

Kyogle Council's application for a special variation and to set a minimum special rate for 2015-16

under section 508A and 548(3) of *Local Government Act 1993*

Local Government — Determination
May 2015

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1 Determination

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

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

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

Under the Act, councils must also apply to IPART if they wish to increase their minimum rates above the statutory limit.² We are required to assess councils' applications for minimum rates increases against the criteria included in the OLG Guidelines for minimum rates.³

Kyogle Council applied for a multi-year special variation under section 508A to remain permanently in the rates base. The council requested an increase of 12.43% in 2015-16⁴ and increases of 5.43% in 2016-17 to 2017-18 and 5.44% in 2018-19 to 2019-20, or a cumulative increase of 38.94% over the next five years.⁵ We assessed the council's application and decided to approve the special variation as requested. We made this decision under section 508A of the Act.

As part of its application, the council is introducing a Stormwater and Flood special rate (special rate) to replace its \$25 Stormwater Charge. This would be an ad valorem rate with a minimum amount. The minimum amount would apply to most residential and business ratepayers. The council applied to set the minimum amount above the statutory limit in 2015-16 and to increase the minimum amount for each year of the special variation. It applied to set the minimum amount at \$86 in 2015-16, \$88 in 2016-17, \$91 in 2017-18, \$93 in 2018-19

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

² Under Section 548(3)(b) of the Act, the minimum amount of a special rate cannot exceed \$2 unless the Minister approves a greater amount by instrument in writing given to the council.

³ OLG, *Guidelines for the preparation of an application to increase minimum rates above the statutory limit 2015/16*, October 2014 (Guidelines for minimum rates).

⁴ This includes a 0.01% increase due to a crown land adjustment in 2015-16. Kyogle Council's original application was for a 12.42% increase in 2015-16.

⁵ Kyogle Council, *Special Variation Application – Part A, 2015-16* (Kyogle Council, *Application Part A*), Worksheet 1.

and \$96 in 2019-20.⁶ After assessing the council's application we have decided to allow the requested minimum amounts under section 548(3) of the Act.

Box 1.1 The Guidelines for 2015-16

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

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

1.1 Our decision

We determined that Kyogle Council may increase its general income from 2015-16 to 2019-20 by the annual percentages shown in Table 1.1. The annual increases incorporate the rate peg to which the council would otherwise be entitled (2.4% in 2015-16).

The cumulative increase of 38.94% over five years is 23.69% more than the assumed rate peg increase over these years. After the last year of the special variation (2019-20), the increases will remain permanently in the council's rate base.

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

	2015-16	2016-17	2017-18	2018-19	2019-20
Percentage increase approved	12.43 ^a	5.43	5.43	5.44	5.44

^a This amount includes 0.01% for a crown land adjustment and 1.98% for the Stormwater and Flood special rate. The council's original application did not include the crown land adjustment and was for a special variation increase of 12.42% in 2015-16.

Note: The rate peg in 2015-16 is 2.4%.

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

We also determined that the council may set minimum amounts for its special rate as shown in Table 1.2.

⁶ Kyogle Council, *Application Part A*, Worksheet 5a.

Table 1.2 IPART’s decision on Kyogle Council’s application to set and increase the minimum amount of the Stormwater and Flood special rate from 2015-16 to 2019-20

	2015-16	2016-17	2017-18	2018-19	2019-20
Amount approved (\$)	86	88	91	93	96

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

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

Box 1.2 Conditions attached to Kyogle Council’s approved special variation

IPART’s approval of Kyogle Council’s application for a special variation over the period from 2015-16 to 2019-20 is subject to the following conditions:

