

FIT FOR THE FUTURE

The NSW Government has been working with the local government sector for over four (4) years to ensure that councils are able to deliver the services and infrastructure that communities need both now and into the future. This key reform measure is known as the Fit for the Future (FFTF) program, and as part of this process all NSW Councils were asked to put forward proposals that:-

- Assessed their scale and capacity against the recommendations of the Independent Local Government Review Panel and put forward options to address this where necessary; and
- Assessed financial performance against benchmarks, and put forward strategies and actions to improve against the Sustainability, Infrastructure and Services, and Efficiency criteria.

The NSW Government appointed the Independent Pricing and Regulatory Tribunal (IPART) to undertake an assessment of council proposals. IPART found that 27 councils did not meet one or more of the financial criteria. Dungog Shire Council was one of these councils.

Dungog Shire Council is a small rural council providing a limited range of services with a general rates base of just over \$5.6M which is contributed by approximately 4,903 rateable properties. Dungog is experiencing population growth that is forecast to continue. It works collaboratively with other councils in the Hunter region and has a proud local government history and record of delivering services efficiently with one of the lowest average rates in the region.

As at the 30 May, 2018 the asset backlog for Dungog Shire Council was \$18M. This figure coupled with one of the smallest workforces of all Councils in NSW meant that Dungog Shire Council was not able to meet the criteria set out in the FFTF program.

In response, Dungog Shire Council undertook the development of an Improvement Plan to achieve the financial benchmarks. These documents are available on Council's website <https://www.dungog.nsw.gov.au>. Council has also been invited by the NSW Office of Local Government to be reassessed and further discuss strategies aimed at sustainability. The reassessment will consider specific issues raised by IPART in the summary assessment for Dungog Shire Council but not issues of general dispute with the original assessment findings.

Dungog Shire Council is seeking to reduce expenditure via the following methods:-

- optimising procurement benefits through joint procurement ventures (an example being a proposed joint Council Tender, alongside Newcastle, Port Stephens and Lake Macquarie Councils for the Supply of Electricity for small sites);
- reviewing organisational structures to ensure all positions are value adding;
- reviewing fees and charges as part of the annual budget process for partial and full cost recovery;
- investigating own revenue opportunities such as income from caravan parks.
- focusing on asset management by refining the accuracy of asset management plans;
- investigating opportunities for rationalisation of surplus assets; and
- commencing discussion with the community regarding the need to increase income through a Special Rate Variation (SRV).

Council is committed to implementing its Improvement Plan, which includes a proposed SRV, and working towards meeting the benchmarks set by the NSW State Government under the Fit for the Future reform initiative. Between February and July 2018 Council invited all members of the Dungog Shire community to attend a series of meetings developed to inform ratepayers of Council's current financial position and the need for Council to consider applying for a SRV.

At these public meetings, members of the community were given the opportunity to participate on a Special Rate Variation Reference Panel. The Panel applicants were provided with further, more in depth information and were given the opportunity to ask Councillors and staff questions and provide input into the process of Council's consideration of the application to IPART for a Special Rate Variation.

As a result of our community meetings and feedback from Reference Panel meetings, the Councillors and staff, Council is now considering the preferred tapered scenario in relation to the SRV as follows:

- Year 1 & 2 = 15% (2.5% rate cap plus 12.5% SRV)
- Years 3, 4 & 5 = 10% (2.5% rate cap plus 7.5% SRV)
- Years 6 & 7 = 6% (2.5% rate cap plus 3.5% SRV).

The cumulative increase in rates is 97.8% over 7 years, including the cumulative increase of 18.9% from the rate peg increase.

In developing the SRV proposal the Community Reference Panel, Councillors and staff also considered the Office of Local Government Guidelines for the preparation of an application for a SRV to general income and the need to address the five criteria that allows IPART to undertake the assessment. These criteria are:

- The need for and purpose of a SRV is clearly articulated and identified in Councils Integrated Planning & Reporting documents.
- Evidence that the Community is aware of the need for and extent of a rate rise.
- The Impact on affected ratepayers must be reasonable.
- The relevant IP&R documents must be exhibited approved and adopted by Council.
- The IP&R documents or Councils application must explain the productivity improvements.

