

**SECURING OUR FUTURE**  
**Dungog Shire Council**  
**Special Rate Variation Proposal**



Information  
Package



## DUNOGG SHIRE AT A GLANCE



8,975 PEOPLE RESIDE IN THE DUNOGG SHIRE  
 4,496 MEN  
 4,479 WOMEN  
 2,218 PEOPLE AGED BETWEEN 0-19 YRS  
 1,796 PEOPLE AGED OVER 65 YRS  
 MEDIAN AGE 45 YEARS



25% OF PEOPLE IN THE DUNOGG SHIRE VOLUNTEER



200,000 VISITORS CAME TO THE DUNOGG SHIRE IN 2016



93% OF PEOPLE IN THE DUNOGG SHIRE TRAVEL TO WORK VIA PRIVATE VEHICLE



86.7% OF THE DUNOGG SHIRE WERE BORN IN AUSTRALIA  
 13.3% OF THE DUNOGG SHIRE WERE BORN OVERSEAS  
 92% OF THE DUNOGG SHIRE SPEAK ENGLISH ONLY  
 454 (5%) PEOPLE IN THE DUNOGG SHIRE IDENTIFY AS ABORIGINAL/TORRES STRAIT ISLANDER

40% OF COUPLES IN THE DUNOGG SHIRE HAVE CHILDREN  
 44% OF COUPLES HAVE NO CHILDREN  
 14 % ARE ONE PARENT FAMILIES



12 % OF PEOPLE IN DUNOGG SHIRE HAVE A BACHELOR DEGREE  
 26% OF PEOPLE COMPLETED YEAR 12

AGRICULTURE, FORESTRY & FISHING INDUSTRY IS DUNOGG SHIRE'S TOP INDUSTRY OF EMPLOYMENT WITH AN ANNUAL OUTPUT OF \$105M



6% OF PEOPLE (490) IN DUNOGG HAVE A DISABILITY



72% PEOPLE IN DUNOGG SHIRE IDENTIFY AS HAVING A CHRISTIAN FAITH



MEDIAN TOTAL PERSON INCOME IS \$578 P/W  
 MEDIAN TOTAL FAMILY INCOME \$1,474 P/W  
 UNEMPLOYMENT RATE IS 5.5%



43% OF PEOPLE IN DUNOGG SHIRE OWN THEIR OWN HOMES  
 38 % PEOPLE HAVE A MORTGAGE  
 18% PEOPLE RENT—MEDIAN RENT IS \$245 P/W  
 96% OF HOUSING STOCK ARE SEPARATE HOUSES



77% OF PEOPLE HAVE ACCESS TO THE INTERNET FROM THEIR DWELLING

# DUNGOG SHIRE COUNCIL

## SECURING OUR FUTURE

### Special Rate Variation Proposal 2018/2019

#### A message from Council's Mayor and General Manager

As a community it is important for us to discuss the long term financial sustainability of Dungog Shire Council in response to the NSW Government's Fit for the Future (FFF) reform package. Part of this conversation needs to focus on the potential for a Special Rate Variation (SRV).

We acknowledge that a SRV is never popular and there are few people who would say they want to pay more in rates. However, it is important to understand why a SRV is being considered and what it could achieve for the Dungog Shire.

As part of the reform agenda all NSW councils are required to meet or be working towards achieving the seven indicators that measure financial sustainability.

Dungog Shire Council was identified as "not fit" under the Independent Local Government Review Panels (ILGRP) process and as a result has now been invited to lodge a Reassessment Proposal addressing how Council intends to meet the seven key performance measures. Council is responding to this task by reviewing and implementing an Improvement Proposal. There are a number of reasons why we have a funding shortfall, dating back to the introduction of the state government's rate pegging policy in the early 1970's and rate relief that was provided by Dungog Shire Council in the 1980's.

While the cost of delivering services to our community has increased significantly, the rate peg (estimated at 2.5%) has capped Council's ability to raise enough revenue in line with increasing expenses. Some of these costs have come about as a normal part of running a business, such as electricity and insurance increases and maintenance and equipment costs. However, some of these are a result of the state government shifting responsibility for particular services onto local government,

such as the Swimming Pool Register and inspection program and the historical transfer of roads considered to be of "secondary importance" to local councils. Further, the age and condition of some Council's assets, such as our timber bridges, is also problematic and is resulting in considerable annual maintenance costs for Council.