- ▼ The council uses the additional income from the special variation to improve its financial sustainability and fund the program of expenditure outlined in its application and listed in Appendix A.
 - ▼ The council reports in its annual report for each year from 2015-16 to 2024-25 on:
 - the actual revenues, expenses and operating balance against the projected revenues, expenses and operating balance, as outlined in the Long Term Financial Plan provided in the council’s application, and summarised in Appendix B
 - any significant variations from its proposed expenditure as forecast in the current Long Term Financial Plan and any corrective action taken or to be taken to address any such variation
 - expenditure consistent with the council’s application and listed in Appendix A, and the reasons for any significant differences from the proposed expenditure, and
 - the outcomes achieved as a result of the actual program of expenditure.
 - ▼ The council reports in its financial statements (currently in Special Schedule 9) on its compliance with the special variation and these conditions for each year from 2015-16 to 2024-25.
-

2 What did the council request and why?

Kyogle Council applied to increase its general income by a cumulative 38.94% over the 5-year period from 2015-16 to 2019-20, and to permanently incorporate this increase into its general income base.⁷

⁷ Kyogle Council, *Application Part A*, Worksheet 1.

The council requested the additional revenue to fund gaps in capital expenditure for its roads, bridges and stormwater assets. The additional revenue will also improve its financial sustainability in the long term.⁸

As part of its application, the council proposed replacing its stormwater charge with a special rate payable by the same ratepayers currently subject to a stormwater charge. This is because its stormwater charge does not generate sufficient revenue to address the capital renewals and improvements required for stormwater and flood management. It stated that to avoid cross subsidies through ordinary rates (which are payable by all ratepayer categories) and to maintain this function on a self-funded basis, it has proposed a higher special rate to be levied on residential and business ratepayers (that would normally be subject to the stormwater charge). This will be structured as an ad valorem rate with a minimum amount.⁹

The cumulative increase to general income of 38.94% over the five year period from 2015-16 to 2019-20 includes the revenue from the special rate.

The council estimated that if the requested special variation is approved, its permissible general income would increase from \$5.17 million in 2014-15 to \$7.26 million in 2019-20.¹⁰ This would generate additional revenue of \$4.3 million above the rate peg increases over five years of the special variation. Over the 10 years of the Long Term Financial Plan (LTFP), the special variation would generate revenue of \$11 million above the rate peg.

The council indicated that over 10 years, the additional revenue will improve its financial sustainability and allow it to fund infrastructure renewals as follows:

- ▼ \$5.6 million on regional, urban and rural roads
- ▼ \$5.0 million on bridges
- ▼ \$0.4 million on stormwater and flood mitigation.¹¹

More detail on the council's proposed program of expenditure to 2024-25 is provided in Appendix A.

⁸ Kyogle Council, *Special Variation Application – Part B, 2015-16* (Kyogle Council, *Application Part B*), p 4.

⁹ Kyogle Council, *Application Part B*, pp 17-18 and correspondence with Kyogle Council dated 10 April 2015. Clause 125AA(1) of the *Local Government (General) Regulation 2005* does not allow increasing or indexing the Stormwater charge over time, but sets a maximum annual limit, eg, \$25 for residential ratepayers. Under legislation, stormwater charges are payable only by residential and business ratepayers.

¹⁰ We note that this increase will be offset by a reduction in council's consolidated revenue from the discontinuation of the stormwater charge as the special rate will replace the stormwater charge. See Kyogle Council, *Application Part B*, p 17.

¹¹ Kyogle Council, *Application Part B*, p 8 and *Application Part A*, Worksheet 6.

3 How did we reach our decision?

We assessed Kyogle Council's application against the criteria in the relevant Guidelines. In making our assessment we also considered the council's most recent IP&R documents, as well as a range of comparative data about the council, set out in Appendix C.¹²

Kyogle Council has applied on the basis of its adopted IP&R documents, in particular the *Community Strategic Plan 2012-2025, Delivery Program 2014-2018, Long Term Financial Plan 2015-2034* and *Asset Management Plans and Strategies 2012 (various)*.

