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| Special Variation Application Form – Part B  For applications for 2014/15  Issued October 2013 |
| GUNDAGAI SHIRE COUNCL  Date Submitted to IPART: 24 February 2014  Council Contact Person: Paul Luff  Council Contact Phone: 02 6944 0200  Council Contact Email: pluff@gundagai.nsw.gov.au |
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The Tribunal members for this special variation assessment are:

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# Introduction

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

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

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

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

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

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

## Completing the application form

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

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

We may ask for additional information to assist us in making our assessment. If this is necessary, we will contact the nominated council officer.

This application form consists of:

* Section 2 - Focus on Integrated Planning and Reporting
* Section 3 – Assessment criterion 1
* Section 4 – Assessment criterion 2
* Section 5 – Assessment criterion 3
* Section 6 – Assessment criterion 4
* Section 7 – Assessment criterion 5
* Section 8 - Other information
* Section 9 – Checklist of contents
* Section 10 – Certification.

## Submitting the application

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

The Portal is at <http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt>. A [User Guide](http://www.ipart.nsw.gov.au/files/948b8fb1-2e6e-4647-b9d3-a10000a2552a/Local_Government_-_Council_Portal_User_Guide_-_November_2012.pdf) for the Portal will assist you with the registration and online submission process.

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

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

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

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

Level 17, 1 Market Street, Sydney NSW 2000.

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

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

# Focus on Integrated Planning and Reporting

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

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

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

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

Gundagai Shire Council’s 2020 vision is: “Gundagai Shire is a safe and friendly thriving rural community where all residents are part of the strong community spirit and benefit from access to quality education, employment, services and facilities which meet the needs of the community. New residents and visitors are welcome to enjoy the relaxed and healthy lifestyle, scenic beauty and unique heritage and to contribute to our sustainable growth and prosperity”.

Gundagai Shire Council’s Integrated Planning and Reporting Framework (IP&RF) recognised that Council’s plans do not exist in isolation. The Integrated Planning and Reporting Framework draws Council’s various plans together. The framework allows the Gundagai community to have important discussions with Council in relation to funding priorities, service levels, preserving local identify and to plan in partnership for a more sustainable future. Gundagai Shire Council’s Community Strategic Plan provides a vehicle for expressing long term community aspirations.

This project is identified with high priority within the Gundagai Shire Community Plan adopted 22nd May 2012 and it’s Delivery Plan adopted 27th June 2013, and it will provide for:

* Well maintained and sustainable infrastructure and assets to enhance the public domain and improve the amenity and achieve better outcomes for the community.
* Tourism – Gundagai is a recognised tourism destination throughout Australia, with well known local attractions being “Dog on a Tucker Box”, “Dad & Dave” Statues, the Museum and Goal.
* Economic development – Local business and the economy to grow
* Safety – Major improvements in pedestrian and vehicle safety through design
* Local heritage and culture to ensure they are valued, preserved and celebrated

However the community’s aspirations can only be achieved if sufficient resources (time, money, assets and people) are allocated.

To achieve the following Key Objectives Council has made several resolutions:

* KO 3.1 Maintain a strong robust financial position that supports the delivery of services and strategies and ensures long term financial sustainability.
* KO 5.1 Facilitate strong two way relationships and partnerships with State and Federal governments, regional group of councils and other organisations and actively advocate on community’s behalf.
* KO 9.3 Enhance the amenity and appearance of Sheridan Street [Main Street] to increase its attractiveness and provide an appealing and accessible CBD.
* KO 9.2 Facilitate and maintain well managed and integrated local roads and transport infrastructure and support the safety of movement for all road users.

**At its meeting on 8th October 2013 Council resolved:**

Resolution 400 Cr Graham/Cr Moses

* Notify IPART of Councils intention to apply for a Special Rates Variation 2014/15 under section 508(2) of the Local Government Act
* Approve the public exhibition and community consultation of the proposed Main Street Redevelopment Project as soon as practically possible
* Be presented with feedback on the community consultation before the final application is submitted to IPART via a report to Council

**Council, at its December 2013 meeting, resolved:**

Resolution 479 Cr Graham/Cr Magnone

* That Council adopt Scenario 3 for inclusion in the Draft Long Term Financial Plan to take back to the community with a view to final amendment/adoption at the February 2014 meeting, as follows:
* Council lodge an application, by 24th February 2014, under Section 508(2) of the Local Government Act 1993, to seek approval from IPART to increase its General Rate for a period of 10 years commencing 2014-15 by 14.3 above the approved Rate Peg increase of 2.3% in that year in order to finance a proposed $3M loan taken out to effect an upgrade of Gundagai’s main street [Sheridan Street] at an estimated cost of $4M
* The mix of the funding contribution by the three general rating categories, namely Residential, Rural and Business be altered from 17.34%, 77.91% and 4.75% respectively to 45%, 45% and 10% respectively (for the loan repayment component of the General Fund.

**Council, at its Extraordinary Meeting 23rd December 2013 resolved:**

Resolution 021/022/023 Cr Crain/Cr Magnone – Cr Graham/Cr Crain - Cr Crain/Cr Magnone

* That Council rescind Council Resolution 479
* Council lodge an application, by 24th February 2014, under Section 508(2) of the Local Government Act 1993, to seek approval from IPART to increase its General Rate for a period of 10 years commencing 2014-15 by 14.3 above the approved Rate Peg increase of 2.3% in that year in order to finance a proposed $3M loan taken out to effect an upgrade of Gundagai’s main street [Sheridan Street] at an estimated cost of $4M
* The mix of the funding contribution by the three general rating categories, namely Residential, Rural and Business be changed back to 17.34%, 77.91% and 4.75% representing an even spread of 14.3% increase across all categories.

**Public Consultation**

On the 6th January 2014 Council sent out a “fact” sheet and survey sheet to all residents and ratepayers of Gundagai Shire explaining the financial implication of the proposed special rate variation application required to fund the Main Street Redevelopment, and requested their comments to the proposed Special Rates Variation of 14.3% above rate pegging to be submitted by Tuesday 9th February 2014.

Public Forums were held on Tuesday 4th and Wednesday 5th February 2014 for discussions on the financial implication of the proposed special rate variation application, required to fund the Main Street Redevelopment

**Council, at its February 2014 meeting, resolved:**

Resolution 022 Cr Batey/Cr Gain

Following feedback on the community consultation regarding a 14.3% increase above rate peg

* Council rescind Council Resolutions 021/022/023
* Council lodge an application, by 24th February 2014, under Section 508(2) of the Local Government Act 1993, to seek approval from IPART to increase its General Rate for a period of 10 years commencing 2014-15 by 14.3 above the approved Rate Peg increase of 2.3% in that year in order to finance a proposed $3M loan taken out to effect an upgrade of Gundagai’s main street [Sheridan Street] at an estimated cost of $4M
* The mix of the funding contribution by the three general rating categories, namely Residential, Rural and Business be altered from 17.34%, 77.91% and 4.75% respectively to 45%, 45% and 10% respectively.

This split across the rating categories more appropriately reflects the rating charges of Group 9 and neighbouring Councils as shown in the Community Consultation fact sheet for the Special Rates Variation [Attachment 8]

**IP&R Document Adoption Dates**

Community Strategic Plan 2012-2022 Adoption Date 22nd May 2012

Delivery Plan 2014-2018 Adoption Date 27th June 2013

Long Term Financial Plan 2015-2025 Adoption Date 11th January 2014

Transport Asset Management Plan Adoption Date 12th February 2014

# Assessment criterion 1: Need for the variation

In the DLG Guidelines, criterion 1 is:

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

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

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

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

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

Maintain existing services

Enhance financial sustainability X

Environmental works

Infrastructure maintenance / renewal X

Reduce infrastructure backlogs X

New infrastructure investment

Other (specify)

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

Gundagai is a well-recognised tourism destination throughout Australia, one of town’s strengths being that the whole community shares the concern about keeping Gundagai’s identity and unique heritage alive and strong. However as a result of its current rating structure Gundagai has a low rating base, which is well below the average within NSW and within its grouping. In turn this presents Council with a challenge in financing such a project.