The following table illustrates the impact of the proposed rate increase on the average land value for each rating category and sub-category. This represents a 97.8% cumulative increase over seven years inclusive of the cumulative increase of 18.9% from the rate peg on the total average rate.

| Rates Category | Projected Estimate of Average Rate Amounts | | | | | | | | | Cumulative Increase |
|---|--|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------------|
| | Average Land Value | Base Year Total | Year 1 2019-20 | Year 2 2020-21 | Year 3 2021-22 | Year 4 2022-23 | Year 5 2023-24 | Year 6 2024-25 | Year 7 2025-26 | |
| Residential | \$275,000 | \$1,075 | \$1,102 | \$1,129 | \$1,157 | \$1,186 | \$1,216 | \$1,246 | \$1,277 | 18.87% |
| Annual Increase (%) | | | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | |
| Residential Ordinary Rate | \$275,000 | \$1,075 | \$1,236 | \$1,421 | \$1,563 | \$1,720 | \$1,892 | \$2,005 | \$2,125 | 97.78% |
| Annual Increase (%) | | | 15% | 15% | 10% | 10% | 10% | 6% | 6% | |
| Cumulative Impact of SV above Base Year level | | | \$161 | \$347 | \$489 | \$645 | \$817 | \$930 | \$1,051 | |
| Residential Dunggog | \$104,000 | \$726 | \$744 | \$762 | \$782 | \$801 | \$821 | \$842 | \$863 | 18.87% |
| Annual Increase (%) | | | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | |
| Residential Ordinary Rate | \$104,000 | \$726 | \$835 | \$960 | \$1,056 | \$1,161 | \$1,277 | \$1,354 | \$1,435 | 97.78% |
| Annual Increase (%) | | | 15% | 15% | 10% | 10% | 10% | 6% | 6% | |
| Cumulative Impact of SV above Base Year level | | | \$109 | \$234 | \$330 | \$436 | \$552 | \$628 | \$710 | |

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| Residential Clarence Town | \$125,000 | \$707 | \$724 | \$743 | \$761 | \$780 | \$800 | \$820 | \$840 | 18.87% |
| Annual Increase (%) | | | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | |
| Residential Ordinary Rate | \$125,000 | \$707 | \$813 | \$935 | \$1,028 | \$1,131 | \$1,244 | \$1,319 | \$1,398 | 97.78% |
| Annual Increase (%) | | | 15% | 15% | 10% | 10% | 10% | 6% | 6% | |
| Cumulative Impact of SV above Base Year level | | | \$106 | \$228 | \$321 | \$424 | \$537 | \$612 | \$691 | |
| Residential Villiage | \$125,000 | \$595 | \$610 | \$626 | \$641 | \$657 | \$674 | \$690 | \$708 | 18.87% |
| Annual Increase (%) | | | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | |
| Residential Ordinary Rate | \$125,000 | \$595 | \$685 | \$787 | \$866 | \$953 | \$1,048 | \$1,111 | \$1,178 | 97.78% |
| Annual Increase (%) | | | 15% | 15% | 10% | 10% | 10% | 6% | 6% | |
| Cumulative Impact of SV above Base Year level | | | \$89 | \$192 | \$271 | \$357 | \$453 | \$516 | \$582 | |
| Business | \$114,000 | \$956 | \$980 | \$1,004 | \$1,029 | \$1,055 | \$1,081 | \$1,108 | \$1,136 | 18.87% |
| Annual Increase (%) | | | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | |
| Residential Ordinary Rate | \$114,000 | \$956 | \$1,099 | \$1,264 | \$1,390 | \$1,529 | \$1,682 | \$1,783 | \$1,890 | 97.78% |
| Annual Increase (%) | | | 15% | 15% | 10% | 10% | 10% | 6% | 6% | |
| Cumulative Impact of SV above Base Year level | | | \$143 | \$308 | \$435 | \$574 | \$727 | \$828 | \$935 | |
| Business Clarence Town | \$95,000 | \$790 | \$810 | \$830 | \$851 | \$872 | \$894 | \$917 | \$940 | 18.87% |
| Annual Increase (%) | | | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | |
| Residential Ordinary Rate | \$95,000 | \$790 | \$909 | \$1,045 | \$1,150 | \$1,265 | \$1,391 | \$1,475 | \$1,563 | 97.78% |
| Annual Increase (%) | | | 15% | 15% | 10% | 10% | 10% | 6% | 6% | |
| Cumulative Impact of SV above Base Year level | | | \$119 | \$255 | \$359 | \$474 | \$601 | \$684 | \$773 | |
| Business Dungog | \$109,000 | \$932 | \$955 | \$979 | \$1,004 | \$1,029 | \$1,054 | \$1,081 | \$1,108 | 18.87% |
| Annual Increase (%) | | | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | |
| Residential Ordinary Rate | \$109,000 | \$932 | \$1,072 | \$1,233 | \$1,356 | \$1,491 | \$1,641 | \$1,739 | \$1,843 | 97.78% |
| Annual Increase (%) | | | 15% | 15% | 10% | 10% | 10% | 6% | 6% | |
| Cumulative Impact of SV above Base Year level | | | \$140 | \$301 | \$424 | \$559 | \$709 | \$807 | \$911 | |
| Business Villiage | \$109,000 | \$717 | \$735 | \$753 | \$772 | \$791 | \$811 | \$831 | \$852 | 18.87% |
| Annual Increase (%) | | | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | |
| Residential Ordinary Rate | \$109,000 | \$717 | \$824 | \$948 | \$1,043 | \$1,147 | \$1,262 | \$1,337 | \$1,417 | 97.78% |
| Annual Increase (%) | | | 15% | 15% | 10% | 10% | 10% | 6% | 6% | |
| Cumulative Impact of SV above Base Year level | | | \$108 | \$231 | \$326 | \$430 | \$545 | \$621 | \$701 | |
| Farmland | \$600,000 | \$2,236 | \$2,292 | \$2,349 | \$2,408 | \$2,468 | \$2,530 | \$2,593 | \$2,658 | 18.87% |
| Annual Increase (%) | | | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | |
| Residential Ordinary Rate | \$600,000 | \$2,236 | \$2,571 | \$2,957 | \$3,253 | \$3,578 | \$3,936 | \$4,172 | \$4,422 | 97.78% |
| Annual Increase (%) | | | 15% | 15% | 10% | 10% | 10% | 6% | 6% | |
| Cumulative Impact of SV above Base Year level | | | \$335 | \$721 | \$1,017 | \$1,342 | \$1,700 | \$1,936 | \$2,186 | |