The rate increases for which the council has applied are significant, and we carefully considered, among other things, the council's need for the increase, its consideration of the community's priorities and capacity and willingness to pay, and the impact of the rate increase on ratepayers. We note that the council also modelled and consulted on higher increases than currently sought, but it decided to apply for the current special variation based on its assessment of the community's capacity to pay.¹³

We found that Kyogle Council's application generally met the criteria. In particular, we found that:

1. The need for the proposed revenue is demonstrated in the council's IP&R documents, and reflects community priorities, and is supported by TCorp's assessment of the council's financial sustainability.
2. The council provided evidence that it has made the community aware of the need for and extent of the rate increases. The council has also proposed increases in water, sewer and waste charges over the special variation period as well as replacing its stormwater charge with the special rate. It presented the increases in terms of the total increases in General Fund and other council charges. We found that the extent of the General Fund rate increases was not always clearly separated from the other increases in some consultation material. However, some of its consultation material provided sufficient information on the General Fund rate increases to ensure the community was aware of these increases. We accept that the council's consultation approach was to ensure there was no misunderstanding about the extent of increases in all rates and charges including the General Fund rate increases.

¹² See Appendix C. Kyogle Council is in OLG Group 10, which is classified as Rural Large Agricultural (population 5,001-10,000) or Remote (population 3,001-20,000). The group comprises 25 councils, including councils such as Dungog, Glenn Innes Severn, Gloucester, Gwydir, Liverpool Plains, Oberon, Tenterfield and Uralla Shire councils.

¹³ Kyogle Council, *Application Part B*, p 8.

3. The impact of the proposed rate increases on ratepayers is significant, but reasonable based on a comparison of the council's existing rate levels with surrounding councils, its history of special variations, the purpose of the increases and the council's consideration of ratepayers' willingness and capacity to pay.
4. The council provided evidence that the relevant IP&R documents have been exhibited and adopted.
5. The council reported productivity savings in past years, and indicated its intention to realise further savings during the period of the special variation.

Table 3.1 summarises our assessment against the criteria for a special variation to general income. Sections 3.1 and 3.2 discuss our findings against criteria 2 and 3 in more detail.

In Table 3.2 we summarise our assessment against the criteria for increasing minimum amounts of the special rate above the statutory limit.

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

Criterion	IPART findings
1. The need for and purpose of a different revenue path for the council's General Fund (as requested through the special variation) is clearly articulated and identified in the council's IP&R documents, including its Delivery Program, Long Term Financial Plan and Asset Management Plan where appropriate. In establishing need for the special variation, the relevant IP&R documents should canvas alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan by including scenarios both with and without the special variation.	<p>IP&R documents explained the need for and purpose of the special variation which are consistent with community priorities, particularly the need to improve financial sustainability and investment in the transport and road network. The council has:</p> <ul style="list-style-type: none"> ▼ an infrastructure backlog of \$46m ▼ funding shortfalls of \$4m and \$0.7m pa for transport and stormwater assets respectively ▼ explored revenue alternatives ▼ forecast very large operating deficits in its LTFP and is unable to raise the additional revenue required without a special variation. <p>TCorp observed that the council's financial position is 'weak' and outlook 'negative' and it is unable to reduce its infrastructure backlog due to insufficient funding. The council will be able to fund its annual renewals requirements with the special variation revenue in combination with additional revenue from user fees and charges, borrowings and grant funding. Although there will be a marginal improvement in financial sustainability, the council is still forecasting large operating deficits over the period of the LTFP.</p>
2. Evidence that the community is aware of the need for and extent of a rate rise. The IP&R documentation should clearly set out the extent of the General Fund rate rise under the special variation. The council's community engagement strategy for the special variation must demonstrate	<p>While the council's IP&R documentation sets out the need for and extent of the special variation, its consultation material did not always clearly state the extent of the General Fund rate rises. The council is also proposing increases in water, sewer and waste charges and provided the community with the total impact of all increases in the interest of transparency. However, it provided sufficient information on the extent of the General Fund rate increases to ensure</p>

