



Independent Pricing and Regulatory Tribunal

## **Special Variation Application Form – Part B**

### **Gunnedah Shire Council**

Date Submitted to IPART: 7 March 2013

Council Contact Person: Eric Groth

Council Contact Phone: 02 6740 2116

Council Contact Email: [ericgroth@infogunnedah.com.au](mailto:ericgroth@infogunnedah.com.au)

© Independent Pricing and Regulatory Tribunal of New South Wales 2012

This work is copyright. The *Copyright Act 1968* permits fair dealing for study, research, news reporting, criticism and review. Selected passages, tables or diagrams may be reproduced for such purposes provided acknowledgement of the source is included.

The Tribunal members for this special variation assessment are:

Dr Peter J Boxall AO, Chairman

Mr James Cox PSM, Chief Executive Officer and Full Time Member

Mr Simon Draper, Part Time Member

Inquiries regarding this document should be directed to a staff member:

Tony Camenzuli (02) 9113 7706

Heather Dear (02) 9290 8481

Independent Pricing and Regulatory Tribunal of New South Wales

PO Box Q290, QVB Post Office NSW 1230

Level 8, 1 Market Street, Sydney NSW 2000

T (02) 9290 8400 F (02) 9290 2061

[www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au)

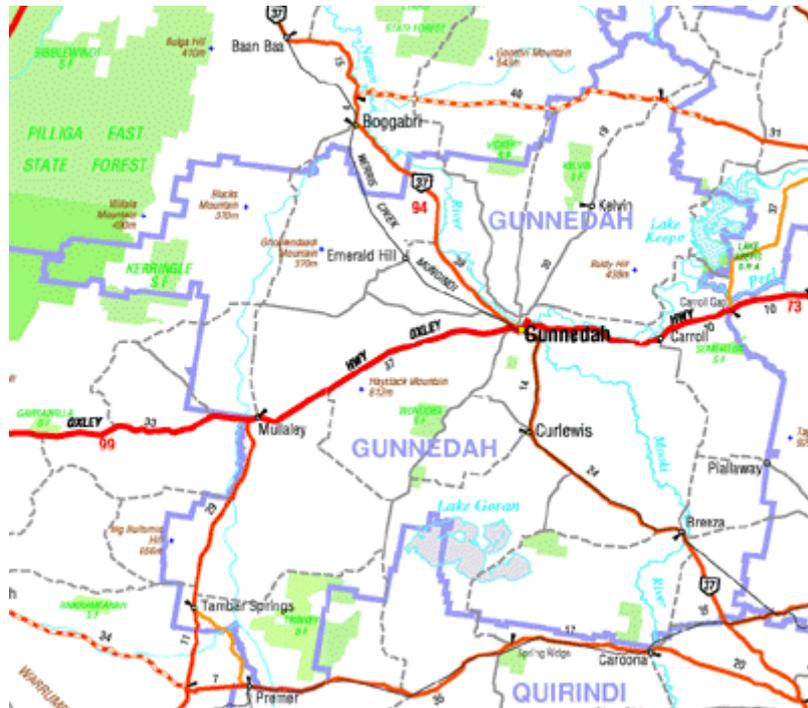
# Contents

|           |  |           |
|-----------|--|-----------|
| <b>1</b>  | <b>Introduction</b>  | <b>4</b>  |
| <b>2</b>  | <b>Focus on Integrated Planning and Reporting (IP&amp;R)</b>                       | <b>6</b>  |
| 2.1       | Summary of relevant IP&R documentation   | 6         |
| <b>3</b>  | <b>Criterion 1: Need for the variation</b>   | <b>8</b>  |
| 3.1       | Variations for capital expenditure   | 8         |
| 3.2       | Strategic planning information   | 8         |
| 3.3       | Financial planning information   | 12        |
| <b>4.</b> | <b>Criterion 2: Community engagement</b>   | <b>40</b> |
| 4.1       | The consultation strategy  | 40        |
| 4.2       | Outcomes from community consultations  | 49        |
| <b>5</b>  | <b>Criterion 3: Rating structure and the impact on ratepayers</b>                  | <b>58</b> |
| 5.1       | Proposed rating structure  | 58        |
| 5.2       | Impact on rates  | 58        |
| 5.3       | Community’s capacity to pay proposed rate increases                                | 63        |
| 5.4       | Addressing hardship  | 65        |
| <b>6</b>  | <b>Criterion 4: Delivery Program and Long Term Financial Plan assumptions</b>      | <b>66</b> |
| 6.1       | Delivery Program assumptions   | 66        |
| 6.2       | Long Term Financial Plan assumptions   | 68        |
| <b>7</b>  | <b>Criterion 5: Productivity improvements and cost containment strategies</b>      | <b>72</b> |
| <b>8</b>  | <b>Other information</b>   | <b>79</b> |
| 8.1       | Previous Instruments of Approval for expiring special variations                   | 79        |
| 8.2       | Reporting  | 79        |
| 8.3       | Council resolution   | 79        |
| <b>9</b>  | <b>Checklist of application contents</b>   | <b>80</b> |
| <b>10</b> | <b>Certification by the General Manager and the Responsible Accounting Officer</b> | <b>81</b> |

# 1 Introduction

Gunnedah Shire is a local government area in the North West Slopes region of New South Wales, Australia. The township of Gunnedah is 440 kilometres from Sydney and is located adjacent to the Liverpool Plains in the Namoi River valley and is traversed by the Oxley Highway and the Kamilaroi Highway. The Namoi Valley is considered to be one of Australia's richest pockets of agricultural land and Gunnedah Shire is also located on one of Australia's wealthiest mineral seams.

Gunnedah is a major rural centre and boasts not only a wonderful country lifestyle but a full range of city conveniences. As of 2011 the population was 12,066. The Shire includes the towns of Gunnedah, Curlewis, Breeza, Carroll, Mullaley, Emerald Hill, Tambar Springs and Kelvin.



The Mayor of Gunnedah Shire Council (GSC) is Councillor Owen Hasler, and the Deputy Mayor is Councillor Gae Swain. GSC is composed of nine Councillors elected proportionally as a single ward. All Councillors are elected for a fixed four year term of office. The Mayor is elected by the Councillors at the first meeting of the Council. The most recent election was held on 8 September 2012, and the makeup of the Council is as follows:

- Hans Allgayer
- Tim Duddy
- Colleen Fuller
- Gwen Griffen
- Owen Hasler (Mayor)
- David Quince
- Rebecca Ryan
- Steve Smith
- Gae Swain (Deputy Mayor)

The Council has by a clear majority resolved at its extraordinary meeting held Wednesday 6 March 2013 to apply for a continuing special rate variation SRV under Section 508(A) of the Local Government Act over a four (4) year term commencing 2013/14. The increases requested inclusive of rate pegging are 9.4% for 2013/14, 8.5% for 2014/15, 9.5% for 2015/16, and 7.5% for 2016/17. The only dissenting view

expressed at the meeting was by a Councillor who supported the increase but felt that the entire increase should be imposed on the mining rate category.

This decision is supported by the majority of the community. Just over 60% of people sampled in a deliberative poll conducted by IRIS Research indicated their support and preference for the rate increase, as opposed to a reduction in the level of services or community assets. Council and staff are comfortable that the community has been well informed and appropriately consulted on the SRV and that the increase proposed is accepted as reasonable, required and importantly, affordable.