In terms of affordability Dungog Shire Council's current average rate is the lowest of all its neighbouring Councils as illustrated in the following table. Compared with all Group 10 councils, Dungog Shire's average rate of \$1,098 is less than 82% of the average¹ and 46%

¹¹ Office of Local Government, 2016-17 Council comparative time series data, Dungog Shire Council information compared with neighbouring Councils <http://olg.nsw.gov.au/public/my-local-council/yourcouncil-website>

of the highest council's average rate. Compared with Group 10 councils, Dungog has a higher residential rate than average; however it is less than half of the highest council's average residential rate. (Office of Local Government 2016-17, Council comparative time series data)

Table 1 Average rate comparison¹

| Rating category | Dungog | Port Stephens | Upper Hunter | Singleton | Maitland | Mid-Coast ² |
|------------------------|---------|---------------|--------------|-----------|----------|------------------------|
| Residential | \$831 | \$969 | \$739 | \$829 | \$1,224 | \$1,128 |
| Business | \$880 | \$4,047 | \$898 | \$6,713 | \$6,552 | \$2,794 |
| Farmland | \$2,132 | \$1,703 | \$3,414 | \$1,990 | \$3,056 | \$1,846 |
| All assessments | \$1,098 | \$1,145 | \$1,331 | \$1,568 | \$1,585 | \$1,922 |

Another consideration for Council is the ratepayers capacity to pay. Income, and in particular the collective effect of household income, is a major factor when considering wealth and is a strong comparative tool to assess Dungog Shire's capacity to pay for a SRV. The table below shows the median household income for each Group 10 council, and to assist with comparability, past successful SRV applicants have been highlighted in blue and Dungog Shire has been highlighted in green. This table shows that Dungog Shire has the 4th highest weekly household income amongst all Group 10 councils.