Criterion	IPART findings
an appropriate variety of engagement methods to ensure an opportunity for community awareness and input to occur.	community awareness of these increases. On balance, we consider it has met this criterion. It used a variety of methods to inform and provide the community with opportunities for feedback. Results from an online survey indicate that 73% (of 266 respondents) believed the information was adequately explained, 54% were in favour of the special variation and 52% considered the rate increases would be affordable.
3. The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. The IP&R processes should: <ul style="list-style-type: none"> ▼ clearly show the impact of any rises upon the community ▼ include the council's consideration of the community's capacity and willingness to pay rates and ▼ establish that the proposed rate increases are affordable having regard to the local community's capacity to pay. 	The impact on ratepayers is significant but reasonable given the purpose of the special variation, a comparison of rate levels with surrounding councils and the council's history of special variations. Average residential rates are higher than the OLG Group 10 average, but comparable to neighbours Lismore, Clarence Valley and Richmond Valley. Business and farmland rates are lower than OLG Group 10 averages. The IP&R processes outlined the percentage increases of the special variation, but not the dollar increases in rates. The council assessed its rate levels with reference to socio economic and demographic factors as well as proposed increases in water, sewer and waste charges over the period and concluded that the community has the capacity and willingness to pay the higher rates. It has a hardship policy to assist ratepayers facing payment difficulties.
4. The relevant IP&R documents must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation to its general revenue.	The council displayed the Community Strategic Plan from April 2012 and adopted it in June 2012. It displayed the revised LTFP in October 2014 and adopted it in December 2014. It displayed the revised Delivery Program and Operational Plan from December 2014 and adopted them in February 2015. It adopted asset management plans for all infrastructure categories in July 2012.
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.	Although savings are not quantified, the council's application indicates a process of review and continual improvement is in place, and refers to: <ul style="list-style-type: none"> ▼ numerous examples of initiatives with other councils in regional coordination or delivery of services and administration, eg procurement, library services, weed management ▼ retrofitting energy-efficient street lighting ▼ a program for continuous improvement of road and bridge maintenance and construction, and ▼ implementing recommendations from a 2012 review of organisational structure and delivery of technical services. As well, the LTFP includes strategies for cost reduction, productivity and efficiency gains, and incorporates their value.

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

Sources: Kyogle Council, *Application Part A*, and *Application Part B*; OLG, Unpublished data; NSW Treasury Corporation (TCorp); *Kyogle Council Financial Assessment, Sustainability and Benchmarking Report*, 20 March 2013; Kyogle Council, *Delivery Program 2014-2018, Long Term Financial Plan 2015- 2034 and Asset Management Plans and Strategies (Transport and Stormwater)*.

Table 3.2 IPART’s assessment against the criteria in the Minimum Rates Guidelines

Criterion	IPART findings
1. Rationale for increasing minimum rates above the statutory amount.	<p>The council identified that revenue from its current Stormwater Charge (payable by residential and business ratepayers) is not sufficient to fund the required capital renewals and improvements in stormwater and flood management. It proposed replacing the Stormwater Charge with a special rate payable by the same ratepayers subject to a stormwater charge to ensure this function is self-funding to avoid cross subsidies through ordinary rates.</p> <p>The council found that a rating structure with an ad valorem rate subject to a minimum amount best addressed its revenue requirements and was also the most equitable outcome for ratepayers.</p> <p>The requested increases in minimum amounts (\$86 in 2015-16 to \$96 in 2019-20) are based on assumed rate peg increases (rounded to the nearest whole dollar).</p>
2. Impact on ratepayers, including the level of the proposed minimum rates and the number and proportion of ratepayers that will be on the minimum rates, by rating category or sub-category.	<p>The special rate will apply to 1,823 (residential and business) ratepayers with the majority (1,806 ratepayers) on the minimum amount. The majority will face an increase of \$61 (above the current \$25 Stormwater Charge) in 2015-16, which is significant, but reasonable given the need for renewals. Increases in the minimum amount in subsequent years are considered modest, averaging 2.3% pa to reach \$96 in 2019-20.</p>
3. Consultation the council has undertaken to obtain the community’s views on the proposal.	<p>The council took steps to ensure that the community was aware of the increases in the context of a range of other increases in rates and annual charges over the period of the LTFP.</p>

3.1 Community engagement and awareness

We consider that the council has met this criterion and has made the community aware of the need for and extent of the rate increases.