Council's Hardship Policy, as referred to in this application and the Revenue Policy contained in the 2013/14 Operational Plan, provides the opportunity for relief from rates and charges to those who may find themselves in a position of genuine financial hardship.

## 2 Focus on Integrated Planning and Reporting (IP&R)

▼ Has the council completed its IP&R documents and relevant annual reviews of plans?

Yes  No

### 2.1 Summary of relevant IP&R documentation

GSC is fully compliant with the Integrated Planning and Reporting (IP&R) Framework and has developed a comprehensive set of plans in consultation with the community that reflect community ideals balanced with a realistic assessment of our financial position. In fact GSC's Community Strategic Plan (CSP) will be featured in IP&R guidance soon to be published by the Division of Local Government (DLG) as an example of best practice.

GSC commenced an examination of Shire assets in October 2010 and presented the data in the first Strategic Asset Management Plan 2012/13 – 2021/22 (SAMP) ultimately finalised by GSC in June 2012 (along with the Long Term Financial Plan (LTFP), the Workforce Plan (WP), the Delivery Program (DP) and the Operational Plan (OP) (referred to hereafter as the resourcing, delivery and operational plans) following a period of exhibition from 23 May 2012 until 21 June 2012. Concurrent to the work being completed on asset management, the development of the CSP began in early 2011 and was agreed to by GSC's elected officials on 21 March 2012. The resourcing, delivery and operational plans were developed with a mind to the ideals of the community as raised in the CSP which were developed following significant community consultation.

The resourcing, delivery and operational plans spelt out the asset management problem and presented the community and elected officials with a series of layered models to address the issue, which ranged from leaving income unchanged, to providing sustainability of current operations to providing new assets and additional services.

The set of plans adopted required an 'up front' increase of 20.4% revenue, or commensurate cuts to costs. This amount was based on the continual delivery of services and the renewal of existing assets, with minimal upgrades and new assets. The then Council did not however adopt a strategy to pursue the revenue or the cuts. That Council determined that it was an appropriate matter for the incoming Council to decide post their election in September 2012.

Upon formation of the new Council elected officials and senior staff looked immediately at the options before them, which were as follows:

1. Increase annual revenue by the full required amount;
2. Decrease annual expenditure by the full required amount;
3. Pursue a combination of cost reduction and an increase in annual revenue; or
4. Significantly cut expenditure on asset maintenance and renewal.

Having weighed up the options, elected officials, at their meeting of 21 November 2012, resolved to proceed with an application for a rate increase to the general rate component, excluding rate pegging, of 16% in year one, and a further 6% per year in the two subsequent years equating to 24% should it have been in a single year.

This was an extra 3.6% on top of the proposed 20.4% suggested earlier in the year in order to address a number of extra items of high need identified which had not been included previously.

On Friday 11 January 2013 elected officials made a decision to revise the percentage sought. The revised proposal saw a reduction in the cumulative percentage increase together with the increase being spread over four years instead of over a three year period. This change was based on the revision of asset management plans resulting in the deferral of some works, and the LTFP to reflect a revision of borrowings and the return to surplus over a four year period instead of during the first year.

On 30 January 2013 Council held an extraordinary meeting to endorse the reviewed CSP, and the resourcing plans. The DP and OP were placed on public exhibition for adoption prior to elected officials endorsing the submission to IPART.

The DP and OP incorporating the required funding levels outlined in this application were placed on exhibition from 31 January 2013 to 1 March 2013 and adopted by elected officials on 6 March 2013. When the final determination is received from IPART the resourcing plans will be amended to reflect the allowable increase if required. The basis for the application is sustainability of services and assets in line with the desires expressed by the Community in the formulation of the CSP and throughout the consultation period.

If GSC is not granted approval for a special rate variation the CSP will require review and modification with the community in the coming year to reassess the desires of the community in light of the limited income of GSC. This would involve the implementation of alternative options identified in the submission and the revisions of funding allocations. Given the brevity between IPART advising Council of its decision and the end of the financial year GSC will need to have adjusted any resultant amendments to the DP and OP if required. GSC would need to essentially implement an unsustainable set of plans until it had consulted with the community on service and/or asset reduction.

#### **Gunnedah Shire Council IP&R Process**

|    |                             |  |
|----|-----------------------------|--|
| 1  | 20 June 2010                | Community Engagement Strategy adopted by GSC   |
| 2  | 25 August 2010              | Asset Management Policy of GSC was adopted   |
| 3  | 1 October 2010              | Asset Management Working Group Created   |
| 4  | 21 February to 9 March 2011 | CSP Outcomes Paper Consultations (23)  |
| 5  | March 2011                  | Population Growth Projections  |
| 6  | 27 May 2011 – May 2012      | IPR Steering Group   |
| 7  | August – November 2011      | Ag Quip & General Rate CSP Survey  |
| 8  | 16 November 2011            | Asset Management Policy review   |
| 9  | December 2011               | Big Picture Photo Completion for CSP   |
| 10 | 20 to 23 February 2012      | CSP review Community Consultation Sessions (8)   |
| 11 | 21 March 2012               | CSP adopted  |
| 12 | 23 May 2012                 | Resourcing Strategy and DP and OP placed on public exhibition by GSC   |
| 13 | 28-31 May 2012              | Resourcing Strategy and DP and OP Community Consultation Sessions (8)  |
| 14 | 27 June 2012                | Resourcing Strategy and Delivery & Operational Plans adopted by GSC  |
| 15 | 11 December to 22 February  | Special rate variation community consultation meetings   |
| 16 | 30 January 2013             | CSP, Resourcing Strategy reviewed and adopted by GSC   |
| 17 | 30 January 2013             | DP & OP reviewed and placed on exhibition by GSC   |
| 18 | 1 March 2013                | Submissions on DP and OP close   |
| 19 | 6 March 2013                | Extra Ordinary meeting of GSC to adopt final Delivery and Operational Plans (including any alterations to Resourcing Strategy) prior to IPART Submission and endorse special rate variation application. |

|    |           |  |
|----|-----------|--|
| 20 | June 2013 | Determination of special rate variation application advice   |
| 21 | June 2013 | Extra Ordinary meeting of GSC to adopt final Delivery and Operational Plans (including any alterations to Resourcing Strategy) following IPART determination |

### 3 Criterion 1: Need for the variation

#### 3.1 Variations for capital expenditure

Does the purpose of the proposed special variation require the council to undertake a capital expenditure review in accordance with Council Circular 10-34?

Yes  No

If Yes, has a review been undertaken?

Yes  No

If Yes, has this been submitted to DLG?

Yes  No

GSC's special variation incorporates two projects (the swimming pool complex, and the Namoi playing fields) that require capital expenditure reviews in accordance with Council Circular 10-34. These have been submitted and are also at **Attachment A**.

#### 3.2 Strategic planning information

##### The Development of the CSP

The CSP was adopted by GSC on 21 March 2012. The plan was adopted independently of the resourcing, delivery and operational plans to ensure that GSC could consider its responsibilities outlined in the plan and identify ways to align existing or new services to meet the needs identified by the community. Whilst the CSP identifies actions to be taken in a variety of areas, the sustainability of assets and services was articulated in the plan and further explored in the community consultation around the DP and OP.