TCorp (New South Wales Treasury Corporation) recently undertook an assessment of the financial sustainability of the NSW local government sector. An extract from its Report of April 2013, shows that on average councils generate the majority of their operating revenue from sources they ‘control’ [Table 1]

This position is not the case for Gundagai which for example derived 27% of its revenue base for 2011/12 from Rates and Annual Charges, being 25% below the state average of 52% for the same period. [Table 2]

However, based on an average over a four [4] year period to take into account movement in operating grants received which included Natural Disaster Funding in 2011/12 , Gundagai can attribute an average of 33% of its revenue base to Rates and Annual Charges.

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| **Table 1**  **Source of Revenue** | **% in 2011/12** |
| Rates and annual charges | 52% | |
| User charges and fees | 19% | |
| Operating grants | 19% | |
| Other | 10% | |
| **Total Operating Revenue** | **100%** | |

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| **Table 2** |  |  |  | |  | |  | |  | | | |  |  | | |  |  |  |
| **Source of Revenue** | | **% 2012/13** | | **% 2011/12** | | **% 2010/11** | | **% 2009/10** | |  | **% - 4 Yr Average** | | | |
| Rates and annual charges | | 35% | | 27% | | 32% | | 42% | |  | | 33% | | | |
| User charges and fees | | 11% | | 7% | | 10% | | 11% | |  | | 9% | | | |
| Operating grants | | 49% | | 62% | | 53% | | 42% | |  | | 53% | | | |
| Other | | 5% | | 5% | | 5% | | 5% | |  | | 5% | | | |
| **Total Operating Revenue** | | **100%** | | **100%** | | **100%** | | **100%** | |  | | **100%** | | | |

Councils have also received a declining share of available federal tax revenue made available via the financial assistance grants, whilst also being asked to implement, monitor and manage additional services and regulatory functions mandated by the NSW government. All of these factors along with increasing demand for new and improved services has meant that Councils, including Gundagai Shire Council have not had the capacity to adequately invest in infrastructure maintenance and renewal, creating a substantial infrastructure backlog, with an ongoing funding gap. Council has taken significant steps over the past ten [10] years to start to bridge this funding gap and has successfully sought and received an approval for 508(2) Special Rate Variation, Council has also sought approval annually to apply a minimum special rate for the TID [Town Improvement District] Fund above the $2 statutory level under the funding proposal the TID Fund will be contributing to the Main Street Redevelopment.

The projected outlays necessary to provide the services covered by the Transport Asset Management Plan (AM Plan) which is currently on public display, includes operations, maintenance, renewal and upgrade of existing assets over the 10 year planning period is $72,660,000 or $7,266,000 on average per year. [Attachment 6]

Estimated available funding for this period is $37,971,000 or $3,797,100 on average per year which is 52% of the cost to provide the service. This is a funding shortfall of $3,469,000 on average per year.

As defined in Councils Transport Asset Management Plan [Adopted February 2014] “Gundagai does not have enough funding to provide all services at the desired service levels or provide new services”.

Works and services that cannot be provided under present funding levels are:

* Gobarralong Bridge Renewal – Grant funding awaiting approval
* Gundagai Main Street Redevelopment – Grant funding rejected

To enable Council to achieve the desired outcomes several avenues of funding for the upgrade of the main street have been investigated.

Following a preliminary financial analysis [Attachment 5] to council at its April 2013 meeting Council resolved to:

Resolution 104 Cr Batey/Cr Gain

* Have Councils Financial Management team investigate further the non-borrowing options to fund the Main Street Redevelopment Project.

As a result of unsuccessful grant applications Council looked at borrowing a option, to be fully funded by a Special Rates Variation for the term of the borrowings.

**At its meeting on 8th October 2013 Council resolved to**

Resolution 400 Cr Graham/Cr Moses

As referred to on Pg 5

* Notify IPART of Councils intention to apply for a Special Rates Variation 2014/15 under section 508(2) of the Local Government Act
* Approve the public exhibition and community consultation of the proposed Main Street Redevelopment Project as soon as practically possible
* Be presented with feedback on the community consultation before the final application is submitted to IPART via a report to Council

At its meeting on 10th December 2013 Council was presented with 5 scenarios to the Long Term Financial Plan [Scenario’s 1/2/3 represented by attachments 1/2/3 & Presentation Report attachment 4]

* Scenario 1 Business as usual [BAU] Standard operating revenue and expenses with approved capital expenditure – no loans or expenses in relating to the Main Street Redevelopment
* Scenario 2 BAU with the inclusion of a $3M loan and contributions from TID $350k / Water fund $300k / Sewer fund $350k and associated expenses of $4M for the Main Street Redevelopment – No Special Rate variation
* Scenario 3 Scenario 2 with the inclusion of a Special Rate Variation [SRV]
* Scenario 4 BAU with the inclusion of a $2M loan contributions from TID $350k / Water fund $300k / Sewer fund $350k and associated expenses of $4M for the Main Street Redevelopment
* Scenario 5 - $2.5M Loan with Special Rates Variation and a reduction in internal restricted cash relating to plant funds

**Council resolved by unanimous decision to**

Resolution 479 Cr Graham/Cr Magnone

As referred to on Pg 5

* Adopt Scenario 3 for inclusion in the Draft Long Term Financial Plan to take back to the community with a view to final amendment/adoption at the February 2014 meeting, as follows:
* Council lodge an application, by 24th February 2014, under Section 508(2) of the Local Government Act 1993, to seek approval from IPART to increase its General Rate for a period of 10 years commencing 2014-15 by 14.3 above the approved Rate Peg increase of 2.3% in that year in order to finance a proposed $3M loan taken out to effect an upgrade of Gundagai’s main street [Sheridan Street] at an estimated cost of $4M

**As shown in Scenario 3**

* The mix of the funding contribution for the loan repayment by the three general rating categories, namely Residential, Rural and Business be altered from a ratio of 17.34%, 77.91% and 4.75%, respectively to a ratio of 45%, 45% and 10% for respectively (for the loan repayment component of the General Rate)

Scenario’s 1 / 2 / 4 & 5 were discounted for the following reasons:

* Scenario 1 General Fund “Business As Usual” – not inclusive of Revenue or Expenses for the Main Street Redevelopment
* Scenario 2 General Fund would be placed in an unsustainable position
* Scenario 4 General Fund would not be in a position to cover restrictions placed on cash reserves
* Scenario 5 The plant fund balance at 30th June 2013 of $1.275M needed to be retained to enable Council to maintain plant in a condition required to service the community in accordance with the community strategic plan 2012-2022.

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| If the special variation seeks funding for contributions plan costs above the development contributions cap, refer to Box 3.1.[[1]](#footnote-1)  Box 3.1 Special variations for development contributions plan costs above the developer cap |
| For costs above the cap in contributions plans, a council mustprovide:  a copy of the council’s section 94 contributions plan  a copy of the Minister for Planning and Infrastructure’s response to IPART’s review and details of how the council has subsequently amended the contributions plan  details of any other funding sources that the council is proposing to seek to use  any reference to the proposed contributions (which were previously to be funded by developers) in the council’s planning documents (eg, LTFP and Asset Management Plans (AMP)  any necessary revisions to financial projections contained in the LTFP and AMP to reflect the special variation. |
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If the special variation seeks funding for contributions plan costs above the development contributions cap, set out below:

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

N/A

## Community needs

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

A streetscape upgrade for the Main Street has been a point of discussions since 1977 when the Sheahan Bridge was opened and Gundagai was bypassed. Sheridan Street was once part of the Hume Hwy Route up until that time.

