manager Operations  
Liz Jeremy, General Manager  
Michelle McFadyen, Deputy General Manager  
Chris Hodge, Chief Financial Officer  
Maxine Compton, Grants & Business Development Officer

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### **ALIGNMENT WITH DELIVERY PROGRAM**

(CL) CIVIC LEADERSHIP

(CL.2) Our community is informed and engaged with a strong sense of civic leadership.

(CL.2.1) The community is engaged in decision making and implementation.

(CL.2.1.0) The community is engaged in decision making and implementation - Other Activities.

### **RECOMMENDATION**

That Council place the updated documents on public exhibition for the period 14 December 2017 to 26 January 2018

### **EXECUTIVE SUMMARY**

This report provides information regarding Council's Integrated Planning and Reporting Documents (IP&R), specifically, the updated Delivery Program (DP) and Long Term Financial Plan (LTFP) being placed on public exhibition for a period of six weeks from 14 December 2017 to 26 January 2018 to address the Independent Pricing and Regulatory Tribunal's requirements as part of Council's application for a special variation.

### **REPORT DETAIL**

Council resolved at its November Ordinary Council Meeting to place on exhibition Council's IP&R Documents, specifically, the updated DP and LTFP. These documents have been updated to include Council's intention to apply for a special variation for 2018-19 to 2020-21 and to comply with the requirements of the Independent Pricing and Regulatory Tribunal (IPART). The resolution of Council states:

**MOVED (Cr Fenton/Cr Harrison)**

That Council:

1. Notify the NSW Independent Regulatory and Pricing Tribunal of its intention to lodge an application for a Special Variation for the 2018-19 to 2020-21 financial years.
2. Present to the December Ordinary Meeting of Council the engagement and exhibition materials for endorsement including amendments to Council's Integrated Planning & Reporting documentation (Delivery Program and Long Term Financial Plan) to support the Special Variation application.

**For:** Cr King, Cr Klipin, Cr Harrison, Cr Fenton and Cr Wright-Turner.  
**Against:** Cr Carter and Cr Jenkins.

**SPECIAL VARIATION CRITERIA AND ASSESSMENT**

The Office of Local Government releases a set of guidelines each year for the preparation of an application for a special variation to general income (the Guidelines). These Guidelines outline how IPART will assess council applications. The Guidelines, that were released in November, provides the Council approximately six to eight weeks to formalise its responses against the criteria for the SV should it decide to do so.

The need for additional funding through a SV must be identified through Councils' IP&R processes. Based on this requirement, Council has updated its LTFP and Delivery Plan documents to reflect the SV Council is proposing to apply for. These documents need to be publicly exhibited for a minimum of six (6) weeks from 14 December 2017.

The following extracts outline the specific requirements regarding the need to exhibit and adopt the IP&R documents. The extracts are taken from the Guidelines for the Preparation of an Application for a Special Variation to General Income released in November 2017.

**“2. Integrated planning and special variations**

*The Integrated Planning and Reporting framework (IP&R) provides a mechanism for councils and the community to have important discussions about service levels and funding priorities and to plan in partnership for a sustainable future. IP&R therefore underpins decisions on the revenue required by each council to meet the community needs and demands, and in particular, whether the council requires a special variation to meet those needs.*

*All NSW councils have implemented IP&R. The special variation guidelines and IPART's assessment process are based on an expectation that councils will have engaged the community in a discussion on the funding required through the IP&R process.*

*Before applying to IPART for a special variation to general income, councils must adopt their Community Strategic Plan, Delivery Program, Long Term Financial Plan and where applicable, Asset Management Plan. Councils may only apply to IPART for a special variation to general income on the basis of those adopted IP&R documents. However, councils do not have to adopt their Operational Plan for the coming year before applying to IPART for a special variation.*

**3.1 Criteria for special variation applications**



*Undertaking the IP&R processes, and in particular developing the Long Term Financial Plan as outlined in the IP&R Manual, should provide sufficient information to meet the criteria against which IPART assesses applications provided that the special variation is clearly identified in this process.*

*The criteria against which IPART is to assess each application are based on what councils are required to do under IP&R. These criteria are:*