Specifically the CSP outlines the following outcomes and strategies to be achieved by the management of Gunnedah Shire assets:

##### 2.2 Our infrastructure strategically managed.

- 2.2.1 Provide and maintain safe and serviceable public facilities and infrastructure including roads, footpaths and storm water drains.
- 2.2.2 Provide and maintain efficient sewerage systems that allow for required expansion.
- 2.2.3 Secure and provide quality water to serviced premises and provide for future expansion.
- 2.2.4 Develop best practice asset registers and management plans and practices for infrastructure and assets.
- 2.2.5 Investigate and pursue opportunities to improve the public domain, including Gunnedah and village town entrances, main streets and business areas, parks and open space.
- 2.2.6 Facilitate improvements to car, bicycle and pedestrian safety.
- 2.2.7 Identify innovative funding and partnerships to provide for new and upgraded assets and infrastructure.
- 2.2.8 Implement and maintain developer contribution plans which require appropriate contribution for development impact upon infrastructure so as not to unfairly burden existing ratepayer or future developers.
- 2.2.9 Develop strategies for sustainable local road network and regional transport, including options for public transport to connect with existing transport services.

As this outlines the demand for GSC to provide, upgrade and renew assets is increasing both in number and value according to many factors. The community expects a variety of services to be available, the cost of providing services is continually increasing, and the standard of assets is expected to improve. This is made more difficult by the fact that the number and composition of the Gunnedah Shire population is constantly changing.

Nevertheless the special rate variation with two exceptions is designed to maintain assets to a reasonable and safe level. Our plans are not expansionary in nature.

### **The Asset Management Plan, the Workforce Plan and the Long Term Financial Plan**

GSC is responsible for assets with a total replacement value of \$456 million. GSC adopted the first Asset Management Policy on 25 August 2010 (amended 16 November 2011) prior to the commencement of the structured asset planning process. An Asset Management Working Group was formed in October 2010. Asset management plans were then formulated using the Institute of Public Works Engineering Australia (IPWEA) guidelines and provided a whole of GSC view of assets. In addition an audit of all current plans of GSC was undertaken with relevant data and references included in the various plans to ensure continuity and review of current programs.

Once the first draft of asset plans were finalised a summary was created for consideration by GSC. This summary heavily informed the basis for the development of the initial Workforce Plan and Long Term Financial Plan.

The current plan endorsed by GSC is version three of the Strategic Asset Management Plan and has been refined as more information comes to light and alternatives to timing of works are considered in light of the community feedback from the special rate variation fora.

The asset management plans that underpin the Strategic Asset Management Plan remain largely unchanged as do the recommendations of the asset managers in developing a sustainable asset base for the community. The only amendments to underlying plans have been with regard to new technologies and changes in legislative requirements for some assets other than the routine update of data.

### **Key Aspects - Gunnedah Shire Council's Asset Management Plan**

Total asset management is a key objective in GSC's overall strategic management and is included in the corporate planning cycle, operational, financial and risk management plans. The asset management framework enables the resourcing strategy and specific asset management objectives, targets and plans to be produced and effective comparisons made.

Its aim is to meet levels of service and funding requirements as well as managing related risks, over the assets useful life. A thorough review of all impacts of proposed actions in relation to assets must be undertaken prior to proceeding with decisions on their implementation, including the impact on service levels, risk assessments, wastage of resources including the impairment of economic life or premature disposal and net benefit comparisons of alternate actions.

The asset management plan creates an environment where all GSC employees play an integral role in overall management of GSC assets by creating and sustaining the asset management awareness throughout the GSC. Asset management is a systematic process to guide the planning, acquisition, construction, operation, maintenance, renewal and disposal of assets.

GSC's Strategic Asset Management Plan identifies 8 asset categories including:

- Category 1:** Transport
- Category 2:** Water
- Category 3:** Sewer
- Category 4:** Buildings
- Category 5:** Recreation
- Category 6:** Drainage
- Category 7:** Waste Management

## Category 8: Other

We define sustainable asset management as everything we have to do to ensure our assets are maintained at a standard that supports the “Your Say, Our Future” CSP and is safe and fit for purpose.

To do this GSC has programmed actions that demonstrate progress towards sustainability of assets. Actions identified are to bring all Gunnedah Shire assets up to the minimum standard required by legislation for each area or activity, gaps in knowledge, and the need to fund the estimated cost of achieving satisfactory levels of service consistent with community expectations.

This requires total lifecycle management to ensure that the social, economic and environmental needs of the community are provided at the least cost, risk and impact in a sound governance and decision making framework.

Lifecycle management includes all aspects associated with managing an asset now and into the future. It covers:

- Maintenance Strategies
- Operational Strategies
- Renewal and or Rehabilitation Strategies
- Expansion Strategies
- Augmentation Strategies; and
- Disposal Strategies

GSC’s main priority is to ensure that services and amenities can be safely delivered via our assets at the level demanded by the community.

GSC’s single largest asset class is roads with a current replacement value of \$244 million. The roads asset management plan identified a total funding and renewal gap of \$2.98M per year with approximately \$1.7M of this associated with sealed pavement reconstruction and the remainder deficiencies in gravel road resheeting and bitumen reseal programs.