In a small rural Shire such as Gundagai the community contributes in both developing ideas and also supporting their implementation through its very active community organisations.

A Main Street Committee was formed of enthusiastic community representatives and Council and they have worked together on the evolution of this project for some 20 years to develop a well considered and informed proposal for the community. Over the years the committee have been involved in reviewing various concepts and costs. Concept plans have been exhibited to the public and comments sought to assist the committee.

In recent times the committee and Council have completed the Survey, Design, Preparation of Plans, and approved the final Detailed Civil and Landscape Plans. This infrastructure project is approaching being shovel ready and funding is presently being determined.

In April 2011 Council resolved to adopt the plans on the recommendation of the Main Street Committee. Copies of these plans were publicly exhibited and continue to be on display at the Council Chambers, Council Library, and in a prominent shopfront on Sheridan Street.

This project provides great community benefit as it addresses a number of issues within the main street including improvements in the pedestrian safety inclusive of evening out and making the pavements and businesses more accessible for the elderly and disabled. Upgrade of street lighting to meet Australian Standards, pavement renewal and associated drainage.

As well as enhancing the amenity and appearance of Sheridan Street (Main Street) to increase its attractiveness and provide an appealing and accessible CBD, that attracts and encourages visitors and tourists.

## Alternative funding options

Explain how the decision to seek higher revenues was made after other options such as changing expenditure priorities or using alternative modes of service delivery were examined. Also explain the range of alternative revenue/financing options you considered and why the special variation is the most appropriate option. For example, typically these options would include introducing new

or higher user charges and increase council borrowing, but may include private public partnerships or joint ventures.

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

Council has since 2011 been investigating several avenues of funding for the upgrade of the main street including identifying [Refer attachment 5 – Council Reports & Minutes]:

* **Section 93F / 94 & 94F** of the Environmental Planning & Assessment Act; categories which Council does not fall within [Attachment 5 Council Minutes].
* **Section 495** of the Local Government Act
* **Grant funding** under Round Three of the Regional Australia Development Fund which was unsuccessful [Attachment 5 Council Minutes].
* **New borrowings** – Council’s Debt Service Ratio was 3% at 30 June 2013 which is below the Division of Local Government’s accepted benchmark of <10%. While it is often considered favourable to keep debt levels to a minimum, borrowing is widely accepted as an appropriate option for financing capital works.

However, Scenario 2 of the LTFP shows that a loan of $3M will place Council in an unsustainable position without a source of income to offset the expenditure.

* **Section 94A Developer Contributions -** Council collects Section 94A Developer Contributions and holds these as external restricted assets. These funds are utilised where appropriate to undertake improvements to amenities or services. Gundagai Shire is primarily rural, with a small population and as a result there are slow rates of development and development is sporadic. Annual revenue collected and expended over the last 5 years has averaged at $5k per year.
* **Sale of underutilised or redundant Council assets -** Council’s Strategic Property Management service has undertaken a review of Council’s underutilised or redundant assets and identified a number land parcels that are suitable for sale. However, Council resolved to borrow internally restricted plant

funds to develop the infrastructure on this land and as such disposal will result in recharging the plant fund.

* **Increased User Fees & Charges –** Certain fees & charges are set by state or federal legislation and these cannot be adjusted by Council. Fees & charges relating to Private Works / Rentals / Leases can be adjusted accordingly; however Council needs to be mindful of what the market in a small rural community like Gundagai can bare. Nevertheless Council does attempt to generate maximum income from this source and in this regard discretionary fees collected in 2012/13 exceeded $400k.

## State of financial sustainability

The special variation may be intended to improve the council’s underlying financial position, or to fund specific projects or programs of expenditure, or a combination of the two. We will consider evidence about the council’s current and future financial sustainability.

The application should set out the council’s understanding of its current state of financial sustainability, as well as long-term projections based on alternative scenarios and assumptions

about revenue and expenditure. Such evidence can be drawn from the LTFP and from any external assessment, eg by auditors or TCorp.

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

Audited financial statements for 2012-13 showed an improvement in Councils immediate financial position with an increase in general purpose funds of $0.088M.

While Council’s unrestricted current ratio dropped to 7.5 in 2012-13 from 8.69 in 2011-12 [Local Government Sector ratio of 2 times or better is considered as good] Council has the ability to satisfy short term financial obligations, a view backed by the TCorp review.

Scenario 1 - Business As Usual model shows that over the next 10 years Council is going to continue to find it increasingly difficult to maintain infrastructure renewals under the present funding levels. The current Transport Asset Management Plan shows that at the current funding levels there will be a cumulative funding gap of $13M by 2019.

Scenario 2 - BAU with the inclusion of expenses for the Main Street Redevelopment and funding from Water / Sewer / TID / Borrowings, places Council in an unsustainable position.

Scenario 3 - Scenario 2 with the inclusion of a SRV to fully fund borrowings places Council back at the BAU model with a $4M reduction in the cumulative funding gap by 2019 as shown in the Transport Asset Management Plan.

Scenario 4 BAU with the inclusion of a $2M loan and contributions from TID $350k / Water fund $300k / Sewer fund $350k and associated expenses of $4M for the Main Street Redevelopment. Under this scenario Council would not be in a position to cover restrictions placed on cash reserves.

Scenario 5 - $2.5M Loan with Special Rates Variation and a reduction in internal restricted cash relating to plant funds. Under this scenario Council would not have the plant funds to maintain the plant in the condition required to service the community in accordance with the Community Strategic Plan 2012-22.

Council is very reliant on grants and contributions provided by other levels of government with total grants and contributions of $5,484,000 in 2012/13, representing 52% of Council’s revenue (2012: $8,028,000; 63% Inc. of Natural Disaster funding). This is a source of funding that cannot always be guaranteed, but nevertheless is expected to continue to exist into the future.

As part of preparing the application for a Special Rates Variation and the requirement for an impact analysis on rate payers, Council also undertook a comparison analysis with neighbouring and other group 9 Councils. This was done to both inform the community where it stood compared to it’s neighbours and also to identify issues with Council’s rating structure. Table 3 below shows that while the rating of farmland is comparable, the rating of both residential and business is only between 53% to 58% of neighbouring councils. This is the principal reason Council resolved to go forward with the SRV Application to IPART with a mix of the funding contribution by the three general rating categories, namely Residential, Rural and Business 45%, 45% and 10% for the loan repayment component of the General Rate.

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| **Table 3**  **Comparative Data** | |  |  |  |  |  |  |  |
| **Average Rate Per Assessment - Comparison to Neighbouring Councils** | | | | | | |  |  |
| **2012/13 average rate per Assessment ($)** | **Gundagai** | **Tumut** | **Cootamundra** | **Harden** | **Junee** | **Yass** | **Avg** | **Diff Gundagai V Avg** |
| Residential | 280 | 645 | 621 | 452 | 564 | 683 | 593 | 313 |
| Farmland | 1,941 | 1,588 | 2,142 | 2,211 | 1,876 | 1,957 | 1,955 | 14 |
| Business | 653 | 1,892 | 1,692 | 820 | 1,382 | 2,001 | 1,557 | 904 |

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

As a result of Gundagai Shire Council not having completed a Long Term Financial Plan due to Software constraints at the time of review TCorp were unable to comment on what level of borrowings Council is in a position to manage.

Based on the review TCorp have determined that Council is “moderately” sustainable in the short term. However, it went on to state Council will continue to find it increasing difficult to maintain infrastructure renewals in the medium to long term which in turn will place pressure on Council’s sustainability.

As a result of TCorp’s review Council has determined that to enable work to commence on the Main Street Redevelopment in line with Councils’ Community Strategic Plan & Asset Management Plan borrowings would be required, given the lack of grant funding.