The council set out the need for and extent of the special variation in its Delivery Program and consulted comprehensively around its revised LTFP. The council has also proposed increases in stormwater, water, sewer and waste charges over a seven year period. It therefore presented the total impact of the increases on each ratepayer category.¹⁴ We found that in some consultation material it did not clearly set out the extent of the General Fund rate increases under the special variation separately from other proposed increases in council charges. However, some consultation material did provide sufficient information on the proposed

¹⁴ Kyogle Council, Attachment 5, *Community Engagement Materials, Comparison of Current Rates and Charges*, p 1.

rate increases. We accept that the council took the approach to bundle the extent of all increases in an effort to be transparent about the full impact on ratepayers over the next seven years.

On balance, we consider that the council has met this criterion based on the following factors:

- ▼ It used a variety of methods to ensure community awareness including:
 - Public exhibition between 22 October and 24 November 2014 of its LTFP which incorporated outcomes from the review of service levels and modelling of special variation scenarios. Ratepayers were invited to make submissions by the closing date.
 - Newspaper advertisements, council newsletters.
 - Mail-outs to all ratepayers including a community survey (also accessible as an online survey) including supplementary information on proposed increases to rates and charges.
 - Listening posts at community events.
 - Information on the website that outlined the proposed increases.¹⁵
- ▼ Feedback from the online survey showed that amongst other things:
 - 73% (of 266 respondents) believed the information provided by the council adequately explained the proposed rate increases and how they would be applied
 - 54% of respondents were in favour of the special variation application
 - 52% of respondents agreed that the rate increases would be affordable.¹⁶

Submissions

The council received 50 written submissions. The key themes related to:

- ▼ concerns with rates being higher in the rural areas than in the villages
- ▼ addressing inequities with State Forests and Crown Lands not being rateable
- ▼ the need to seal high traffic roads and support for allocation of extra income to roads and bridges, and
- ▼ acceptance that a rate rise was inevitable but general support for the lower increases as requested in this application.¹⁷

The council considered its community's feedback on the LTFP and applied for the lower option of the increases it consulted on.¹⁸

IPART received one submission opposing the special variation.

¹⁵ Kyogle Council, *Application Part B*, pp 13-14.

¹⁶ Kyogle Council, *Attachment 6, Community Feedback – Long Term Financial Report and Survey*, pp 5, 13 and 15.

¹⁷ Kyogle Council, *Application Part B*, p 15.

¹⁸ Kyogle Council, *Application Part B*, p 8.

3.2 Reasonable impact on ratepayers

We consider that the impact of the rate increases is significant, but reasonable given the purpose of the special variation, the council's current rate levels compared to its neighbours and its history of special variations.

A comparison of the council's average rates with its OLG Group peers indicates:

- ▼ its residential rates are 30% higher than OLG Group 10 councils
- ▼ its business rates are 18% lower than OLG Group 10 councils
- ▼ its farmland rates are 44% lower than OLG Group 10 councils.¹⁹

In assessing the reasonableness of the impact of the special variation on ratepayers, we also compared the current rates and socio economic indicators in the Local Government Area with surrounding councils as shown in Table 3.3.

Table 3.3 Kyogle Council - comparison of rates and socio-economic indicators with surrounding councils (2012-13)

Council	Average residential rate (\$) ^a	Average taxable income	Outstanding rates ratio (%) ^b	SEIFA Index NSW Rank ^c
Kyogle	667	32,640	13.3	11
Lismore ^d	1,019	38,784	10.1	66
Clarence Valley	815	34,988	7.1	13
Richmond Valley ^d	621	35,020	10.2	7

^a The average residential rate (ordinary and special) is calculated by dividing the notional general income by the number of assessments in the category.