Summary of Capital Projects included in Operational Plan

| Service Area               | Asset   | \$ 2013/14 | \$ 2014/15 | \$ 2015/16 | \$ 2016/17 | Comments  |
|----------------------------|---|------------|------------|------------|------------|---|
| <b>- Renewal of assets</b> |   |            |            |            |            |   |
| Procurement                | Fleet replacement program                             | 267,031    | 532,659    | 269,140    | 316,167    | Maintenance of current fleet.   |
| Saleyards                  | Scanner   | 10,000     | -          | -          | -          | Maximise the uptime of all systems and the throughput of Cattle at the saleyards whilst maintaining a safe facility for all users and the return of a dividend to support Council operations. |
| Saleyards                  | Scales  | -          | 50,000     | -          | -          |   |
| Saleyards                  | Nightwatchman building                                | -          | -          | 20,000     | -          |   |
| Saleyards                  | Cattle crush  | -          | -          | 22,000     | -          |   |
| Information Technology     | Computer replacement program                          | 90,000     | 110,000    | 105,000    | 61,500     | Ensuring capability of Information Technology to support Council operations as a whole and  |
| Information Technology     | Peripheral replacement program                        | 40,000     | 20,000     | 6,500      | 74,700     | Improve the capacity to collate and distribute information to assist in involving the community in decision making of Council.  |
| Information Technology     | Telecommunications system                             | 65,000     | -          | -          | -          |   |
| Information Technology     | File System   | -          | -          | 30,000     | -          |   |
| Information Technology     | Business enterprise suite                             | 5,000      | 5,000      | 5,000      | -          |   |
| Information Technology     | Operating systems                                     | -          | -          | -          | -          |   |
| Information Technology     | Records Information Management System upgrade         | 7,500      | 7,500      | 7,500      | 37,500     |   |
| Information Technology     | Civica Authority Upgrade                              | 4,500      | 4,500      | 4,500      | 11,300     |   |
| Information Technology     | Enterprise Holdings Software                          | -          | -          | 3,000      | -          |   |
| Information Technology     | Interplan Management Reporting system (upgrade)       | -          | -          | -          | 20,000     |   |
| Information Technology     | Budget Management Reporting System (upgrade)          | 8,600      | -          | -          | 20,000     |   |
| Information Technology     | Computer Cloning System (upgrade)                     | -          | -          | -          | 2,000      |   |
| Information Technology     | Spatial Mapping (upgrade)                             | -          | -          | -          | -          |   |
| Integrated Planning        | Community Strategic Plan Update                       | -          | -          | 30,000     | -          | Opportunity for community involvement in decision making processes both with Council and the w  |
| The Civic                  | Carpet Replacement                                    | -          | -          | -          | 18,000     | Maintenance of wear to building to ensure it is fit for purpose.  |
| Domestic Waste             | Landfill Remediation                                  | 50,000     | -          | -          | -          | The ongoing maintenance and renewal of the waste facilities   |
| Domestic Waste             | Convert Carroll Tip to Transfer Station               | -          | 250,000    | -          | -          | in the shire with an emphasis on proactive waste management and minimisation in accordance with guidelines and the community desire to reduce the impact on the natural environment.          |
| Domestic Waste             | Landfill Remediation - progressive                    | -          | 50,000     | -          | -          |   |
| Domestic Waste             | New Cell - Curlew Tip                                 | -          | 50,000     | -          | -          |   |
| Domestic Waste             | Landfill Remediation - progressive                    | -          | -          | 50,000     | -          |   |
| Domestic Waste             | New Cell and Water Diversion past Southern Boundary   | -          | -          | -          | 400,000    |   |
| Domestic Waste             | Extend Leachate Collection & Surface Water Systems    | -          | -          | -          | 200,000    |   |
| Domestic Waste             | Landfill Remediation - progressive                    | -          | -          | -          | 75,000     |   |
| Administration Buildings   | Air-conditioner replacement program                   | 15,500     | 15,500     | 15,500     | 17,500     | Ensuring that all assets are maintained   |
| Administration Buildings   | Carpet replacement                                    | 80,000     | -          | -          | -          | to achieve the lifecycle identified in the asset management planning process and are fit for the purpose they currently fulfil.   |
| Administration Buildings   | Community Care Building - Carpet & Painting           | 60,000     | -          | -          | -          |   |
| Halls & Community Centres  | Chair replacement program                             | 14,000     | -          | -          | -          |   |
| Halls & Community Centres  | Smithurst Theatre                                     | -          | -          | 100,000    | -          |   |
| Swimming Pools             | Pool completion                                       | 500,000    | 1,551,000  | 6,595,000  | -          |   |
| Parks & Reserves           | Park furniture replacement program                    | 11,300     | 11,600     | 12,000     | 12,300     |   |
| Parks & Reserves           | Playground equipment replacement                      | 41,800     | 43,000     | 44,300     | 45,700     |   |
| Parks & Reserves           | Griffiths Hall refurbishment                          | -          | 20,000     | -          | -          |   |
| Parks & Reserves           | Council storage shed                                  | 20,000     | -          | -          | -          |   |
| Infrastructure Management  | Traffic Counter replacement                           | 4,000      | 4,100      | 4,200      | -          |   |
| Infrastructure Management  | Laser Level Replacement                               | -          | -          | -          | 2,900      |   |
| Airport                    | Cone & Cable replacements                             | 5,000      | 5,000      | 5,000      | 5,400      |   |
| Airport                    | Master Plan   | 50,000     | -          | -          | -          |   |
| Airport                    | Fence Replacement                                     | 22,000     | -          | -          | -          |   |
| Airport                    | Taxway Resealing                                      | -          | -          | 68,000     | -          |   |
| Airport                    | Reseal - Runway 11-29                                 | -          | -          | -          | 458,300    |   |
| Airport                    | Heavy Patching Apron B                                | -          | -          | -          | 26,600     |   |
| Depot                      | Pavement rehabilitation                               | -          | -          | 15,000     | -          |   |
| Depot                      | Refuelling facility upgrade                           | 108,000    | 60,000     | 83,000     | -          |   |
| Depot                      | Fuel Tank Replacements                                | -          | -          | 90,000     | -          |   |
| Depot                      | Pavement Rehabilitation                               | -          | -          | 15,000     | -          |   |
| Depot                      | Ice machine replacement                               | -          | -          | 1,500      | -          |   |
| Depot                      | Refuelling Facilities Rehabilitation                  | -          | -          | -          | 200,000    |   |
| Depot                      | Bitumen Reseal  | -          | -          | -          | 141,000    |   |
| Bridges                    | Simpsons Bridge renewal - SID                         | 40,000     | -          | -          | -          |   |
| Bridges                    | Simpsons Bridge replacement                           | -          | -          | 1,370,000  | -          |   |
| Kerb & Gutter              | Kerb & gutter renewal program                         | 371,000    | 382,000    | 393,000    | 405,000    |   |
| Urban Roads                | Pavement renewal Bloomfield St                        | 857,500    | 490,000    | 490,000    | 387,000    |   |
| Urban Roads                | Pavement renewal Little Barber St                     | -          | -          | 140,500    | -          |   |
| Urban Roads                | Pavement Renewal Links Rd                             | -          | -          | -          | 229,000    |   |
| Urban Roads                | Bitumen resealing                                     | 523,297    | 538,996    | 555,165    | 571,820    |   |
| Urban Roads                | Gravel resheeting                                     | 40,532     | 41,747     | 43,000     | 44,290     |   |
| Regional Roads             | MR55 reconstruction                                   | -          | -          | -          | -          |   |
| Regional Roads             | Bitumen resealing                                     | 142,600    | 147,000    | 151,000    | 155,883    |   |
| Regional Roads             | Gravel resheeting                                     | 223,000    | 230,000    | 236,500    | 243,673    |   |
| Sealed Rural Roads         | Bitumen resealing                                     | 746,809    | 769,213    | 792,289    | 816,058    |   |
| Sealed Rural Roads         | Bluevale Rd reconstruction                            | 463,500    | 477,000    | 491,500    | 506,479    |   |
| Sealed Rural Roads         | Pavement Renewals                                     | -          | -          | -          | 1,025,000  |   |
| Sealed Rural Roads         | Quia Rd reconstruction                                | 250,000    | -          | 220,000    | -          |   |
| Sealed Rural Roads         | Kelvin Rd reconstruction                              | 200,000    | -          | -          | -          |   |
| Sealed Rural Roads         | Preston Rd reconstruction                             | 578,000    | -          | -          | -          |   |
| Sealed Rural Roads         | Wondobah Rd reconstruction                            | -          | 280,000    | 100,000    | -          |   |
| Sealed Rural Roads         | Rangan Rd reconstruction                              | -          | 300,000    | -          | -          |   |