Council determined that to fund borrowings under the current rating structure would further enhance the pressure on Council’s sustainability going into the future increasing the asset renewal back log.

Council has determined that loan funding for the Main Street Redevelopment Project is reliant on it being fully funded for the term of the loan by a Special Rates Variation thereby putting no pressure on future rates revenue to fund this project.

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

* Operating balance ratio excluding capital items (ie, net operating result before capital as percentage of operating revenue before capital grants and contributions)
* Unrestricted current ratio (the unrestricted current assets divided by unrestricted current liabilities)
* Rates and annual charges ratio (rates and annual charges divided by operating revenue)
* Debt service ratio (net debt service cost divided by revenue from continuing operations)
* Broad liabilities ratio (total debt plus cost to clear infrastructure backlogs (Special Schedule 7) divided by operating revenue)
* Asset renewal ratio (asset renewals expenditure divided by depreciation, amortisation and impairment expenses).

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| **Including Loan and SRV** | **2012-13** | **2013-14** | **2014-15** | **2015-**  **16** | **2016-17** | **2017-18** | **2018-19** | **2019-20** | **2020-21** | **2021-22** | **2022-23** | **2023-24** | **2024-25** |
| Operating Balance Ratio | -0.10 | 0.00 | 0.03 | 0.04 | 0.06 | 0.09 | 0.09 | 0.10 | 0.10 | 0.10 | 0.11 | 0.12 | 0.09 |
| Unrestricted Current Ratio | 7.50 | 7.64 | 7.67 | 5.53 | 4.40 | 4.02 | 3.79 | 3.69 | 3.51 | 3.34 | 3.40 | 5.49 | 6.04 |
| Rates & Annual Charges Coverage Ratio | 32.59% | 42.39% | 46.29% | 46.30% | 46.88% | 47.38% | 47.84% | 48.41% | 48.93% | 49.97% | 50.37% | 50.77% | 49.36% |
| Debt Service Ratio | 0.03% | 6.64% | 6.37% | 6.04% | 5.82% | 5.62% | 5.44% | 5.29% | 5.15% | 5.06% | 4.91% | 4.76% | 4.79% |
| Broad Liabilities Ratio | 0.00% | 46.73% | 63.00% | 50.09% | 40.65% | 43.79% | 33.74% | 27.75% | 24.15% | 21.96% | 18.91% | 17.61% | 18.61% |
| Asset Renewal Ratio | 60.46% | 62.90% | 95.98% | 132.07% | 89.38% | 74.27% | 85.57% | 59.84% | 61.65% | 58.81% | 61.20% | 56.33% | 44.69% |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| **BAU** | **2012-13** | **2013-14** | **2014-15** | **2015-**  **16** | **2016-17** | **2017-18** | **2018-19** | **2019-20** | **2020-21** | **2021-22** | **2022-23** | **2023-24** | **2024-25** |
| Operating Balance Ratio | -0.10 | 0.00 | 0.01 | 0.02 | 0.04 | 0.07 | 0.07 | 0.08 | 0.07 | 0.07 | 0.08 | 0.09 | 0.09 |
| Unrestricted Current Ratio | 7.50 | 7.64 | 9.81 | 7.17 | 5.77 | 5.35 | 5.12 | 5.07 | 4.90 | 4.74 | 4.93 | 5.49 | 6.04 |
| Rates & Annual Charges Coverage Ratio | 32.59% | 42.39% | 44.27% | 44.33% | 44.94% | 45.47% | 45.94% | 46.52% | 47.05% | 48.10% | 48.51% | 48.92% | 49.36% |
| Debt Service Ratio | 0.03% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Broad Liabilities Ratio | 0.00% | 36.12% | 33.05% | 30.61% | 16.04% | 23.97% | 18.06% | 15.97% | 16.13% | 17.50% | 17.89% | 18.25% | 18.61% |
| Asset Renewal Ratio | 60.46% | 62.90% | 59.03% | 58.90% | 54.88% | 79.41% | 95.95% | 70.37% | 76.02% | 76.05% | 83.01% | 80.12% | 66.67% |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |

## Capital expenditure review

Councils undertaking major capital projects are required to comply with the DLG’s Capital Expenditure Guidelines, as outlined in DLG Circular 10-34. A capital expenditure review is required for projects that are not exempt and cost in excess of 10% of council’s annual ordinary rates revenue or $1 million (GST exclusive), whichever is the greater. A capital expenditure review is a necessary part of a council’s capital budgeting process and as such should have been undertaken as part of the Integrated Planning and Reporting requirements in the preparation of the Community Strategic Plan and Resourcing Strategy.

|  |  |
| --- | --- |
| Does the proposed special variation require you to do a capital expenditure review in accordance with DLG Circular to Councils, Circular No 10-34 dated 20 December 2010? | Yes  No X |
| If *Yes*, has a review been done and submitted to DLG? | Yes  No |

# Assessment criterion 2: Community awareness and engagement

In the DLG Guidelines, criterion 2 is:

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

To meet this criterion, councils must provide evidence from the IP&R documents[[2]](#footnote-2) that the council has:

* Consulted and engaged the community about the special variation using a variety of engagement methods and that the community is aware of the need for, and extent of, the requested rate increases
* considered and canvassed alternatives to the special variation
* provided opportunities for input and gathered input/feedback from the community about the proposal
* considered the impact of rate rises on the community
* considered the community’s capacity and willingness to pay.

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

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

|  |  |
| --- | --- |
| Box 4.1 Where a council is renewing or replacing an expiring special variation | |
|  | |
| The council should have explained to its community:  that there is a special variation due to expire at the end of this financial year or during the period covered by the proposed special variation  that, if the special variation were not approved so that only the rate peg applied, the year-on-year change in rates would be lower, or that rates may fall  if applicable, that the expiring special variation is being continued (in full or in part), in the sense that it is being replaced with another that may be either temporary or permanent, or that the value is included in the percentage increase being requested in the following year. | |
|  | |
|  | |

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

## The consultation strategy

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

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

The Community Engagement Strategy used diverse and appropriate activities to encourage public input including: [Refer page 18/19 of the Community Strategic Plan]

* A short, sharp survey (four questions) to encourage input on key concerns, issues and priority’s about the future
* Meetings with key holder groups such as business groups, tourism body, community organisations and community target groups such as youth and aged persons.
* Meetings with elected Council representatives and key Council staff
* A number of opportunities for individual community members to find out more about the process, ask questions, complete the survey and provide input and comments. Individual community members were able to discuss the proposed plan at an open forum at the Council offices and also at a main street stall. As Council was also keen to access the views of the farming community a stall was established at the Gundagai Show and over a five hour period the community were able to find out more about the process, provide feedback and complete the survey.
* Use of local newspaper and council’s website to tell community what Council is doing and how they could contribute.

All engagement processes (survey, public meetings, attendance at the show) were well publicised by the local media and on Council’s website [Attachment 7]

A streetscape upgrade for the Main Street has been a point of discussions since 1977 when the Sheahan Bridge was opened and Gundagai was bypassed. Sheridan Street was once part of the Hume Hwy Route up until that time.

In a small rural Shire such as Gundagai the community contributes in both developing ideas and also supporting their implementation through its very active community organisations.

A Main Street Committee was formed of enthusiastic community representatives and Council and they have worked together on the evolution of this project for some 20 years to develop a well-considered and informed proposal for the community. Over the years the committee have been involved in reviewing various concepts and costs. Concept plans have been exhibited to the public and comments sought to assist the committee.

More recently in relation to the community engagement in regarding the application for a Special Rates Variation, on the 6th January 2014 Council sent out a “fact” sheet and survey sheet to all residents and ratepayers of Gundagai Shire explaining the financial implication of the proposed special rate variation

application required to fund the Main Street Redevelopment, and requested their comments to the proposed Special Rates Variation of 14.3% above rate pegging to be submitted by Tuesday 9th February 2014. [Attachment 8]

Public Forums were held on Tuesday 4th and Wednesday 5th February 2014 for discussions on the financial implication of the proposed special rate variation application, required to fund the Main Street Redevelopment.