We are restricted as to how we can raise revenue to operate and with rising costs, and with limited state and federal funding, significant pressure is now being placed on our bottom line.

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 agenda. Council is working on productivity improvements and cost containment strategies. Examples of this work include sharing services with neighbouring councils (eg: our library service is provided in partnership with Newcastle City Council), a reduction in Council staff numbers (reduction of 3.6 staff over 3 years), a review of non-performing assets for disposal, seeking external grants to assist with service provision (eg: \$3.8M in grant funding for our bridges), implementing new processes to re-use road material to reduce the importation of quarry materials, and improved procurement approaches (eg: tendering in conjunction with neighbouring councils to achieve better cost outcomes for electricity provision)

In February 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).

A SRV over 7 years as outlined above would result in the following outcomes being delivered to the community by Dungog Council:-

- Regional Roads – 65% of required renewals or rehabilitation every 47 years.
- Local Sealed Roads – 60% of required renewals or rehab every 51 years.
- Road Maintenance – 40% increase in service levels for sealed and unsealed roads.
- Timber Bridges – Renewal program funded.
- Buildings – 80% of required funding and some capacity to fund upgrade requirements.
- Urban Stormwater – 45% of required renewals.
- Parks & Reserves – 65% of required renewals and maintained service levels and minor loss of amenity.

**Tracy Norman**  
Mayor

**Coralie Nichols**  
General Manager

# What are the challenges we face?

- ⇒ Small population base with large road network greater than 720km.
- ⇒ Inequities in FAG and Block Grant allocations for smaller councils
- ⇒ Many grants required \$ for \$ matched funding
- ⇒ Disadvantaged in many road grants because they are based on traffic volumes and population, struggle to compete with larger councils.
- ⇒ No State Roads
- ⇒ Ageing Timber bridge network not designed to withstand modern heavy vehicle loadings.
- ⇒ Currently unable to fund depreciation
- ⇒ We currently don't meet the Office of Local Government financial and asset management

## Performance Against the Fit for the Future Benchmarks

Government Indicator	Definition	Benchmark to meet	Now	2026
<b>Sustainability</b>				
Operating Performance Ratio	Total continuing operating revenue (exc. Capital grants and contributions) less operating expenses	Greater than or equal to break-even-average over 3 years		
	Total continuing operating revenue (exc. Capital grants and contributions)			
Own Source Revenue Ratio	Total continuing operating revenue less all grants and contributions	Greater than 60% - average over 3 years		
	Total continuing operating revenue inclusive of capital grants and contributions			
Building and Asset Renewal Ratio	Asset renewals (building and infrastructure)	Greater than 100% - average over 3 years.		
	Depreciation, amortisation and impairment (building and infrastructure)			
<b>Infrastructure and Service Management</b>				
Infrastructure Backlog Ratio	Estimated cost to bring assets to a satisfactory condition	Less than 2%		
	Total (WDV) of infrastructure, buildings, other structures and depreciable land improvement assets			
Asset Maintenance Ratio	Actual asset maintenance	Greater than 100% - average over 3 years		
	Required asset maintenance			
Debt Service Ratio	Cost of debt service (interest expense & principal payments)	Greater than 0% and less than or equal to 20% - average over		
	Total continuing operating revenue (exc. Capital grants & contributions)			
<b>Efficiency</b>				
Real Operating Expenditure	Operating Expenditure	A decrease in Real Operating Expenditure per capita over time		
	Population			



= Does not meet indicator



= Meets indicator



= Trending to meet indicator

# What have we done to be more efficient?

The consideration of a special rate variation is only one of a number of options Council is considering in order to improve our overall financial performance and better manage and maintain infrastructure. These are some of the initiatives Council has or is undertaking to become more efficient:

- ✓ Human resourcing savings (Councillors only accept the minimum State Government mandated remuneration allowance, reductions in the Council workforce, saving in workers compensation & staff learning/development)
- ✓ Undertake a review of assets with a view to rationalisation.
- ✓ Energy Efficiency Initiatives (Solar and other green initiatives, etc)
- ✓ Transitioning from paper to electronic communication channels
- ✓ Successfully sourcing additional grant revenue
- ✓ Sharing services with other Hunter Councils in areas such as weed management, records storage, legal services, regional procurement, environmental services, etc.
- ✓ Completion of new Section 94 Plan
- ✓ Extended the life of our landfill by increasing recycling and diversion rates.
- ✓ Service review to be undertaken.
- ✓ Implementing best practice maintenance management system for infrastructure maintenance.
- ✓ Completion of the Rural Land Use Strategy
- ✓ Investigations are underway in relation to potential strategic alliance options with other Hunter Councils.
- ✓ Annual review of Fees and Charges
- ✓ Savings from contract negotiations (Waste Management, print services, regional procurement etc)
- ✓ Asset Management Plans have been developed to identify future needs.
- ✓ Council has the second lowest workforce numbers of any Group 10 Council and the lowest Population/Equivalent Full Time Staff numbers of any Group 10 Council.