1. *The need for, and purpose of, a different revenue path for the council's General Fund (as requested through the special variation) is clearly articulated and identified in the council's IP&R documents, in particular its Delivery Program, Long Term Financial Plan and Asset Management Plan where appropriate. In establishing need for the special variation, the relevant IP&R documents should canvas alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan applying the following two scenarios:*
  - **Baseline scenario** – *General Fund revenue and expenditure forecasts which reflect the business as usual model, and exclude the special variation, and*
  - **Special variation scenario** – *the result of implementing the special variation in full is shown and reflected in the General Fund revenue forecast with the additional expenditure levels intended to be funded by the special variation.*

*Evidence to establish this criterion could include evidence of community need/desire for service levels/project and limited council resourcing alternatives. Evidence could also include analysis of council's financial sustainability conducted by Government agencies.*

2. *Evidence that the community is aware of the need for and extent of a rate rise. The Delivery Program and Long Term Financial Plan should clearly set out the extent of the General Fund rate rise under the special variation. The council's community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occur. The IPART fact sheet includes guidance to councils on the community awareness and engagement criterion for special variations. In particular, councils need to communicate the **full cumulative increase** of the proposed SV in percentage terms, and the total increase in dollar terms for the average ratepayer, by rating category.*
3. *The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. The Delivery Program and Long Term Financial Plan should:*
  - *clearly show the impact of any rate rises upon the community,*
  - *include the council's consideration of the community's capacity and willingness to pay rates, and*
  - *establish that the proposed rate increases are affordable having regard to the community's capacity to pay.*
4. *The relevant IP&R documents must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation to its general income.*
5. *The IP&R documents or the council's application must explain the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation period.*



6. *IPART's assessment of the matters set out in Section 3.*

*The criteria for all types of special variation are the same. However, the magnitude or extent of evidence required for assessment of the criteria is a matter for IPART".*

### COMMUNITY ENGAGEMENT

IPART requires councils to actively engage residents in discussions about any proposed increase above the rate peg. Councils can do this by using community engagement tools that suit their population. IPART will consider how effective each council's community engagement has been before determining its application to increase charges above the rate peg that has been established by the State Government. The public exhibition of the IP&R documents forms part of Council's overall engagement strategy. Other components of the engagement program includes:

- Community drop in forums in Dorrigo, Bellingen and Urunga
- Mail out to all residents
- Newspaper advertisements
- Media releases
- Fact sheets
- Community newsletters
- Council SV Information Centre via 'create'
- Rates calculator so residents can understand individual impact

Council has an adopted Community Engagement Strategy and Framework that forms the basis of the development of a specific community engagement plan for the SV. In order to meet the IPART criteria for a SV, Council must demonstrate that it has consulted broadly with the community.

Engagement will be undertaken in three phases. Phases one and two include engagement with the community through the various mediums as outlined above. Phase three will consist of internal and some external engagement and be predominantly about receiving and assessing the information and feedback from phases one and two.

The community engagement schedule is as follows:

Engagement Activity	Phase 1 - Dec 2017	Phase 2 – January 2018	Phase - 3 February 2018
<b>Inform</b>			
Create Bellingen page	x	x	
Community drop in sessions x 3		x	
Mail out to all residents		x	
Notice/newspaper advertisement	x	x	x
Media Release/s	x	x	x
Website SRV information page	x	x	x
Community newsletters	x	x	
<b>Consult</b>			
Create Bellingen	x	x	



Engagement Activity	Phase 1 - Dec 2017	Phase 2 – January 2018	Phase - 3 February 2018
page			
Community drop in sessions x 3		x	
Invite submissions	x	x	
Public exhibition	x	x	

### SV TIMELINE

The timeframe for nomination and application to IPART for a SV is established by the NSW Office of Local Government and outlined in the SV Guidelines.

An outline of the key activities and timelines as stated in the guidelines are as follows:

Activity	Timeframe
Council resolution notifying intent to apply	22 November 2017
Community engagement	14 December – 26 January 2018
Council notification of intent to apply for a SV to IPART	15 December
IP&R document exhibition period	14 December – 26 January 2018
Council resolution - application to IPART (Extraordinary Council Meeting)	7 February 2018
SV application due to IPART	12 February 2018

Council is required to consider feedback from the community as well as meet the criteria under IPART's assessment guidelines. Applications for a SV close on 12 February, 2018. These milestones and timelines frame the engagement process and affiliated timeframes as outlined above.

### BUDGET IMPLICATIONS

A budget allocation has been made for the preparation and formalisation of a SV application. Costs relate primarily to community engagement and project management.