| Sealed Rural Roads         | Ghooli Rd reconstruction                              | -          | -          | 150,000    | -          |   |
| Sealed Rural Roads         | Clifton Rd reconstruction                             | -          | -          | 250,000    | -          |   |
| Sealed Rural Roads         | Ross Rd reconstruction                                | 275,000    | 275,000    | -          | -          |   |
| Sealed Rural Roads         | Wean Rd reconstruction                                | -          | 171,000    | -          | -          |   |
| Sealed Rural Roads         | Blackjack Rd reconstruction                           | -          | -          | 100,000    | -          |   |
| Sealed Rural Roads         | Black Stump Way reconstruction                        | -          | -          | 206,000    | -          |   |
| Unsealed Rural Roads       | General resheeting program                            | 651,986    | 671,545    | 691,692    | 1,050,096  |   |
| Unsealed Rural Roads       | Resheet Pullaming Rd                                  | 154,500    | -          | -          | -          |   |
| Unsealed Rural Roads       | Resheet Mystrey Rd                                    | 154,500    | -          | -          | -          |   |
| Unsealed Rural Roads       | Resheet Wondobah Rd                                   | -          | 159,000    | -          | -          |   |
| Unsealed Rural Roads       | Resheet Clifton Rd                                    | -          | 159,000    | -          | -          |   |
| Unsealed Rural Roads       | Resheet Bulunbulun Rd                                 | -          | -          | 163,900    | -          |   |
| Unsealed Rural Roads       | Resheet Normans Rd                                    | -          | -          | 163,900    | -          |   |
| Carparks                   | Carpark resal - Main Pool                             | 33,300     | -          | -          | -          |   |
| Carparks                   | Carpark resal - Kapoete                               | -          | 10,300     | -          | -          |   |
| Carparks                   | Carpark resal - Athol Gallen                          | -          | -          | 2,800      | -          |   |
| Stormwater                 | CCTV Data   | -          | -          | -          | 15,000     |   |
| Plant                      | Plant replacement program                             | 1,900,000  | 2,000,000  | 1,800,000  | 1,750,000  |   |
| Plant                      | Two-way radio replacement                             | 5,000      | 5,000      | 5,000      | -          |   |
| Water                      | Main replacement program                              | 440,000    | 413,000    | 446,800    | 440,800    |   |
| Water                      | Main replacement - Quia Rd                            | -          | -          | 155,000    | -          |   |
| Water                      | Water service replacements                            | 10,000     | 10,000     | 10,000     | 10,900     |   |
| Water                      | Links Road No.2 Reservoir                             | 125,000    | -          | -          | -          |   |
| Water                      | No.7 Bore replacement                                 | 170,000    | -          | -          | -          |   |
| Water                      | No.2 Bore replacement                                 | -          | -          | 206,500    | -          |   |
| Water                      | Telemetry upgrade                                     | -          | -          | 166,500    | -          |   |
| Sewer                      | Curlew Sewer Pond Augmentation                        | 107,000    | -          | -          | -          |   |
| Sewer                      | Main relining   | 267,800    | 275,800    | 284,100    | 292,600    |   |
|                            | Asset renewal sub-total                               | 10,209,555 | 10,595,460 | 17,386,286 | 10,094,466 |   |
| <b>- Asset Upgrade</b>     |   |            |            |            |            |   |
| Saleyards                  | Holding pens - shading                                | 10,000     | -          | -          | 10,000     | Maximise the income from the saleyard operations by the increased throughput of Cattle at the   |
| Saleyards                  | Public loading ramp                                   | -          | 80,000     | -          | -          | saleyards and increasing the dividend returned to Council operations.   |
| Information Technology     | Disaster recovery implementation                      | 10,000     | -          | -          | 10,000     | Increase the capacity of Council to provide information to the community and support the  |
| Information Technology     | Website integration & expansion                       | -          | 15,000     | -          | 15,000     | management of infrastructure.   |
| Information Technology     | Asset Management System                               | -          | -          | 110,000    | -          |   |
| Library                    | Gunnedah Library Books                                | 22,500     | 22,500     | 22,500     | 25,000     | Maintain the current service level of the Library operations.   |
| Events                     | Gunnedah Event Signage                                | 45,400     | -          | -          | -          | Identify activities to increase economic activity and community participation.  |
| Administration Buildings   | Administration Building Alterations                   | 350,000    | -          | -          | -          | To ensure assets are renewed in accordance  |
| Halls & Community Centres  | Town Hall Renewal Works - Two Storey Section          | 300,000    | -          | -          | -          | with current need and are fit for the purpose they currently fulfil.  |
| Halls & Community Centres  | Smithurst Theatre Upgrade                             | -          | 40,000     | -          | -          |   |
| Parks & Reserves           | Showground lighting upgrade                           | -          | -          | -          | -          |   |
| Parks & Reserves           | Showground grandstand upgrade                         | -          | -          | -          | -          |   |
| Parks & Reserves           | Blackjack Creek mitigation works                      | -          | 1,510,000  | 1,510,000  | -          | Works identified to minimise flooding in the Gunnedah Township.   |
| Sporting Fields            | Extension of Donnelly Fields Amenities Block          | 20,000     | -          | 180,000    | -          | Part of Namoi Parkland development to cater for increased usage.  |
| Depot                      | Noxious Weeds washdown bay                            | 172,000    | -          | -          | -          | Works to ensure compliance with legislation   |
| Depot                      | Security enhancement                                  | 30,500     | 21,000     | 21,000     | 21,000     | and mitigate environmental impacts and damage to Depot operations.  |
| Cemeteries                 | Burial Beam   | -          | -          | -          | 6,000      | Provide additional capacity identified in asset planning processes and secure area to minimise va   |
| Cemeteries                 | Security fencing                                      | 30,000     | -          | -          | -          |   |
| Regional Roads             | MR357 culvert construction                            | 206,000    | -          | -          | -          | Mitigate flooding impact on traffic movements.  |
| Footpaths & Cycleways      | Marquis Street Paving - Conadilly to Lt Barber (W)    | 79,000     | -          | -          | -          | Renewal works to improve amenity  |
| Footpaths & Cycleways      | Marquis Street Paving - Conadilly to Lt Barber (E)    | -          | 73,000     | -          | -          | and maintain consistency of projects already initiated.   |
| Footpaths & Cycleways      | Chandos Street Paving - Conadilly to Lt Barber (E)    | -          | -          | 73,000     | -          |   |
| Footpaths & Cycleways      | Elgin Street Paving - Conadilly to Lt Conadilly (W)   | -          | -          | -          | 77,000     |   |
| Sewer                      | Treatment Plant design                                | 200,000    | -          | -          | -          | Maintain the current service level of plant based on increased population projected as identified   |
| Sewer                      | Treatment Plant construction                          | -          | -          | 6,000,000  | -          | in asset planning process.  |
|                            | Asset upgrade sub-total                               | 1,475,400  | 1,761,500  | 7,916,500  | 166,000    |   |
| <b>- New Assets</b>        |   |            |            |            |            |   |
| Government                 | Project Management System                             | 25,000     | -          | -          | -          | Increase organisational project management capacity.  |
| Saleyards                  | Holding yards   | 300,000    | -          | -          | -          | Maximise the income from the saleyard operations by the increased throughput of Cattle at the   |
| Saleyards                  | LED Display   | -          | -          | -          | -          | saleyards and increasing the dividend returned to Council operations.   |
| Community Development      | Two-Data Entry Gates                                  | -          | -          | -          | -          |   |
| Community Development      | Grant Officer - Office set-up                         | 10,000     | -          | -          | -          | Community Development resources aimed at addressing multiple outcomes including involvem  |
| Cultural Development       | Gunnedah Community Live Plan                          | 35,000     | -          | -          | -          |   |
| The Civic                  | Push Around Scissor Lift                              | -          | -          | 10,000     | -          | WHS Compliance to provide the current service level.  |
| Domestic Waste             | Heavy Equipment Storage Shed, Wash Bay & Fuel Bund    | 200,000    | -          | -          | -          | legislative compliance.   |
| Domestic Waste             | Liquid Waste Management Facility                      | 100,000    | -          | -          | -          |   |
| Domestic Waste             | Bobcat Acquisition                                    | -          | 60,000     | -          | -          |   |
| Domestic Waste             | Asbestos Disposal Area                                | -          | -          | 75,000     | -          |   |
| Building Control           | Vehicle - Proposed Building Control Officer           | 35,000     | -          | -          | -          | Support the addition of employee in LTFP & WFP.   |
| Halls & Community Centres  | Motor Vehicle - Proposed Building Maintenance Officer | 23,000     | -          | -          | -          | Support the addition of employee in LTFP & WFP.   |
| Parks & Reserves           | Asbestos Disposal Area                                | 150,000    | -          | -          | -          | Supports works identified to minimise flooding in the Gunnedah Township   |