Council explained to the attendees of the respective forums that it currently has a Special Variation in place amounting to 9.69% covering a 10 year period commencing 2008/9 and expiring 2017/18. It was further explained that as a basis of the application Council would be seeking to “roll over” this special variation in line to expire at the end of the 10 year period of the proposed current Special Variation. Clearly the roll over is essential and failure to achieve such will impact negatively on moving forward with this application and in turn the main street redevelopment. It was stressed to the forums that both special variations would cease concurrently and any desire to extend / renew the variations would be subject to an entirely fresh application to IPART. [Instrument of Approval Attachment 11]

## Alternatives to the special variation

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

Refer 3.2

As previously discussed a streetscape upgrade for the Main Street has been a point of discussions since 1977 when the Sheahan Bridge was opened and Gundagai was bypassed. Sheridan Street was once part of the Hume Hwy Route up until that time. Over the years Council has unsuccessfully applied for various grants more recently as previously addressed in 3.2

* **Section 93F / 94 & 94F** of the Environmental Planning & Assessment Act; categories which Council does not fall within [Attachment 5 Council Minutes].
* **Section 495** of the Local Government Act
* **Grant funding** under Round Three of the Regional Australia Development Fund which was unsuccessful [Attachment 5 Council Minutes].
* **New borrowings** – Council’s Debt Service Ratio was 3% at 30 June 2013 which is below the Division of Local Government’s accepted benchmark of <10%. While it is often considered favourable to keep debt levels to a minimum, borrowing is widely accepted as an appropriate option for financing capital works.

However, Scenario 2 of the LTFP shows that a loan of $3M will place Council in an unsustainable position without a source of income to offset the expenditure.

* **Section 94A Developer Contributions -** Council collects Section 94A Developer Contributions and holds these as external restricted assets. These funds are utilised where appropriate to undertake improvements to amenities or services. Gundagai Shire is primarily rural, with a small population and as a result there are slow rates of development and development is sporadic. Annual revenue collected and expended over the last 5 years has averaged at $5k per year.
* **Sale of underutilised or redundant Council assets -** Council’s Strategic Property Management service has undertaken a review of Council’s underutilised or redundant assets and identified a number land parcels that are suitable for sale. However, Council resolved to borrow internally restricted plant funds to develop the infrastructure on this land of such disposal will result in recharging the plant fund.
* **Increased User Fees & Charges –** Certain fees & charges are set by state or federal legislation and these cannot be adjusted by Council. Fees & charges relating to Private Works / Rentals / Leases can be adjusted accordingly; however Council needs to be mindful of what the market in a small rural community like Gundagai can bare. Nevertheless Council does attempt to generate

maximum income from this source and in this regard discretionary fees collected in 2012/13 exceeded $400k.

Over the years the community have been made aware of unsuccessful grant funding via media releases on Council meetings during which reports were presented and discussions taken place. More recently at the public forums which were held on Tuesday 4th and Wednesday 5th February 2014 discussions surrounding the long term financial plan and the impact of various scenarios took place. The recent unsuccessful application for the Round Three of the Regional Australia Development Fund.

## Feedback from the community consultations

Summarise the outcomes of, and feedback from, your community engagement activities. Such outcomes could include the number of attendees at events and participants in online forums, as well as evidence of media reports and other indicators of public awareness of the council’s intentions. Where applicable, provide

evidence of responses to surveys, particularly the level of support for specific programs or projects, levels and types of services, investment in assets, as well as the options proposed for funding them by rate increases.

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

As previously advised a streetscape upgrade for the Main Street has been a point of discussions since 1977, all community consultations since then inclusive of the recent consultations that have taken place as a result of the implementation of the IP&R Framework have indicated the community was fully behind the project.

However, the results of the special rate variation community consultation activities have revealed the community is partially divided with Council’s proposal, principally as it relates to the liability for the loan repayments to be borne by the three rating categories.

On 6th January 2014 Council sent out 2,464 survey sheet to residents and ratepayers of Gundagai Shire and these were accompanied by a “fact” sheet explaining the financial implication of the proposed special rate variation application, required to fund the Main Street Redevelopment which included a Special Rates Variation of 14.3% above rate pegging. The information on the fact sheet was based on the decision then in place by Council, namely that the three categories fund the loan through a SRV based on an across the board increase of 14.3% per category.

It must be stated that this was not a controlled survey as Council had no control over how many times a survey was submitted. Out of 2,464 sheets 285 were returned, a completion rate of 11.6%

Out of all the responses 273 [96%] being the majority were property owners the balance were rental properties. Out of the property owners:

* 109 Farmland
* 127 Residential
* 2 No comment
* 6 Business / Residential
* 21 Farmland / Residential
* 1 Farmland / Business
* 7 Farmland / Business / Residential

Out of the 285 responses the opinion on the Main Street [Sheridan Street] is:

* 152 53% Unsatisfactory
* 102 36% Satisfactory
* 31 11% No / Other comments

These same 285 responses when asked if they were prepared to pay the 14.3% rate increase over 10 years to fund the Main Street Redevelopment:

* 126 45% Yes [66% Residential / 23% Farmland]
* 141 49% No [77% Farmland / 34% Residential]
* 18 6% Not Applicable

The results of the Public Forums which were held on Tuesday 4th and Wednesday 5th February 2014 which saw approximately 100 residents and rate payers attend over the two days showed a 98% guaranteed support for Councils proposal.

These responses represented a particularly robust positive response.

Those supportive of the rates indicated that the special rate variation was affordable and needed in order to improve the quality of community facilities and services:

“Funds have to come from somewhere and a rate increase is the logical source.” “There needs to be improvements and it’s an acceptable increase.” “It will add value to the cultural development of the city and increase employment opportunities.”

## Considering the impact on ratepayers

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

As a result of going through the process of Special Rates Application Council has completed various analysis in relation to the impact on the rate payers one such analysis was a comparison of group 9 councils and well as

its neighbouring councils, both of which indicate that Gundagai Shire Council has a significantly lower rate base as a consequence of its current rating structure. As a result of this Council then proceeded to look at the varying factors such as land mass, population, unemployment, average taxable income, average household size and the socio-economic index ranking to form the opinion of the impact.

Council also took into consideration the hardship currently facing farmers as a result of long term drought conditions as well as the impact on pensioners and on the other members of the community. Council also took into account that most of the farming community are registered businesses who like the local businesses have the ability to use any increases as a tax deduction in their annual accounts. Accordingly the impact of any rates increases wouldn’t be as significant as an increase in the residential area. It is also noted that currently 76% of residential ratepayers are currently paying the minimum rate against 49% businesses and 14% farmland.

Taking all this into account Council believes its revenue split of 45/45/10 to be the most fair and equitable outcome for all categories in the lead-up to a rating structure revision to enable Council to meet the current and future demands being placed by both the community and government departments.

## Considering the community’s capacity and willingness to pay

Indicate how the council has assessed the community’s capacity to pay for the rate increases being proposed, and also assessed its willingness to pay.

Evidence on capacity to pay could include a discussion of such indicators as SEIFA rankings, land values, average rates, disposable incomes, the outstanding rates ratio and rates as a proportion of household/business/farmland income and expenditure, and how these measures relate to those in comparable council areas. As many of these measures are highly aggregated, it may also be useful to discuss other factors that could better explain the impact on ratepayers affected by the proposed rate increases, particularly if the impact varies across different categories of ratepayers. ,

Using the most recent Local Government Comparative Data, being for 2011/12. Councils’ comparative analysis of Group 9 and Neighbouring Councils [Table 5] has shown that Gundagai’s current rating structure is producing rating assessments for Ordinary Rates at a value much less than those of those in both sectors. While Gundagai’s unemployment rate is significantly less than the group 9 average it is on par with neighbouring Councils. It is also noted that the average taxable income at $36,777 in Gundagai is higher than $35,220 Group 9 Avg and $35,360 Neighbouring Councils.