Project resourcing will be provided using existing staff and will require a focus on the SV project through until early 2018. Application for a three year SV will represent significant operational savings in relation to the preparation of application(s).

The revenue generated from the proposed SV of 6%, inclusive of the rate peg for three years (19.1% cumulative increase), is to undertake a targeted road resurfacing program of works and vital bridge renewals. By year three, this will generate an additional \$880,000 per year in revenue. IPART announced that the rate peg for 2018/19 is 2.3%.

### SUSTAINABILITY ASSESSMENT

The application for a SV is a key action in Council's Fit for the Future Implementation Plan which supported the NSW Government's determination of Council's status as 'fit' in December 2016.

### ENGAGEMENT

The Bellingen Shire Council Community Engagement Strategy was adopted by Council at its meeting on 22 February 2012. This strategy is designed to outline the approach Bellingen Shire takes towards engaging with our community.



Having regards to the Community Engagement Strategy, it is considered that the actions/initiatives contained within this report are appropriately categorised as having a LEVEL 1 impact (high impact – Shire wide). To address the requirements of Council's Community Engagement Strategy and the *NSW Local Government Act 1993*, Council will carry out the actions as outlined in the section of the report entitled community engagement.

**ATTACHMENTS**

- 13.2.A Updated Delivery Program and Operational Plan 2017-2021
- 13.2.B Updated LTFP 2017-2027



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**Item:** 13.5

**Subject:** SPECIAL VARIATION - NOTICE OF INTENTION

**File/Index:** Special Rate Variation notice of intention to nominate for 2018/19

**Presented by:** Matt Fanning, Deputy General Manager Operations  
Liz Jeremy, General Manager  
Michelle McFadyen, Deputy General Manager  
Chris Hodge, Chief Financial Officer  
Maxine Compton, Grants & Business Development Officer

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### **ALIGNMENT WITH DELIVERY PROGRAM**

(CL) CIVIC LEADERSHIP

(CL.2) Our community is informed and engaged with a strong sense of civic leadership.

(CL.2.1) The community is engaged in decision making and implementation.

(CL.2.1.0) The community is engaged in decision making and implementation - Other Activities.

### **RECOMMENDATION**

That Council:

1. Notify the NSW Independent Regulatory and Pricing Tribunal of its intention to lodge an application for a Special Variation for the 2018-19 to 2020-21 financial years.
2. Present to the December Ordinary Meeting of Council the engagement and exhibition materials for endorsement including amendments to Council's Integrated Planning & Reporting documentation (Delivery Program and Long Term Financial Plan) to support the Special Variation application.

### **EXECUTIVE SUMMARY**

This report provides information regarding Council's Notice of Intention to IPART to apply for a three year 6% per year (including the rate peg) Special Variation (SV) from 2018-19 to 2020-21 (compounding to 19.1% over the three year time period). This report demonstrates the delivery of one of the required strategies as outlined in Council's Fit for the Future approved submission and is a key platform within Bellingen Shire's infrastructure renewal program.

### **REPORT DETAIL**

Roads and bridges are vital transport infrastructure that connect and support our communities. Local government has been subject to rate pegging for 40 years and, as a consequence, the majority of councils in NSW are suffering from an unfunded infrastructure backlog, meaning that they have not been in a position to generate sufficient income to renew their infrastructure in a timely fashion.

The proposed SV will allow Council to attend to urgent road resurfacing works and vital bridge renewal works that have been both assessed and prioritised. This allows a greater focus on the strategic management of its infrastructure while putting steps in place to ensure that any renewal requirements are addressed.



## ASSET MANAGEMENT

Bellingin Shire manages over \$0.5 Billion in assets on behalf of its community of which, its transport infrastructure forms a significant component.

Council has embarked on the implementation of advanced asset management practices including the implementation of a risk based maintenance management system and full technical analysis of its timber bridges and road pavements. These systems will drive modern best value for money decision making processes. This information has been used to develop the current Long Term Financial Plan (LTFP).

The condition assessment of the sealed road network has been completed. One of the most significant findings from these assessments is that the condition of the rural sealed road network is well below satisfactory. It has identified that \$6.07M is required to be spent over the next 10 years to renew the rural roads sealed pavement surface and that an additional \$1.96M is required for the same period for urban streets. This represents a total sealed pavement resurfacing renewal investment of \$8.03M or approximately \$800,000 per year ongoing to renew sealed pavements to a satisfactory standard.