# What's the difference between general rates and other rates?

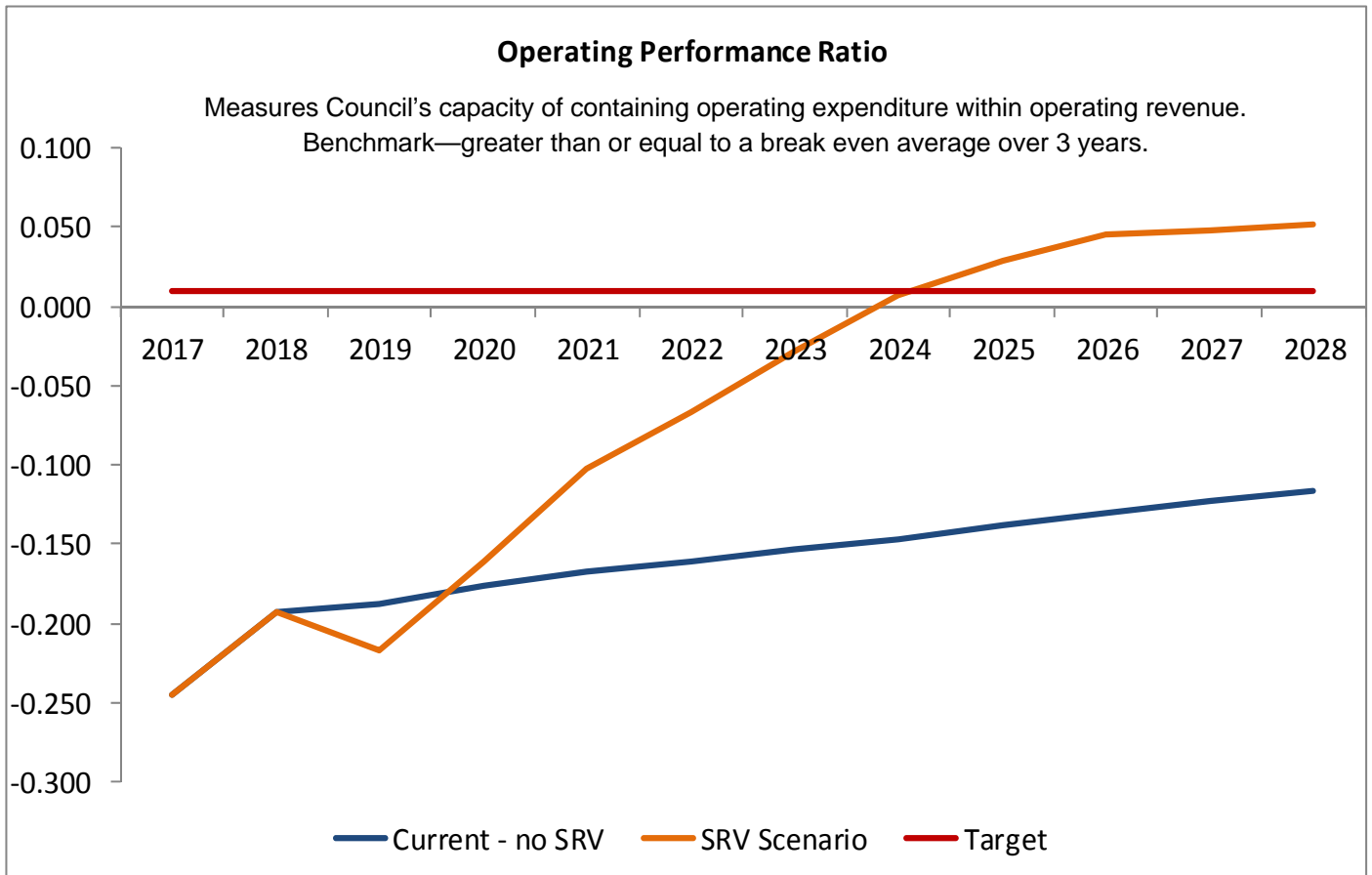
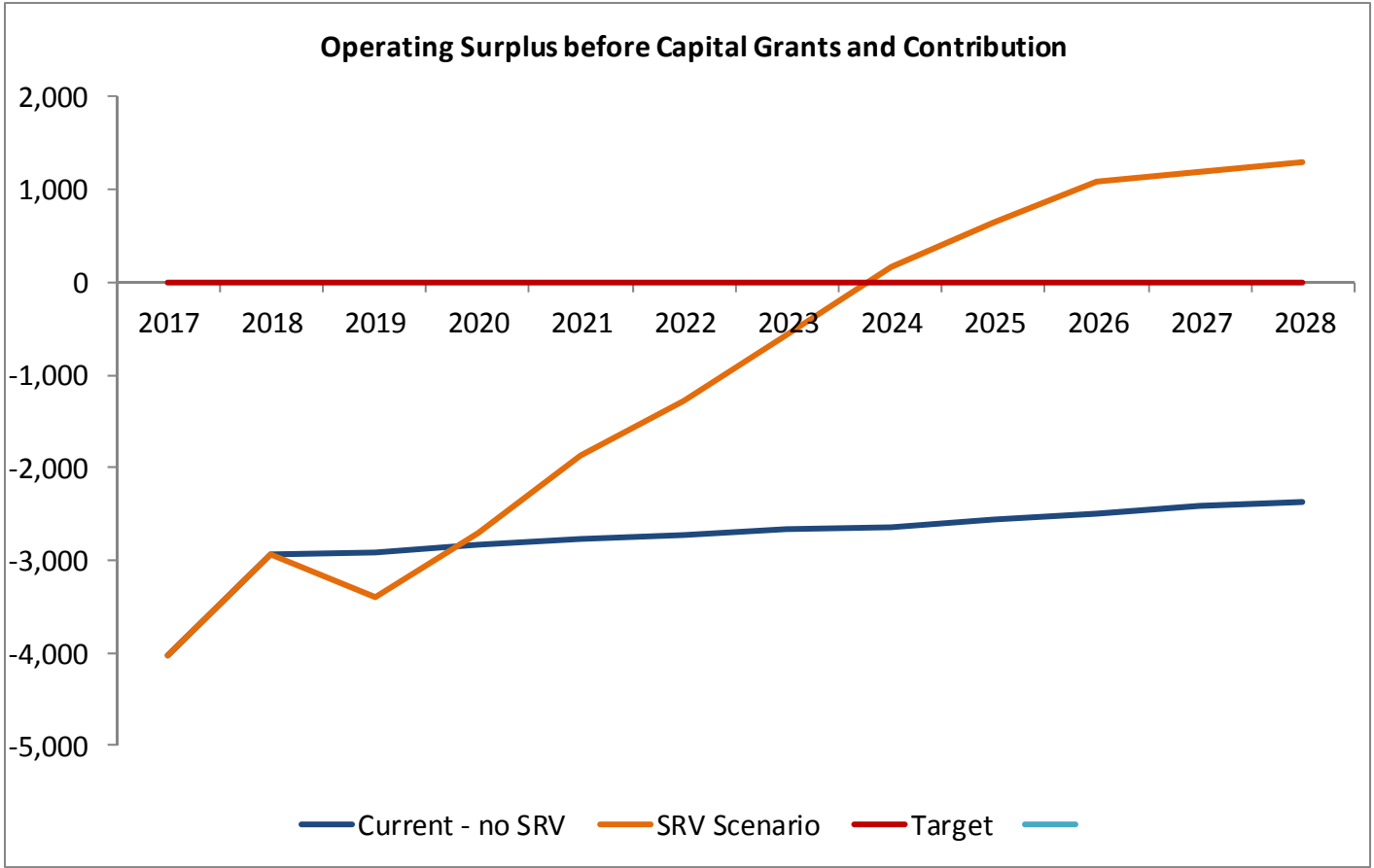
Council's main source of income is from rates levied on rateable land in the local government area. Council rates are a local tax levied on the land value of rateable properties, as assessed by the Valuer General.