Gundagai’s SEIFA ranking is currently at 64 and while this denotes a low Socio-Economic Index Ranking, it is also noted that Council only currently has one [1] hardship application on file to pay outside of the quarterly instalment regime.

Notwithstanding the claims for hardship, the evidence demonstrates that the rate payers of GSC are able to afford the increases proposed by this SRV Application.

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| **Table 4**  ***Indicator*** | ***Gundagai*** | ***Group 9 Avg*** | ***Group 9 Similar Size Shire*** |
| Population | 3753 |  | 3049 |
| Unemployment Rate | 4.2% | 5.1% | 4.1% |
| Average Taxable Income | $36,777 | $35,220 | $35,360 |
| Average Household Family Size | 3 | 3 | 3 |
|  |  |  |  |
| Average Residential Rate | $263 | $341 | $329 |
| Average Business Rate | $467 | $670 | $528 |
| Average Farmland Rate | $1,219 | $2,299 | $1,860 |

## The only qualification to Gundagai’s position is that residential and business ratepayers “within” the township also pay a Town Improvement District special rate. The revenue generated from this rate is used to pay for such things as streetlights, stormwater, some footpath construction as well as contribution to Fire & Rescue etc.

The recent public forums which were held on Tuesday 4th February 2014 [7 Councillors and 25 residents / ratepayers in attendance] and on Wednesday 5th February 2014 [7 Councillors and 80 + residents / ratepayers in attendance] produced a majority support in favour of the Main Street project, at this stage Council had resolved to an even spread of 14.3% across the board for the 3 rating categories in accordance with the current rating structure. However, following discussions on the options available to the community in relation to how the revenue collectable is borne across the 3 categories a show of

hands produced 98% support for a change to the mix resulting in support for a 45/45/10 mix for Farmland / Residential / Business. As shown in 4.6.1 Table 5

# Assessment criterion 3: Impact on ratepayers

In the DLG Guidelines, criterion 3 is:

*The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. Council’s IP&R process should also establish that the proposed rate increases are affordable having regard to the local community’s capacity to pay.*

We are required to assess whether the impact on ratepayers of the council’s proposed special variation is reasonable. To do this, we are required to take into account current rate levels, the existing ratepayer base and the purpose of the special variation. We must also assess whether the council’s IP&R process established that the community could afford the proposed rate rises.

## Impact on rates

Much of the quantitative information we need on the impact of the special variation on rate levels will already be contained in Worksheet 5 of Part A of the application.

To assist us further, the application should set out the rating structure under the proposed special variation, and how this differs from the current rating structure, which would apply if the special variation is not approved.

We recognise that a council may choose to apply an increase differentially among categories of ratepayers. However, you should explain the rationale for applying the increase differentially among different categories and/or subcategories of ratepayers, particularly in light of the purpose of the special variation. This will be relevant to our assessment of the reasonableness of the impact on ratepayers.

**Council, at its February 2014 meeting, resolved:**

[Resolution 022 Cr Batey/Cr Gain] to adopt a rating mix of 45%, 45% and 10% against the three [3] rating categories Residential, Rural and Business respectively, for the revenue generated by the SRV. This differs from the current mix for Ordinary Rates which stands at 17.34%, 77.91% and 4.75% respectively across the three [3] rating categories Residential, Rural and Business.

This split across the rating categories more appropriately reflects the rating charges of Group 9 and neighbouring Councils, as shown in the Community Consultation fact sheet for the Special Rates Variation [Attachment 8] and in 4.7 Table 7.

Table 5 below shows the impact of the SRV on the “average” assessment with the increases being Farmland $169 / Residential $110 & Business $209 in the first year, and by rate pegging in future years.

Council is mindful that a review of the shires rating structure is required, however it is believed that should this application be successful it will be the first step towards educating the community of a requirement for a rating review.

Table 5

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***Increase Evenly Spread Across Rating Categories*** | | | | | | | | | | | |  |
| **Break-up** | **No Assess** | **% Allocation** | **Actual 2013/14** | **Average Assessment 2013/14** | **2014/15 Rate Peg** | **Estimate 14/15** | **Average Assessment** | **SRV Increase** | **Estimate 14/15 Inc SRV** | **Average Assessment Inc SRV** | **Increase Per Average Assessment** |  |
| Farmland | 935 | 77.91% | $1,866,615 | $1,996 | 2.30% | $1,909,547 | $2,042 | 14.30% | $2,182,612 | $2,334 | $292.05 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Residential | 1438 | 17.34% | $415,334 | $289 | 2.30% | $424,886 | $295 | 14.30% | $485,645 | $338 | $42.25 |  |
| Business | 168 | 4.75% | $113,886 | $678 | 2.30% | $116,505 | $693 | 14.30% | $133,166 | $793 | $99.17 |  |
| **Total** | **2541** | **100.00%** | **$2,395,834** |  |  | **$2,450,938** |  |  | **$2,801,422** |  |  |  |
|  |  |  |  |  |  |  |  | ***Increase*** | ***$350,484*** |  |  |  |
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|  | | | | | | | | | | | | |
| **Break-up** | **No Assess** | **% Allocation** | **Actual 2013/14** | **Average Assessment 2013/14** | **2014/15 Rate Peg** | **Estimate 14/15** | **Average Assessment** | **SRV Increase** | **Estimate 14/15 Inc SRV** | **Average Assessment Inc SRV** | **Increase Per Average Assessment** | **Movement Per Average Assessment** |
| Farmland | 935 | 77.91% | $1,866,615 | $1,996 | 2.30% | $1,909,547 | $2,042 | 8.26% | $2,067,275 | $2,211 | $168.69 | ($123) |
| Residential | 1438 | 17.34% | $415,334 | $289 | 2.30% | $424,886 | $295 | 37.12% | $582,604 | $405 | $109.68 | $67 |
| Business | 168 | 4.75% | $113,886 | $678 | 2.30% | $116,505 | $693 | 30.08% | $151,544 | $902 | $208.57 | $109 |
| **Total** | **2541** | **100.00%** | **$2,395,834** |  |  | **$2,450,938** |  |  | **$2,801,424** |  |  |  |
|  |  |  |  |  |  |  |  | ***Increase*** | ***$350,485*** |  |  |  |

### Minimum Rates

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

Does the council have minimum rates? Yes X No

If *Yes*, explain how the proposed special variation will apply to the minimum rate of any ordinary and special rate, and any change to the proportion of ratepayers on the minimum rate for all relevant categories that will occur as a result.

So that we can assess the reasonableness of the impact on minimum ratepayers, briefly explain the types of ratepayers that are on minimum rates, and the rationale for the proposed impact of the special variation on minimum rate levels.

Under the Local Government Act 1993 S548 the current “Ordinary Rate” minimum value is $259 unless determined otherwise by the Minister by instrument in writing, which under Local Government (General) Regulation 2005 Clause 126 is $474.

Currently all categories within the rating structure for Gundagai Shire have a minimum base.

Table 6 below shows current minimum for each category the percentage of each category on the minimum and the land value that constitutes a ratepayer being on the minimum charge and the “average” land value.