The Council has 85 timber bridges. Of these 85 bridges, 22 are either load limited or closed due to their deteriorated condition. The load limiting of these bridges places a level of service reduction onto those residents, businesses and industry which rely on these timber bridges to access their place of residence or business. In addition it places significant risk onto the community as access for emergency and essential services such as energy authorities, and even the Council, is restricted limiting routine service delivery.

These 85 timber bridges are being prioritised in order of importance considering a range of factors and a \$20M investment is required over the next 10 years to either rehabilitate or renew these essential infrastructure assets. Both the Resurfacing and Bridge renewal program LTFP is attached for information. (Attachment B)

Council's original Fit For the Future implementation plan proposed a SV of 6% (inclusive of the rate peg) for the period of 2017/18 to 2023/24. This has since been revised and significant modelling and operational improvements have resulted in an adjustment to the SV forecast to require 4 x 6% increases inclusive of the rate peg. This effectively reduces the original forecasts by 12% or two years of 6% inclusive of the rate peg. The first of the required 4x 6% including the rate peg Special Variation was applied for and approved by IPART in 2017/18. The balance is the subject of this report and represents a cumulative total increase of 19.1%

The intention for the revenue generated from a proposed SV of 6% (including the rate peg) per year for three years is to continue to undertake urgent road resurfacing works and focus on vital bridge renewal works. This is based on the following:

- Limited grant funding available for road renewal projects
- While extremely competitive and limited, funding to support timber bridge works is available. However, to date, most grant funding has concentrated on the National Freight Task within which these bridges and road networks do not qualify. If work is not undertaken to reseal the road network as a priority, it is at risk of needing a full reconstruction which will exponentially increase the cost of works
- The proposed SV will enable the resurfacing program of works to be completed sooner than later, minimising the risk of accelerated deterioration of the sealed road network, and attend to urgent bridge repair works



- The proposed SV will partially provide the necessary revenue to renew Councils timber bridges and remove the 22 load limits currently applied.
- The implementation of a three year SV will provide the Council with funding certainty allowing it to forward fund grant applications and maximise its investment through the alignment of its renewal program both locally and regionally achieving better value for money

### **SPECIAL VARIATION CRITERIA AND ASSESSMENT**

The Office of Local Government releases a set of guidelines each year for the preparation of an application for a special variation to general income. These guidelines (refer Attachment A) outline how IPART will assess council applications. The Guidelines which were released in November provides the Council approximately six to eight weeks to formalise its responses against the criteria for the SV should it decide to do so.

The need for additional funding through a SV must be identified through Councils' IP&R processes. Based on this requirement, Council will update its LTFP and Delivery Plan documents to reflect the SV Council is proposing to apply for. These documents need to be publicly exhibited for a minimum of six (6) weeks from 14 December 2017.

### **COMMUNITY ENGAGEMENT**

IPART requires Councils to actively engage residents in discussions about any proposed increase above the rate peg which is anticipated to be in the order of 2.5% based on the IPART guidelines. Councils can do this by using community engagement tools that suit their population. IPART will consider how effective each council's community engagement has been before determining its application to increase charges above the rate peg that has been established by the State Government.

This report outlines a program of engagement activities which include:

- Community drop in forums in Dorrigo, Bellingen and Urunga
- Mail out to all residents
- Newspaper advertisements
- Media releases
- Fact sheets
- Community newsletters
- Council SV Information Centre via 'create'
- Documentation on public exhibition
- Rates calculator so residents can understand individual impact

As part of the engagement and provision of information process as outlined above, detailed information will be provided around the proposed program of works and impact on rating categories.

Council has an adopted Community Engagement Strategy and Framework that forms the basis of the development of a specific community engagement plan for the SV. In order to meet the IPART criteria for a SV, Council must demonstrate that it has consulted broadly with the community. The SRV engagement plan identifies specific community engagement as well as other communication activities for additional key stakeholders.

Engagement will be undertaken in three phases. Phases one and two include engagement with the community through the various mediums as outlined above. Phase three will consist of internal and some external engagement and be predominantly about receiving and assessing the information and feedback from phases one and two.