The proposed Special Rate Variation would be applied to the general rates component of Council's Rates income only and does not include annual fixed charges for services such as stormwater, waste services and government levies.

## What impact would a SRV have on me?

Projection Total Rates (including 2.5% rate pegging)									
	Increase in General Rate component	15%		15%		10%		6%	
		Land Value	Current	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Residential — Ordinary Rate	\$100,000	\$1,007	\$1,098	\$1,202	\$1,282	\$1,370	\$1,466	\$1,530	\$1,598
	\$200,000	\$1,279	\$1,410	\$1,562	\$1,677	\$1,805	\$1,945	\$2,037	\$2,136
Residential—Dungog	\$100,000	\$1,126	\$1,234	\$1,359	\$1,455	\$1,560	\$1,676	\$1,752	\$1,833
	\$200,000	\$1,861	\$2,080	\$2,080	\$2,248	\$2,432	\$2,635	\$2,769	\$2,911
Residential—Clarence Town	\$100,000	\$1,043	\$1,139	\$1,249	\$1,334	\$1,427	\$1,530	\$1,597	\$1,669
	\$200,000	\$1,399	\$1,548	\$1,720	\$1,852	\$1,997	\$2,156	\$2,261	\$2,373
Residential—Village	\$100,000	\$956	\$1,039	\$1,134	\$1,207	\$1,288	\$1,376	\$1,435	\$1,497
	\$200,000	\$1,224	\$1,347	\$1,489	\$1,597	\$1,717	\$1,848	\$1,935	\$2,027
Business—Rural	\$100,000	\$1,288	\$1,421	\$1,573	\$1,690	\$1,819	\$1,961	\$2,054	\$2,153
	\$200,000	\$1,724	\$1,922	\$2,150	\$2,325	\$2,517	\$2,728	\$2,868	\$3,016
Business—Clarence Town	\$100,000	\$1,232	\$1,356	\$1,499	\$1,609	\$1,730	\$1,862	\$1,950	\$2,043
	\$200,000	\$1,656	\$1,844	\$2,060	\$2,226	\$2,408	\$2,609	\$2,741	\$2,881
Business—Dungog	\$100,000	\$1,305	\$1,440	\$1,596	\$1,715	\$1,846	\$1,991	\$2,086	\$2,187
	\$200,000	\$1,809	\$2,020	\$2,262	\$2,448	\$2,653	\$2,878	\$3,026	\$3,184
Business—Village	\$100,000	\$1,108	\$1,214	\$1,335	\$1,429	\$1,531	\$1,644	\$1,718	\$1,797
	\$200,000	\$1,458	\$1,616	\$1,798	\$1,938	\$2,091	\$2,260	\$2,371	\$2,490
Farmland	\$500,000	\$2,333	\$2,623	\$2,955	\$3,211	\$3,491	\$3,800	\$4,004	\$4,220
	\$1,000,000	\$3,938	\$4,468	\$5,078	\$5,546	\$6,060	\$6,625	\$6,999	\$7,395