^b The outstanding rates ratio includes water and sewer.

^c The highest possible ranking is 153 which denotes a council that is least disadvantaged in NSW.

^d Lismore and Richmond Valley were granted rate increases above the rate peg in 2013-14 and 2014-15 respectively. The data in this table does not capture the increases from these special variations.

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

Table 3.3 shows that the council's average residential rates are similar to surrounding councils. Its SEIFA ranking of 11 places it in the 10% most disadvantaged councils. However, with the exception of Lismore, its SEIFA ranking and average taxable incomes are also similar to these councils.

We also found that the council has not applied for a special variation since 2005-06 when it was granted an increase of 6.3% under section 508(2) to be retained permanently in its rates base.²⁰

¹⁹ See Appendix C, Table C.2 (2012-13 data). However, 6 councils in Group 10 have since received approval or are currently applying for increases above the rate peg, which will have an impact on relativities in the current Group 10 averages.

²⁰ OLG, Unpublished data.

Taking the above factors into account, we consider that the impact of the rate increases is reasonable.

The council's consideration of impact on ratepayers

The council compared its total rates and annual charges (including water, sewer and waste charges) and other financial information with surrounding councils.²¹

The council acknowledged that the LGA is disadvantaged with regards to a number of socio-economic indicators.²² It has a hardship policy to assist ratepayers experiencing difficulty in paying their rates and charges. It also has a Pensioner Concession Policy.

The council has concluded that overall, its ratepayers have the capacity to pay the proposed rate increases.²³

4 What does our decision mean for the council?

Our decision means that Kyogle Council may increase its general income over the five year special variation period from \$5.17 million in 2014-15 to \$7.26 million in 2019-20. Table 4.1 shows the annual increases in the dollar amounts to the council's general income. These amounts reflect the percentage increases we have approved and, in 2015-16, adjustments that occur as a result of various catch-up and valuation adjustments.

These increases will be permanently incorporated into the council's revenue base. After 2019-20, the council's permissible general income will increase by the annual rate peg unless we approve a further special variation.²⁴

²¹ Kyogle Council, *Attachment 5, Community Engagement Materials – Various Materials, Comparison of Current Rates and Charges*, p 1.

²² Kyogle Council, *Application Part B*, p 19.

²³ Kyogle Council, *Application Part B*, pp 19-20 and *Attachment 7, Debt Recovery and Hardship Policy*.

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

Table 4.1 Permissible general income of Kyogle Council from 2015-16 to 2019-20 arising from the special variation approved by IPART

Year	Increase approved (%)	Cumulative increase approved (%)	Annual increase in general income (\$)	Permissible general income (\$)
Adjusted notional income 30 June 2015 ^a				5,165,110
2015-16	12.43	12.43	711,891	5,877,001 ^b
2016-17	5.43	18.54	319,121	6,196,122
2017-18	5.43	24.97	336,449	6,532,572
2018-19	5.44	31.77	355,372	6,887,944
2019-20	5.44	38.94	374,704	7,262,648

^a Includes 0.01% increase due to a Crown land adjustment.

^b Includes a prior catch-up of \$71,552 that had not been recouped by the time the application was submitted to IPART which is to be recouped in 2015-16, less \$1,732 relating to a valuation objection.

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

The council estimates that over these five years, the additional rates revenue will accumulate to \$4.3 million above the rate peg. This extra income is the amount the council requested to enable it to undertake additional expenditure for roads, bridges and stormwater and flood mitigation.