### 3.3 Financial planning information

Gunnedah Council has long been regarded as having a strong financial position and performance, over the past four financial years GSC has posted operating surpluses on a consolidated basis in every year and has achieved an operating surplus before capital grants and contributions in all but one financial year.

This is supported by independent reports from both Fiscal Star and more recently Treasury Corp NSW, both of whom have classified GSC as 'Sustainable' under their parameters. Treasury Corp did however note on numerous occasions in their report that GSC would need to be successful in its application for a special rate variation in order to remain fully sustainable into the future (the full Treasury Corp Assessment of Financial Sustainability report is included at **Attachment B**).

During 2011 technical staff and Managers went through an extensive exercise in constructing individual Asset Management Plans (AMP) for all of GSC's asset classes. As a part of this project staff were instructed to develop the plans based on determining the required expenditure to ensure that all assets currently held and proposed were able to be fully maintained, renewed and replaced as required to ensure they functioned at pre-determined levels whilst simultaneously minimising the 'whole of life' cost of such including any immediate expenditure required to address the identified back-log of required capital works. Asset custodians were instructed to disregard any constraints around historic levels of expenditure or practices.

As the information became available from these AMP's it was evident that GSC needed to spend considerably more than it had historically done in order just to maintain current assets and service levels into the future and to address the substantial infrastructure backlog that had been created over the past decades. From here the strategic approach was determined to develop modelling for the LTFP around a series of progressive layers designed to inform community consultation and GSC decision making about future service levels, sustainability, aspiration and the possible need for a special rate variation in the near future.

The following is a summary of the scenarios modelled in the original LTFP utilised during community consultation for the instigation of the Integrated Planning & Reporting framework in late 2011 and early 2012.

#### ***Financial Planning Scenarios - LTFP (V1)***

*In developing the original long term financial plan (LTFP), 4 scenarios were established to model GSC's financial performance and position over the next 10 years. The scenarios are structured as a series of 'layers' where each layer relates to the taking of a progressively more aspirational position. The layers are cumulative, so each layer incorporates the assumptions and outcomes of each of the previous layers. The layers are structured as follows:*

1. *Current Income Layer*
2. *Sustainable Services Layer*
3. *Service and Asset Expansion Layer*
4. *New Assets & Services Layer*

*The scenarios are all informed by GSC's Asset Management Policy and Asset Management Plans and also giving consideration to GSC's Workforce Plan.*

#### **1. Current Income Layer**

*This scenario is based on rate growth being limited to the rate pegging percentage as determined by IPART without any variation whilst simultaneously addressing GSC's asset renewal and replacement backlog and increased asset maintenance spending to levels required to ensure assets meet expected performance levels and their planned lifecycle. This scenario is designed to indicate the revenue deficiency that GSC faces in*

terms of sufficiently maintaining assets to required levels and alleviating the pre-existing asset renewal backlog which essentially remains unaddressed.

The cumulative projected deficit over the 10 year period indicates the amount of extra revenue that would be required over the period in order to maintain current levels of service and bring assets up to a reasonable position.

This scenario clearly indicates that this is not a suitable or sustainable position and would in fact require a significant reduction in levels of service or discontinuation of services in order to establish a balanced budget and a financially sustainable model.

## **2. Sustainable Services Layer**

This scenario is proposed as GSC's preferred step toward addressing the GSC's long term infrastructure needs and sustainability for the GSC as a whole. This layer includes the imposition of a Special Rate Variation – Continuing under s508(2) of the Local Government Act, for General fund of 18.8% (15.2% real increase) in the 2013/14 financial year and an increase in Sewerage Rates over 3 years of 8.6% (5.0% real increase) each year in the 12/13, 13/14 & 14/15 financial years.

The increases in sewerage rates equates to a cumulative increase of 28% (15.8% cumulative real increase) over the three year period.

This scenario also includes the drawing of \$11 million in loans in the General fund in 2013/14 to part fund the unresolved infrastructure backlog and a further \$5 million in loans in the Sewerage Fund in 2015/16 in order to assist in funding the replacement of the Gunnedah Sewerage Treatment Plant.

## **3. Service & Asset Expansion Layer**

This scenario includes the additional requirements of undertaking the expansion of current services and/or the expansion to the current service capacity of assets when undertaking renewal or replacement works. This layer includes the imposition of a further 4.8% to the previous Special Rate Variation for General fund, to a total of 23.6% (20.0% real increase) in the 2013/14 financial year and the same increase in Sewerage Rates over the next 3 years as mentioned in the previous scenario, a 28% (15.8% cumulative real increase) over the three year period.

This scenario also includes the drawing of a further \$3 million in loans in 2015/16 to a total of \$14 million for General fund, to assist in funding the unresolved infrastructure backlog and the expansion to current assets and services. Loan funding for the Sewerage fund would increase to a total of \$5.3 million in the 2015/16 year.

It should be noted that the replacement of a current asset with a modern day equivalent that inadvertently improves capacity would not be contained in this layer but instead would be included in the Sustainable Services Layer and any current asset that is replaced with an asset that offers a completed new level of service will not be contained in this layer but instead would be included in the New Assets & Services Layer.

It is also possible for an asset replacement to have portions applicable to each of these layers and in such incidence the cost of the asset will be apportioned into each of the relevant scenarios.

## **4. New Assets & Services Layer**

This scenario includes a number of assets and services not previously offered or held by GSC. This layer not only requires completely new funding in the foundation stage for new assets/services but also requires on-going lifecycle costs (maintenance, operating & replacement) to be funded into the future.

*This layer includes the imposition of a further 1.5% to the previous Special Rate Variation for General fund, to a total of 25.1% (21.5% real increase) in the 2013/14 financial year and the same increase in Sewerage Rates over the first 3 years as mentioned in the second scenario, but to now include a fourth year of 16.6% (13% real increase) to a cumulative total of a 49.3% (30.8% cumulative real increase) over the four year period.*

*This scenario would also require the inclusion of an increase to both rates and user charges of 35.6% (32.0% real increase) for the Water Fund in the 2020/21 financial year.*

*This scenario also includes the drawing of a further \$5 million in loans to a total of \$19 million for General fund to fund all of the infrastructure requirements. Loan funding for the Sewerage fund would increase by a further \$5.0 million throughout the period to a total of \$10.3 million. The Water Fund would also be required to draw loans totalling \$14 million, being made up of \$4 million in 2015/16 and a further \$10 million in 2020/21.*

***Note:** Under the proposed works in this fourth scenario, there would be significant doubt about the future viability of both the Water and Sewerage Funds if this level of expenditure were employed.*

The key financial statements and a summary of key financial indicators for each of the model scenarios across the 10 year period, either as a consolidated entity or by each of the three separate funds of GSC can be viewed in GSC's LTFP Version 1 document located on GSC's website at <http://www.gunnedah.nsw.gov.au/index.php/our-future/integrated-planning-and-reporting>.