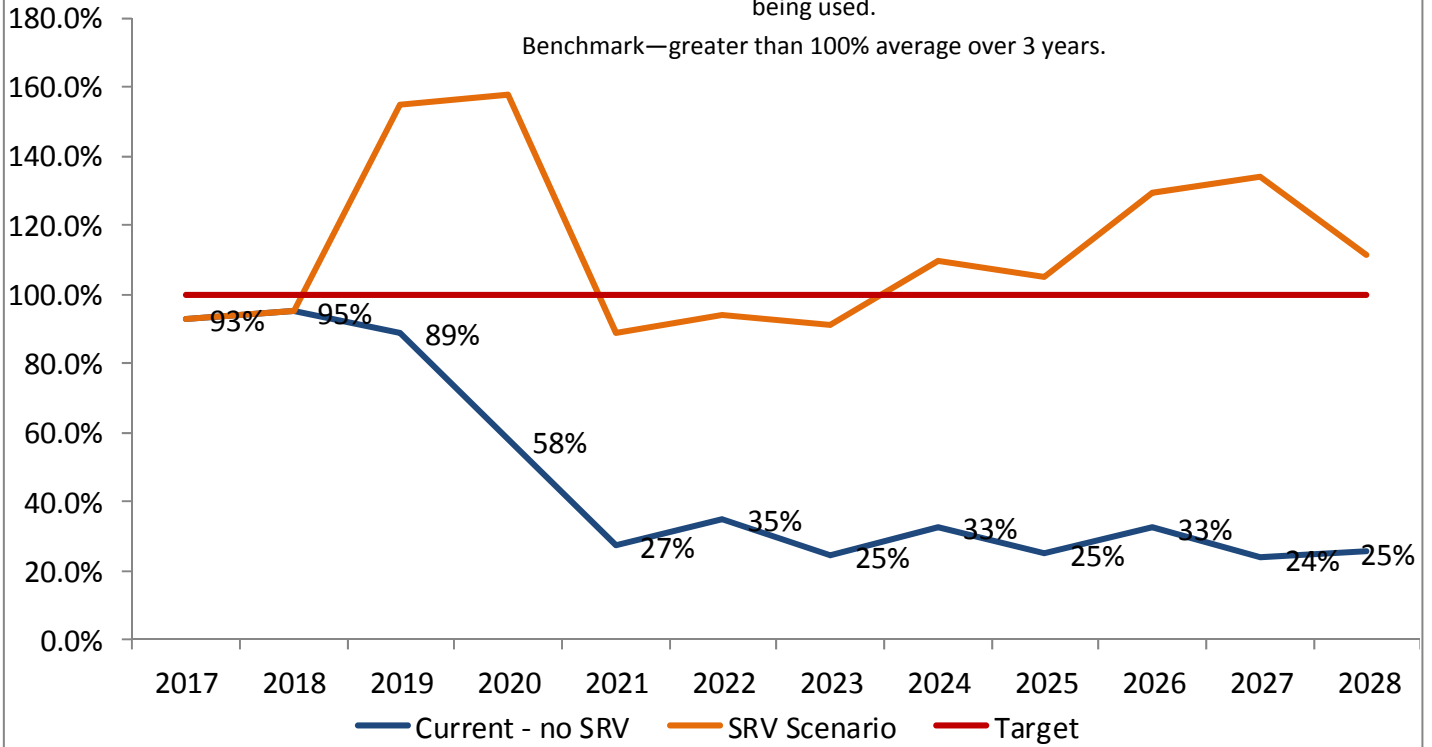
# How would a SRV help us meet the Fit for the Future indicators?



### Building and Infrastructure asset renewal ratio

Shows the rate at which assets are being renewed relative to the rate at which they are depreciating, or being used.