5 What does our decision mean for ratepayers?

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

In its application, Kyogle Council indicated that the increase in ordinary rate is to be applied uniformly for each ratepayer category. However, residential and business ratepayers will also pay the new special rate in lieu of the previous stormwater charge. The percentage increases for these ratepayers will effectively be lower than indicated below as it will be offset by the discontinuation of the stormwater charge which they will no longer be levied.²⁵

The council has calculated that compared to 2014-15:

- ▼ the average residential rate will increase by a cumulative 40.9%, or by \$129 in the first year and by \$321 over five years

²⁵ Kyogle Council, *Application Part B*, p 17. Under section 505 of the Act, stormwater charges are excluded from the definition of general income. However, special rates are included in general income. That is, the percentage increases are calculated on the basis of the 2014-15 general income which did not include stormwater charges compared to 2015-16 income that includes the special rate which effectively replaces the stormwater charge.

- ▼ the average business rate will increase by a cumulative 42.5%, or by \$181 in the first year and by \$422 over five years
- ▼ the average farmland rate will increase by a cumulative 34.7%, or by \$144 in the first year and by \$460 over five years.²⁶

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

Table 5.1 Indicative impact on average rates of Kyogle Council's approved special variation in 2015-16 to 2019-20

	Average Residential rate	Average Business rate	Average Farmland rate
2014-15^a	785	993	1,328
2015-16^b	914	1,174	1,472
\$ increase	129	181	144
% increase	16.38	18.19	10.85
2016-17	958	1,230	1,545
\$ increase	45	56	73
% increase	4.89	4.77	4.97
2017-18	1,005	1,288	1,622
\$ increase	47	59	77
% increase	4.89	4.78	4.97
2018-19	1,054	1,350	1,703
\$ increase	49	62	81
% increase	4.89	4.78	4.99
2019-20	1,106	1,415	1,788
\$ increase	52	65	85
% increase	4.90	4.79	4.99
Cumulative increase			
\$ increase	321	422	460
% increase	40.88	42.46	34.65

a 2014-15 is included for comparison.

b The rates shown from 2015-16 include the new special rate which replaces the Stormwater Charge (previously \$25 for the majority of residential and business ratepayers subject to this charge).

Note 1: The average rate is calculated by dividing the notional general income by the number of assessments for the year and includes the ordinary rate and any special rates applying to the rating category.

Note 2: Figures may not add due to rounding.

Source: Kyogle Council, *Part A, Worksheet 5a*.

²⁶ Kyogle Council, *Application Part A, Worksheet 5a*.

The council does not have a minimum amount for its ordinary rates. However, as indicated in Section 2, the council intends to set a minimum amount for the special rate and increase the minimum amounts as shown in Table 5.2.

These amounts are included in the council’s estimates of the expected increase in average rates for each ratepayer category.

Table 5.2 Minimum amount of the Stormwater and Flood special rate from 2015-16 to 2019-20

	2015-16	2016-17	2017-18	2018-19	2019-20
Minimum Amount (\$)	86	88	91	93	96

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



Appendices

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

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

The council will use the special variation revenue above the rate peg of \$11.04 million over 10 years on capital works for the following categories of infrastructure:

- ▼ regional roads (\$0.63 million)
- ▼ urban streets (\$1.00 million)
- ▼ rural local roads (\$4.00 million)
- ▼ bridges (\$5.01 million)
- ▼ stormwater and flooding (\$0.4 million).²⁷

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

²⁷ Kyogle Council, *Application Part A*, Worksheet 6.

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

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Special variation income above rate peg	518	676	847	1,032	1,231	1,268	1,306	1,345	1,386	1,427	11,038
Capital expenditure											
Regional roads				90	90	90	90	90	90	90	630
Urban streets	100	100	100	100	100	100	100	100	100	100	1,000
Rural local roads	389	37	217	271	500	528	494	555	563	454	4,007
Bridges		500	500	500	500	550	550	600	600	710	5,010
Stormwater and Flooding	29	40	30	71	41		72		33	74	390
Total expenditure	518	676	847	1,032	1,231	1,268	1,306	1,345	1,386	1,427	11,038
Cumulative total	518	1,195	2,042	3,074	4,305	5,573	6,879	8,225	9,610	11,038	

Note: Numbers may not add due to rounding.