Table 6 Group 10 Councils Weekly Household Income

| Councils | Median Household Income (\$/week) |
|-------------------------------|-----------------------------------|
| Cobar | \$ 1,495.00 |
| Oberon | \$ 1,239.00 |
| Blayney | \$ 1,227.00 |
| Dungog Shire | \$ 1,226.00 |
| Upper Lachlan | \$ 1,161.00 |
| Junee | \$ 1,139.00 |
| Bland | \$ 1,100.00 |
| Edward River | \$ 1,080.00 |
| Narromine | \$ 1,078.00 |
| Forbes | \$ 1,069.00 |
| Uralla | \$ 1,058.00 |
| Wentworth | \$ 1,052.00 |
| Lachlan | \$ 1,034.00 |
| Temora | \$ 1,033.00 |
| Liverpool Plains | \$ 1,032.00 |
| Narrandera | \$ 1,030.00 |
| Berrigan | \$ 967.00 |
| Gwydir | \$ 910.00 |
| Warrumbungle | \$ 878.00 |
| Glen Innes Severn | \$ 838.00 |
| Kyogle | \$ 832.00 |
| Walgett | \$ 806.00 |
| Tenterfield | \$ 767.00 |
| Average | \$ 1,045.70 |
| Successful SRV Average | \$ 991.09 |

The Socio-Economic Index for Areas (SEIFA) is also an economic tool developed by the ABS to rank areas in Australia according to their relative socio-economic advantage and disadvantage. The primary variables used in determining the index include; income, education, employment, occupation, housing and other miscellaneous factors. It serves as a strong comparative tool to determine the Dungog Shire community's relative wealth and capacity to pay. Dungog Shire ranks 2nd amongst group 10 councils and 87th in the state, the ABS SEIFA rankings show that similar to the results of the household income Dungog Shire, relative to the other Group 10 Councils and neighbouring Hunter Councils, has greater levels of wealth and socio-economic advantage within the community and as such has a greater capacity to pay for an increase in rates.

The table below shows Socio-economic indicators for the Hunter Region taken from the Office of Local Government 2016-17 Council comparative time series data.

Socio-economic indicators for the Hunter Region

| | Dungog | Port Stephens | Upper Hunter | Singleton | Maitland | Mid-Coast ⁱ |
|---|----------|---------------|--------------|-----------|----------|------------------------|
| Socio-economic index rating 2016 | 83 | 70 | 67 | 85 | 75 | 20 |
| Unemployment rate | 3.1% | 4.3% | 2.8% | 3.4% | 4.0% | 5.4% |
| % Pensioner residential rate | 22.1% | 18.9% | 22% | 11.9% | 17.1% | Not reported |
| Average Taxable Income (2015) | \$53,793 | \$52,253 | \$56,449 | \$72,888 | \$59,167 | \$43,370 |

Another key determinate of capacity and willingness to pay is the level of outstanding rates and charges. Council's outstanding rates and charges ratio has remained below the accepted 10% benchmark for rural councils for over 10 years. It has slightly increased in the last two years due to Councils inability to fill the vacant rates position, this role has now been filled. This is coupled with Councils Hardship Policy and provisions in debt collection which aim to provide options for ratepayers experiencing genuine financial hardship and provides an indication of the ratepayer's capacity to pay.

Further information relating to the Special Rate Variation can be found in Council's Long Term Financial Plan, independent Assessment of Capacity to Pay report, Resourcing Strategy and on council's website.

If Council resolves to proceed with an SRV the required application would be lodged in February 2019, which, if approved by IPART would come into effect from July 2019.

SUMMARY

Dungog Shire Council's latest Four Year Delivery Plan clearly outlines projects and activities to be implemented by Council in accordance with strategies established by the Community Strategic Plan 2030. Supporting this Delivery Plan is the Resourcing Strategy and annual Operational Plan 2018-2019 which provides details, including the resourcing strategy (time, money, assets and people) on individual projects and activities to be undertaken in the 2018/2019 financial year.

The Delivery Plan 2018-2022 provides guidance on how Council will work to improve the amenity of residents, manage the challenges of our region, provide support to vulnerable community members, protect and enhance Dungog's unique heritage and culture.

The job of Council is to look at the big picture, to consider the views of the whole community and to make well informed, fair decisions. Now, more than ever, Dungog Shire Council is expected to provide strong leadership in challenging times. Through the Delivery Plan 2018-2022 Council seeks to advocate for social justice, support our key towns centres and help our communities live healthy lifestyles while enjoying cultural, recreation and open space opportunities.