Table 6

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ***Minimum*** | ***No Assess*** | ***% on Minimum*** | ***No Assess on Minimum*** | ***Current Year Minimum*** | ***Average Land Value*** | ***Reason for Minimum*** |
| Farmland | 935 | 14% | 131 | $258.00 | $451,990 | LV up to $58,950 |
| Residential | 1438 | 76% | 1093 | $258.00 | $46,093 | LV up to $58,950 |
| Business | 168 | 49% | 82 | $456.15 | $53.804 | LV up to $44,900 |
|  |  |  |  |  |  |  |

Table 7 Shows’ the changes to the minimum rates and the effect on the ad-valorem under the proposed special rates variation

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **SRV - 45:45:10** |  |  |  |  |  |  |  |  |  | |  | |
| **Category** | **Current Rates** | **LV** | **Rate in $** | **2014/15** | **2015/16** | **2016/17** | **2017/18** |  | |  | |
| Farming | $1,977.90 | $451,990.00 | 0.004833 | $2,184.48 | $ 2,256.56 | $ 2,331.03 | $ 2,407.96 | **$ 25,391.34** | | **Farm LV up to $62,235 on minimum** | |
| Residential | $258.00 | $46,093.00 | 0.007481 | $344.81 | $ 356.19 | $ 367.94 | $ 380.09 | **$ 4,007.93** | | **Res LV up to $40,200 on minimum** | |
| Business | $546.48 | $53,804.00 | 0.014799 | $796.24 | $ 822.51 | $ 849.66 | $ 877.70 | **$ 9,255.10** | | **Bus LV up to $32,000 on minimum** | |
|  |  |  |  |  |  |  |  |  | |  | |
| Farming |  |  | $ Increase | $ 206.57 | $ 72.09 | $ 74.47 | $ 76.92 |  | |  | |
| Residential |  |  |  | $ 86.81 | $ 11.38 | $ 11.75 | $ 12.14 |  | |  | |
| Business |  |  |  | $ 249.76 | $ 26.28 | $ 27.14 | $ 28.04 |  | |  | |
|  |  |  |  |  |  |  |  |  | |  | |
|  |  |  |  |  |  |  |  |  | |  | |
| **Normal** |  |  |  |  |  |  |  |  | |  | |
| **Category** | **Current Rates** | **LV** | **Rate in $** | **2014/15** | 2015/16 | 2016/17 | 2017/18 |  | |  | |
| Farming | $1,977.90 | $451,990.00 | 0.004475 | $2,022.72 | $ 2,089.47 | $ 2,158.42 | $ 2,229.65 | **$ 23,511.14** | | **Farm LV up to $58,950 on minimum** | |
| Residential | $258.00 | $46,093.00 | 0.004475 | $258.00 | $ 266.51 | $ 275.31 | $ 284.39 | **$ 2,740.87** | | **Res LV up to $58,950 on minimum** | |
| Business | $546.48 | $53,804.00 | 0.010389 | $558.98 | $ 577.43 | $ 596.48 | $ 616.17 | **$ 6,497.32** | | **Bus LV up to $44,900 on minimum** | |
|  |  |  |  |  |  |  |  |  | |  | |
| Farming |  |  | $ Increase | $161.76 | $5.34 | $5.51 | $5.70 |  | |  | |
| Residential |  |  |  | $86.81 | $2.86 | $2.96 | $3.06 |  | |  | |
| Business |  |  |  | $237.26 | $7.83 | $8.09 | $8.35 |  | |  | |
|  |  |  |  |  |  |  |  |  | |  | |
|  | **Farmland Extra Paid over 10 yrs (45:45:10 compared to normal ratepeg)** | | | | | | | **$ 1,880.20** | |  | |
|  |  | **Residential Extra Paid over 10 yrs (45:45:10 compared to normal ratepeg)** | | | | | | **$ 1,267.06** | |  | |
|  |  | **Business Extra Paid over 10 yrs (45:45:10 compared to normal ratepeg)** | | | | | | **$ 2,757.78** | |  | |

## Affordability and community capacity to pay

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

Reiterating comments in 4.5

Using, the most recent Local Government Comparative Data, being for 2011/12. Councils’ comparative analysis of Group 9 and Neighbouring Councils [Table 5] has shown that Gundagai’s current rating structure is producing rating assessments for Ordinary Rates at a value much less than those of those in both sectors, while the unemployment rate is significantly less than the group 9 average it is on par with neighbouring Councils it can be noted that the average taxable income at $36,777 in Gundagai is higher than $35,220 Group 9 Avg and $35,360 Neighbouring Councils.

It is also noted that Council only currently has one [1] hardship application on file to pay outside of the quarterly instalment regime. (See “Hardship” comments below 5.3.1)

Notwithstanding the claims for hardship, the evidence demonstrates that the rate payers of GSC are able to afford the increases proposed by this SRV Application.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Table 7**  ***Indicator*** |  | ***Gundagai*** | ***Group 9 Avg*** | ***Group 9 Similar Size Shire*** |
| Population |  | 3753 |  | 3049 |
| Unemployment Rate |  | 4.2% | 5.1% | 4.1% |
| Average Taxable Income |  | $36,777 | $35,220 | $35,360 |
| Average Household Family Size |  | 3 | 3 | 3 |
|  |  |  |  |  |
| Average Residential Rate |  | $263 | $341 | $329 |
| Average Business Rate |  | $467 | $670 | $528 |
| Average Farmland Rate |  | $1,219 | $2,299 | $1,860 |

## Other factors in considering reasonable impact

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

### Addressing hardship

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

|  |  |
| --- | --- |
| Doe the council have a Hardship Policy? | Yes X No |
| If Yes, is it identified in the council’s IP&R documents? | Yes  No X |
| Please attach a copy of the Policy and explain who the potential beneficiaries are and how they are addressed. |  |
| Does the council propose to introduce any measures to limit the impact of the proposed special variation on various groups? | Yes  No X |

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

Council Hardship Policy (see Attachment 10) was adopted in October 2013 and therefore is not currently included in Council’s IP&R suite of documents.

The Hardship Policy provides for interest rate relief and extended terms to pay outstanding rates and charges in cases of genuine financial hardship. Council under its policy also proactively refers individuals in financial hardship to appropriate financial counselling and community service organisations. Further Council acknowledges that increases in rates will impact on groups such as pensioners. Clearly Council is sympathetic to cost pressures on low income groups, such as pensioners, and will apply its hardship policy where needed. In this regard it is noted 23% of pensioners are on minimum rates. Council currently has only has 1 hardship application to pay outside of the quarterly instalment regime. As such, Council believes there is capacity for the inclusion of low income earners in the proposed SRV for the Main Street Redevelopment.

# Assessment criterion 4: Assumptions in Delivery Program and LTFP

The DLG Guidelines state this criterion as follows:

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

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

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

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

When developing the LTFP Scenario 3 Council has made the following assumptions based on current available data.

* Cost of Main Street Project $4M - MJM Consulting Engineers – [Attachment 12]
* Project to be completed over a 2 year period commencing July 2014 completion June 2016, in accordance with Councils adopted Roads Program 2014-24.
* $3M Loan at 6.14% over 10 years – NAB quote [Attachment 13]
* SRV of 14.3% over rate pegging to fund $3M loan and associated interest over a 10 year period
* Rate Pegging at 3.3% yearly increase from 2014-15
* Roll-Over of current SRV at 9.69% in 2018/19 [as per comments in 8.1 Previous Instruments of Approval]
* $1M contributions split Water fund $300k / Sewer fund $350k / TID fund $350k

to fund respective infrastructure works in the redevelopment.

# Assessment criterion 5: Productivity improvements and cost containment strategies

The DLG Guidelines state this criterion as follows:

*An explanation of the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation period.*

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

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

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

There are a number of generic measures that indicate Gundagai Shire Council is a fairly lean and efficient organisation when it comes to its “peer” Councils in Group 9 of the Division of Local Government.