The community engagement schedule is as follows:

Engagement Activity	Phase 1 - Dec 2017	Phase 2 – January 2018	Phase - 3 February 2018
<b>Inform</b>			
Create Bellingen page including survey	x	x	
Community drop in sessions x 3		x	
Mail out to all residents		x	
Notice/newspaper advertisement	x	x	x
Media Release/s	x	x	x
Website SRV information page	x	x	x
Community newsletters	x	x	
<b>Consult</b>			
Create Bellingen page including survey	x	x	
Community drop in sessions x 3		x	
Invite submissions	x	x	
Public exhibition	x	x	

As a component of IPART's assessment, council needs to demonstrate:

- Community awareness of their plans
- The need for higher increases to charges
- A reasonable impact on ratepayers
- A sustainable financing strategy
- A history of well-documented council productivity improvements

In addition to Council's evidence, IPART will assess any other information they consider relevant. IPART can wholly or partially approve or reject Council's application.

### SV TIMELINE

The timeframe for nomination and application to IPART for a SV is established by the NSW Office of Local Government not Council and outlined in the SV guidelines.

An outline of the key activities and timelines as stated in the guidelines are as follows:

Activity	Timeframe
Council resolution notifying intent to apply	22 November 2017
Community engagement	14 December – 26 January 2018
Council notification of intent to apply for a SV to IPART	15 December
IP&R document exhibition period	14 December – 26 January 2018
Council resolution - application to IPART (Special Council Meeting)	7 February 2018
SV application	12 February 2018



Council is required to consider feedback from the community as well as meet the criteria under IPART's assessment guidelines. Applications for a SV close on 12 February, 2018. These milestones and timelines frame the engagement process and affiliated timeframes as outlined above.

### **BUDGET IMPLICATIONS**

A budget allocation has been made for the preparation and formalisation of a SV application. Costs relate primarily to community engagement and project management.

Project resourcing will be provided using existing staff and will require a focus on the SRV project through until early 2018. Application for a three year SV will represent significant operational savings in relation to the preparation of application(s).

The revenue generated from the proposed SV of 6% inclusive of the rate peg for three years is to undertake a targeted road resurfacing program of works and vital bridge repairs. By year three, this will generate an additional \$836,000 per year in revenue.

### **SUSTAINABILITY ASSESSMENT**

The application for a SV is a key action in Council's Fit for the Future Implementation Plan which supported the NSW Government's determination of Council's status as 'fit' in December 2016.

Council's original Fit For the Future implementation plan proposed a SV of 6% (inclusive of the rate peg) for the period of 2017/18 to 2023/24. This has since been revised and significant modelling and operational improvements have resulted in an adjustment to the SV forecast to require 4 x 6% increases inclusive of the rate peg. This effectively reduces the original forecasts by 12% or two years of 6% inclusive of the rate peg. The first of the required 4x 6% including the rate peg Special Variation was applied for and approved by IPART in 2017/18. The balance is the subject of this report and represents a cumulative total increase of 19.1%

The SV will result in rate increases over and above the rate peg limit if the SV application is approved by IPART. The proposed SV for 2018-19 to 2020-21 is focused on a program of infrastructure investment with the overall objective of improving Council's transport infrastructure. This will allow intervention at a point where the network does not suffer further decline contributing to Council's ongoing focus on financial sustainability.

The SV It is one of a platform of organisational sustainability initiatives aimed at ensuring the organisation is financially sustainable in the medium to long term.

Notwithstanding this Council is actively implementing a range of affiliated initiatives around financial and organisational sustainability including actively driving the establishment of the Joint Organisation for Mid North Coast Councils, participation in joint regional projects and shared service arrangements, ongoing organisational improvement through service reviews, as well as active oversight of issues such as overtime, safety, insurance and risk which have seen significant reductions in liability, expenditure and premiums over the past few years.

### **ENGAGEMENT**

The Bellingen Shire Council Community Engagement Strategy was adopted by Council at its meeting on 22 February 2012. This strategy is designed to outline the approach Bellingen Shire takes towards engaging with our community.



Having regards to the Community Engagement Strategy, it is considered that the actions/initiatives contained within this report are appropriately categorised as having a LEVEL 1 impact (high impact – Shire wide). To address the requirements of Council's Community Engagement Strategy and the *NSW Local Government Act 1993*, Council will carry out the actions as outlined in the section of the report entitled community engagement.

**ATTACHMENTS**

- 13.5.A Special Variation Guidelines
- 13.5.B Roads and Bridges LTFP