Following an extensive road-show, taking in all of GSC's five villages and two towns, to present and discuss GSC's new suite of integrated strategic plans and the future cost associated with a number of different service positions, considerable feedback was received. From this GSC then resolved that the adopted model for the Operational Plan, Delivery Program and Long Term Financial Plan V2 was to be primarily based on the 'Sustainability Scenario' identified in the original version of the LTFP (V1), but with a few alterations and inclusions.

These alterations and inclusions were items in addition to those contained in the 'Sustainable Services' layer but were contained within one of the two higher layers of the original plan and had been sufficiently identified within the community as necessary. This position preferred by the community and adopted by GSC required an increase in rates income of 20.4% in the 2013/14 financial year.

The community were also given options around reducing service levels, liquidating assets, increasing user charges etc in order to establish a sustainable position, but this was met with very little support and comments other than to increase operational efficiencies were limited.

Included in all versions of GSC's LTFP has been a specific 'Revenue Strategy' section detailing the reviews that need to continue to be undertaken on a periodic basis as a means of proactively growing revenue streams and reducing the reliance on any one revenue source.

A copy of the adopted LTFP Version 2 can be located on GSC's website at <http://www.gunnedah.nsw.gov.au/index.php/our-future/integrated-planning-and-reporting/296-old-integrated-planning-a-reporting>.

Following the election of a new Council in September of 2012, (GSC had four new elected members out of nine), a number of workshops were conducted to bring them up to speed with GSC's financial position and performance, current budget and operational plan and strategic documents. This included going through the adopted and communicated position of the previous Council of applying for a special rate variation in the 2013/14 financial year. As a result the new Council resolved to adopt the position of the previous Council in applying for a special variation of rates but requested the inclusion of a number of items and projects in the GSC's plans as a result of further community feedback during the election period and further requests from GSC's senior management.

Also during the period of workshops with the Councillors, a delegation of GSC's senior staff flew to Sydney to meet with the Local Government team at IPART in order to get a further understanding of any changes to the guidelines they may occur for applications in the following financial year and to hold some preliminary discussions about what IPART's expectations for an application would include.

With the inclusion of new items, changes to the timing of a number of projects and feedback from IPART received, GSC staff remodelled the LTFP in order to establish the increased cost associated with the changes but also with a strategic approach to try and implement the special rate variation over a number of years rather than in 2013/14 alone. By altering GSC's funding mix strategy and accepting the fact that an increased debt service cost would be born in later years as a result, a new special rate variation structure was established of 19% in 2013/14, 9% in 2014/15 and 9% in 2015/16.

During December GSC began another major community engagement and consultation program designed to make the community fully aware of the proposal for future rate increases and to simultaneously undertake a two-way dialogue about alternate options regarding changing service levels, asset stock, revenue streams and rating mix structures. The December fora and the simultaneous media communication plan aimed to gain input from a broad cross-section of the community in order to establish whether any further changes were needed prior to constructing revised draft copies of all of GSC's strategic and operational plans prior to formal adoption by Council and placing them on public exhibition for further consultation during January.

Utilising the feedback received GSC staff worked across the Christmas period to construct a LTFP that addressed the key themes of the public consultation particularly around the scheduling and funding of key infrastructure replacement. The strategic objective for this current LTFP was to; phase-in a return to surplus operating budgets over four years; to move back the major section of the aquatic centre redevelopment and other projects to later periods where possible without jeopardising service delivery; and to smooth the rate variation to similar annual increases, (as best as possible) and to phase-in over four financial years. The resultant model contained deficit operating results in each of the first four financial years and rate income increases of 9.4% in 2013/14, 8.5% in 2014/15, 9.5% in 2015/16 and 7.5% in 2016/17. This equated to an almost 6% decrease in the overall cumulative increase over the four year period.

The LTFP Version 3 was adopted by Council along with the rest of its revised strategic plans at an Extraordinary Council meeting on 30 January and put on Public Exhibition until early March. The LTFP (V3) was then communicated through the media and Council's dedicated community engagement website as well as being utilised in the numerous community forums conducted during February throughout the towns and villages of the local government area.

A copy of the LTFP (V3) can be located on Council's main website at <http://www.gunnedah.nsw.gov.au/index.php/our-future/integrated-planning-and-reporting> or on Council's dedicated community engagement website at <http://yoursaygunnedah.com.au/>.

### **3.3.1 Prioritization of proposed spending**

Whilst the SRV process requires Councils to identify the prioritisation of expenditure proposed under the variation, Council has undertaken the approach of prioritising all expenditure on services. This is due

Council seeking a variation to fund the overall shortfall on the entirety of its operations, including the current level of services and proposed renewal, and minimal upgrade and expansion of assets where supported by the community. The following prioritisation matrix will also assist Council in determining the services for discussion with the public for potential discontinuance should IPART not approve the requested variation.

GSC used a matrix to assess the prioritisation of proposed spending where each of our services were ranked from 1 to 5, with 1 being the highest and 5 the lowest, against each of the following four criteria to indicate the primary drivers for the delivery of each service.

1. **Statutory**- services are required to be delivered due to a statutory requirement imposed on local government or Council.
2. **Risk**- service delivery is undertaken to manage a substantial risk to Council's operations, with such risks including but not limited to public health and safety, governance risks such as fraud or financial mismanagement, business continuity, and public liability.
3. **Community needs** - service delivery is to meet the broad desires and expectations of the community, as identified through Council's strategic planning and consultation engagements.
4. **Special interest** - services are delivered to meet the demands of a segment of the community or an identified group of specific users.

Staff were asked to identify what the impact would be if the service was not delivered. These rankings are intended to be used in providing clarity about the reasons for service delivery and to inform any consideration required in decisions to change or remove services. Additional criteria will be required and utilised in making decisions about the scale or levels of services within each service area, for example Council's adopted road classification hierarchy and traffic volume data.