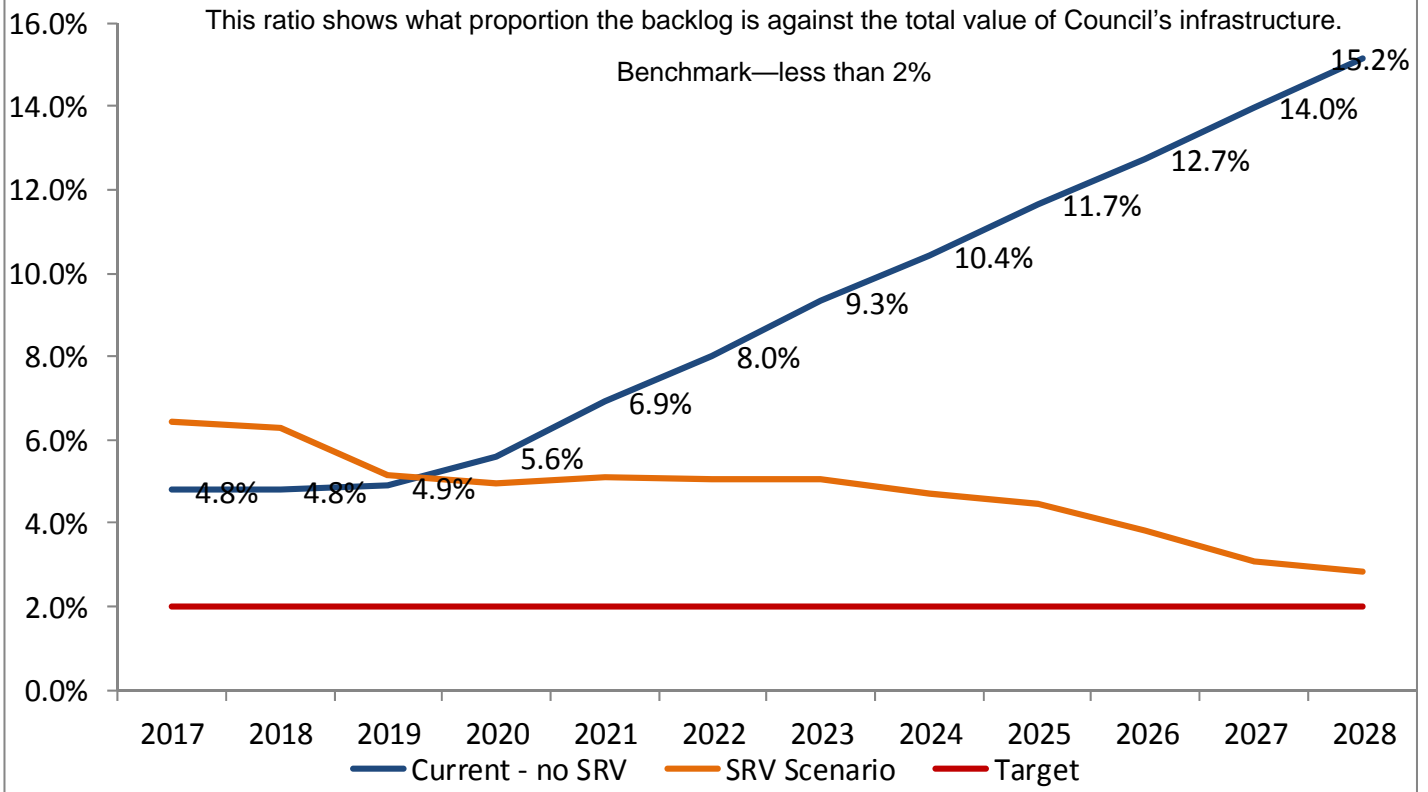
Benchmark—greater than 100% average over 3 years.



### Building and Infrastructure backlog ratio

This ratio shows what proportion the backlog is against the total value of Council's infrastructure.

Benchmark—less than 2%





# How would a SRV help us meet our infrastructure obligations?

Scenario without SRV	Target	Possible scenario with proposed SRV
<b>Regional Roads</b>		
◇ Rehabilitation every 111 years	◇ Rehabilitation every 30 years	◇ Rehabilitation every 47 years
<b>Local Sealed Roads</b>		
◇ Rehabilitation every 115 years	◇ Rehabilitation every 30 years	◇ Rehabilitation every 51 years
<b>Timber Bridges</b>		
◇ 50 year replacement program reliant on grants	◇ Renewal program funded	◇ Renewal program funded
<b>Buildings</b>		
◇ 63% of required funding and reliant on grant funding for upgrades	◇ 100% of required funding to maintain and upgrade requirements also funded	◇ 80% of required funding and some capacity to fund upgrade requirements
<b>Urban Stormwater</b>		
◇ 19% of required renewals and infrastructure failure	◇ 100% of required funding to maintain and upgrade requirements also funded	◇ 45% of required renewals but no funding for upgrades
<b>Parks and Reserves</b>		
◇ 50% of required renewals and loss of service and amenity	◇ 100% of required funding to maintain and upgrade requirements also funded	◇ 65% of required renewals and maintained service levels and minor loss of amenity

## What is the difference between Maintenance and Capital Rehabilitation/Reconstruction?

### **Maintenance**

Expenditure on an asset which maintains the asset in use but does not increase its service potential or life, e.g. repairing a pothole in a road, repairing the decking on a timber bridge, repairing a single pipe in a drainage network, repair work to prevent early failure of an asset.

### **Capital Rehabilitation or Reconstruction**

Expenditure on renewing an existing asset or a portion of an infrastructure network which returns the service potential or the life of the asset up to which it had originally, e.g. rebuilding a section of road, road pavement stabilisation, renewing a section of a drainage system, major works to the structure of a bridge, etc.