Council has undertaken an analysis of both Group 9 and “Neighbouring” Group 9 Councils that fall within similar population and km2 to Gundagai using the most recent Local Government Comparative Data being for 2011/12.

|  |  |  |  |
| --- | --- | --- | --- |
| ***Indicator*** | ***Gundagai*** | ***Group 9 Avg*** | ***Group 9 Similar Size Shire*** |
| Number Councillors | 8 | 8 | 8 |
| Population Per Councillor | 469 | 413 | 373 |
|  |  |  |  |
| Number Full Time Staff Equivalent | 55 | 70 | 58 |
| 2011-12 Revenue ($'000) | $12,686 | $15,565 | $12,577 |
| Revenue per capita | $3,380 | $4,908 | $3,882 |
| Expenses per capita | $3,343 | $4,667 | $3,613 |
| Population per staff | 68 |  | 53 |

The figures shown above indicate that Gundagai Shire Council runs as an efficient organisation with less full time staff on similar revenue / expenses per capita as its neighbouring councils. Council also continues to operate with 8 Councillors even though the population per councillor is significantly higher than the average of both its neighbouring Councils and the Group 9 Average.

Comparative Information on NSW Local Government Councils 2011/12 shows Gundagai Shire Council holding 55 full time equivalent staff (FTE) who collectively manage 68 of the Shire’s residents per person. This is considerably better than the average of 53 residents per person of our neighbouring Group 9 Councils. These figures confirm that our staffing and recruitment processes are very competitive.

Gundagai Shire Council like many other Councils is facing significant financial challenges. The costs to Council of delivering services and facilities continues to put pressure on our capacity to maintain levels of service.

Council has contained project costs of all elements of the project by looking at alternate options through the planning phase, namely that the design was undertaken to minimize the adjustments to underground services, and the selection of materials provides for a modest cost compared to other options.

Gundagai has been able to maintain low recurrent costs due to the availability of local skilled contractor resources. This has been due to the direct correlation with Councils position located on the Hume Highway half way between Melbourne and Sydney and its associated road maintenance activities.

In 2001 Council adopted a strategy to remove one grader from its fleet, and hire in on an ’as required’ basis. It further undertook a change in the construction methodology in regards to its maintenance grading activities to deliver cost savings and better service. Indeed the cost per km reduced for not having to attend to additional repairs using the old methodology.

In 2011 Council adopted a strategy to purchase a Bogie Water Tanker into its fleet. Council had one watercart, and over a review period had up to 3 more contract watercarts working simultaneously. Council further had ownership of a new Prime Mover. This vehicle is essential to be able to float machinery around the worksites, however it has a lot of downtime through the day which could be better utilised. The Prime Mover is suitable for towing a Bogie Watertanker as proposed. A business case was presented identifying savings and efficiencies and was subsequently adopted by Council.

Since October 2010 to present, major flooding restoration has occurred on the road network to a value of some $12M. A review of the Transport Asset Management Plan occurred in 2013 to re-establish previous

baseline data. The condition ratings were found to be substantially better than pre-flood condition ratings particularly for our gravel road network. The future liability for gravel re-sheeting has decreased in the short to medium term.

Council has recently investigated the opportunity to introduce a Road Stabilising Machinery into its fleet. This will cut down its reliance on high contract costs for this activity, and is the most cost effective way to manage poor pavement quality with the increase in heavy vehicle use. Council are currently considering a business case and Tender Report. The machinery will be hired to neighbouring Council’s to provide an income stream.

Council are currently preparing documentation for application to become a RMS Accredited contractor for works. This will allow for the opportunity to pursue external works in the region to provide an alternate income stream. Efficiencies through process improvement are expected.

Council is currently considering rationalising the Visitor Information Centre operation. Savings have been identified following an audit report prepared by Tilman Management Services.

Workforce Plan

Council is currently reviewing its Workforce Plan, this plan providing strategic direction for Council’s projected workforce requirements. This has enabled Council to maximise training expenditure by

addressing organisational needs and gaps. It also allows Council to identify future skills gaps and hire cadets, trainees, and apprentices to develop our workforce. As part of this review Council is currently revising its salary system and incorporating a performance based salary system. Savings are expected to be generated though identification of better practice.

Redundant Assets

Council periodically looks to sell non-productive Council land and in this regard Council has resolved to sell several parcels of land. Not only does this provide capital in return for an otherwise non-productive asset, it also removes associated maintenance and management costs.

Record Keeping

With the aim of meeting its obligations with regard to the State Records Act, Council is investigating new software to improve its record keeping, and management abilities.

Information Technology

Council currently out sources the management of all IT requirements, however this practice is currently under review.

# Other information

## Previous Instruments of Approval

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

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

Council currently has a Special Variation in place amounting to 9.69% covering a 10 year period commencing 2008/9 and expiring 2017/18.

The purpose of this Special Variation is to meet existing service levels and to maintain existing assets. However, it has been explained that as a basis of the current application Council would be

seeking to “roll over” this special variation in line to expire at the end of the 10 year period of the proposed current Special Variation. Clearly the roll over is essential and failure to achieve such will impact negatively on moving forward with this application and in turn the main street

redevelopment. It was stressed to the forums that both special variations would cease concurrently and any desire to extend / renew the variations would be subject to an entirely fresh application to IPART. [Instrument of Approval Attachment 11]

## Reporting to your community

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

The project represented by this Special Rate Variation is a significant capital work project to be undertaken by Council. As such, the announcement of its commencement and completion will be heavily newsworthy for the local community. All media announcements will outline the funding sources for the works.

In addition to this, the rate payers will be informed as “milestones” related to the project are reached ie: [tender awarded, works commenced on section A of the Main Street Redevelopment, works completed on section A of the Main Street Redevelopment etc.]

The current status and / or completion of the project will be included in the 2013/14 Annual Report and any subsequent Annual Reports as necessary.

In terms of measuring the success of the project, Council will be able to compare the “Before and After” statistics in relation to a series of factors. We will be able to compare surface, subsurface and street levelling condition reports in order to measure the technical aspects of the project. Similarly the level of improvement achieved for users of the Main Street can be measured through comparison of accident and incident reporting as well as the number and seriousness of service requests made. However, the major measure of success will be the community feedback on the redevelopment’s ability to meet the desired outcome.

## Council resolution to apply to IPART

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

**Council, at its February 2014 meeting, resolved:**

Resolution 022 Cr Batey/Cr Gain

Following feedback on the community consultation regarding a 14.3% increase above rate peg

* Council rescind Council Resolutions 021/022/023
* Council lodge an application, by 24th February 2014, under Section 508(2) of the Local Government Act 1993, to seek approval from IPART to increase its General Rate for a period of 10 years commencing 2014-15 by 14.3 above the approved Rate Peg increase of 2.3% in that year in order to finance a proposed $3M loan taken out to effect an upgrade of Gundagai’s main street [Sheridan Street] at an estimated cost of $4M
* The mix of the funding contribution by the three general rating categories, namely Residential, Rural and Business be altered from 17.34%, 77.91% and 4.75% respectively to 45%, 45% and 10% respectively.

This split across the rating categories more appropriately reflects the rating charges of Group 9 and neighbouring Councils as shown in the Community Consultation fact sheet for the Special Rates Variation [Attachment 8]

# Checklist of contents

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

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

# Certification

**APPLICATION FOR A SPECIAL RATE VARIATION**

**To be completed by General Manager and Responsible Accounting Officer**

Name of council: Gundagai Shire Council

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

General Manager (name): Michael Brady

Signature and Date: 24th February 2014

Responsible Accounting Officer (name): Paul Luff

Signature and Date: 24th February 2014

PLEASE REFER SCANNED COPY

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

1. See Planning Circular 10-025 dated 24 November 2010 at [www.planning.nsw.gov.au](http://www.planning.nsw.gov.au) and for the most recent Direction issued under section 94E of the *Environmental Planning and Assessment Act 1979*. See also Planning Circular PS 10-022 dated 16 September 2010. [↑](#footnote-ref-1)
2. The relevant documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and, where applicable, Asset Management Plan [↑](#footnote-ref-2)