Source: Kyogle Council, *Application Part A*, Worksheet 6.

B Kyogle Council's projected revenue, expenses and operating balance

As a condition of IPART's approval, Kyogle Council is to report annually against its projected revenue, expenses and operating balance as set out in its LTFFP (shown in Table B.1).

Revenues and operating results in the annual accounts are reported both inclusive and exclusive of capitals and contributions. In order to isolate ongoing trends in operating revenues and expenses, our analysis of the council's operating account in the body of this report excludes capital grants and contributions.

Table B.1 Summary of projected operating statement for Kyogle Council, 2015-16 to 2024-25 (\$'000)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Total revenue (including capital grants and contributions)	29,847	22,379	23,200	23,439	24,296	24,544	25,286	25,675	26,345	27,662
Total expenses	20,625	21,280	21,561	22,093	22,471	23,111	23,380	24,011	24,585	25,143
Operating result from continuing operations	9,222	1,100	1,639	1,346	1,825	1,433	1,906	1,664	1,760	2,518
Net operating result before capital grants and contributions	-3,165	-3,047	-2,412	-2,515	-2,214	-2,365	-2,129	-2,240	-2,274	-2,285

Note: Numbers may not add due to rounding.

Source: Kyogle Council, *Application Part A*, Worksheet 7.

C Comparative indicators

Performance indicators

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

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

Table C.1 Trends in selected performance indicators for Kyogle Council, 2009-10 to 2012-13

Performance indicator	2009-10	2010-11	2011-12	2012-13	Average change (%)
FTE staff (number)	90	92	90	89	-0.4
Ratio of population to FTE	109	107	106	107	-0.6
Average cost per FTE (\$)	69,256	75,293	73,922	74,438	2.4
Employee costs as % operating expenditure (General Fund only) (%)	32.0	30.2	25.0	24.7	na
Consultancy/contractor expenses (\$m)	0.1	-	-	-	-100.0
Consultancy/contractor expenses as % operating expenditure (%)	0.8	-	-	-	na

Note: Except as noted, data is based upon total council operations that include General Fund, Water & Sewer and other funds, if applicable.

Source: OLG, unpublished data.

General comparative indicators

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

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

Table C.2 Select comparative indicators for Kyogle Council, 2012-13

	Kyogle Council	OLG Group 10 average	NSW average
General profile			
Area (km ²)	3,639		
Population	9,525		
General Fund operating expenditure (\$m)	23.4		
General Fund operating revenue per capita (\$)	2,156	2,561	2,026
Rates revenue as % General Fund income (%)	22.1	26.3	46.8
Own-source revenue ratio (%)	52.5	49.5	71.1
Average rate indicators^a			
Average rate – residential (\$)	667	515	712
Average rate – business (\$)	936	1,141	2,688
Average rate – farmland (\$)	1,253	2,248	2,194
Socio-economic/capacity to pay indicators^b			
Average annual income for individuals, 2011 (\$)	32,640	41,325	49,070
Growth in average annual income, 2006-2011 (% pa)	2.7	6.0	5.2
Average residential rates 2012/13 to average annual income, 2011 (%)	2.0	1.3	1.5
SEIFA, 2011 (NSW rank: 153 is least disadvantaged)	11		
Outstanding rates and annual charges ratio (General Fund only) (%)	13.3	7.5	6.0
Productivity (labour input) indicators^c			
FTE staff (number)	89	105	294
Ratio of population to FTE	107	71	127
Average cost per FTE (\$)	74,438	66,915	75,736
Employee costs as % operating expenditure (General Fund only) (%)	24.7	35.1	37.1
Consultancy/contractor expenses (\$m)	-	2.3	7.8
Consultancy/contractor expenses as % operating expenditure (%)	-	9.3	10.3

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

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

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

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