| Service Unit                              | Prioritisation Criteria |                   |                              |                               |
|---|-------------------------|-------------------|------------------------------|-------------------------------|
|   | Statutory <sup>1</sup>  | Risk <sup>2</sup> | Community Needs <sup>3</sup> | Special Interest <sup>4</sup> |
| <u>General Manager</u>                    |                         |                   |                              |                               |
| Elected Members                           | 1                       | 2                 | 1                            | 2                             |
| GM Management                             | 1                       | 3                 | 2                            | 2                             |
| Human Resources                           | 1                       | 2                 | 4                            | 4                             |
| <u>Community &amp; Corporate Services</u> |                         |                   |                              |                               |
| Administration                            | 1                       | 3                 | 3                            | 4                             |
| Community & Corporate Services Management | 2                       | 1                 | 4                            | 4                             |
| Communication                             | 1                       | 2                 | 1                            | 1                             |
| Customer Service                          | 1                       | 2                 | 2                            | 2                             |
| Community Care Administration             | 5                       | 3                 | 3                            | 2                             |
| Community Transport                       | 5                       | 3                 | 3                            | 1                             |
| Tambar Springs Neighbour Aid              | 5                       | 3                 | 3                            | 1                             |
| HACC Aboriginal Elders                    | 5                       | 3                 | 3                            | 1                             |
| HACC Multi Service Outlet                 | 5                       | 3                 | 3                            | 1                             |

|   |   |   |   |   |
|---|---|---|---|---|
| Northwest Regional Community Care       | 5 | 3 | 3 | 1 |
| Community Planning & Development Admin. | 2 | 2 | 2 | 2 |
| Community Development                   | 1 | 1 | 1 | 1 |
| Civic Facilities & Services             | 3 | 3 | 3 | 4 |
| Economic Development                    | 5 | 2 | 4 | 3 |
| Events                                  | 5 | 3 | 3 | 3 |
| Library                                 | 5 | 3 | 2 | 1 |
| Strategic Planning                      | 1 | 1 | 1 | 1 |
| Tourism & Promotions                    | 5 | 4 | 2 | 1 |
| Youth Services                          | 5 | 3 | 3 | 2 |
| Financial Management                    | 1 | 1 | 1 | 2 |
| Fleet Management                        | 3 | 1 | 2 | 2 |
| General Income                          | 1 | 1 | 1 | 1 |
| Governance                              | 1 | 1 | 1 | 1 |
| Loans                                   | 1 | 1 | 1 | 1 |
| Rates                                   | 1 | 1 | 1 | 1 |
| Purchasing & Stores                     | 3 | 3 | 3 | 3 |
| Saleyards                               | 5 | 1 | 2 | 1 |
| IT: Network & Hardware                  | 3 | 3 | 3 | 3 |
| IT: Software Support                    | 3 | 3 | 3 | 3 |
| Records Management                      | 1 | 1 | 2 | 4 |
| <u>Infrastructure Services</u>          |   |   |   |   |
| Design                                  | 2 | 2 | 2 | 4 |
| Infrastructure Management               | 2 | 2 | 2 | 4 |
| Plant                                   | 3 | 2 | 1 | 4 |
| Aerodrome                               | 4 | 1 | 3 | 1 |
| Bridges                                 | 3 | 2 | 1 | 3 |
| Carparking                              | 4 | 4 | 2 | 3 |
| Depot                                   | 4 | 3 | 2 | 5 |
| Emergency Services                      | 1 | 2 | 1 | 3 |
| Footpaths & Biketracks                  | 3 | 3 | 2 | 3 |
| Kerb & Gutter                           | 4 | 3 | 3 | 4 |
| Noxious Weeds                           | 1 | 2 | 2 | 3 |
| Private Works                           | 5 | 3 | 3 | 4 |
| Quarries                                | 4 | 2 | 2 | 3 |
| Regional Roads                          | 2 | 1 | 1 | 3 |
| Rural Sealed Roads                      | 2 | 1 | 1 | 3 |
| Rural Unsealed Roads                    | 2 | 1 | 1 | 3 |
| State Roads                             | 2 | 1 | 1 | 3 |

|                      |   |   |   |   |
|----------------------|---|---|---|---|
| Stormwater           | 4 | 2 | 3 | 4 |
| Street Cleaning      | 4 | 3 | 3 | 3 |
| Street Lighting      | 1 | 2 | 1 | 3 |
| Urban Streets        | 2 | 1 | 1 | 4 |
| Curlewis Water       | 3 | 1 | 1 | 4 |
| Gunnedah Water       | 3 | 1 | 1 | 3 |
| Mullaley Water       | 3 | 1 | 1 | 4 |
| Tambar Springs Water | 3 | 1 | 1 | 4 |
| Curlewis Sewer       | 3 | 1 | 1 | 4 |
| Gunnedah Sewer       | 3 | 1 | 1 | 3 |

### Planning & Regulatory Services

|                                  |   |   |   |   |
|----------------------------------|---|---|---|---|
| Animal Control                   | 1 | 2 | 2 | 4 |
| Building Control                 | 1 | 2 | 3 | 5 |
| Domestic Waste Management        | 1 | 2 | 1 | 5 |
| Parking Control                  | 3 | 3 | 2 | 4 |
| Public Health                    | 2 | 3 | 2 | 5 |
| Environment                      | 3 | 3 | 3 | 5 |
| Planning & Development           | 1 | 2 | 2 | 3 |
| Planning & Regulatory Management | 2 | 2 | 3 | 5 |
| Administration Buildings         | 4 | 2 | 2 | 5 |
| Cemeteries                       | 1 | 2 | 1 | 4 |
| Commercial Property              | 5 | 4 | 3 | 3 |
| Community Housing                | 4 | 4 | 3 | 3 |
| Parks & Gardens                  | 3 | 4 | 2 | 4 |
| Public Halls & Centres           | 3 | 3 | 2 | 4 |
| Sporting Grounds                 | 3 | 4 | 2 | 3 |
| Swimming Pool                    | 3 | 3 | 2 | 3 |

### **3.3.2 Alternative options**

#### **General**

This special variation is needed to ensure that GSC can continue to deliver the current level of services and maintain the community assets that the community has in majority advised it supports. The resourcing, delivery and operational plans are framed so as to deliver the outcomes required by the community within the CSP, recognised by the DLG as a best practice example.

The plans are not expansionary in nature with the predominate proportion of capital works being asset renewals as shown in pages 122 to 124 of the Operational Plan. The minority component of upgrades to assets and new assets proposed are aimed at meeting pressures from population growth, ensuring that previously neglected services and assets remain viable, and to address specific community informed decisions such as Blackjack Creek flood mitigation works and the relocation of sporting grounds. The proportion of renewal, upgrade and new assets as contained in the LTFP and Operational Plan for the first four years can be seen in the table below.

| Capital projects | 2012/13              | 2013/14               | 2014/15               | 2015/16               | 2016/17               |
|------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Renewal</b>   | 9,266,272<br>(91.5%) | 10,209,555<br>(65.8%) | 10,595,460<br>(80.0%) | 17,386,286<br>(65.7%) | 10,094,466<br>(96.2%) |
| <b>Upgrade</b>   | 190,250<br>(1.9%)    | 1,475,400<br>(9.5%)   | 1,761,500<br>(13.3%)  | 7,916,500<br>(29.9%)  | 166,000<br>(1.6%)     |
| <b>New</b>       | 665,000<br>(6.6%)    | 3,831,700<br>(24.7%)  | 885,500<br>(6.7%)     | 1,160,000<br>(4.4%)   | 231,500<br>(2.2%)     |
| <b>Total</b>     | <b>10,121,522</b>    | <b>15,516,655</b>     | <b>13,242,460</b>     | <b>26,462,786</b>     | <b>10,491,966</b>     |

### Alternative options – Community and Corporate Services

Given that the special variation is needed to sustain current service levels and assets, alternate options to rate increases have been considered in accordance with the following main subject headings:

- Other revenue sources (borrowings, contributions, grants, user charges, fees, partnerships)
- Cost reduction (efficiency gains/productivity improvements, resource sharing, alternate delivery methods for services)
- Reductions in current services and/or assets.

Each of these alternate options have been considered for all services and assets delivered across GSC. Much of the information relating to the consideration of options is contained elsewhere in this application, for example potential reductions to services is detailed under prioritisation of expenditures and cost reduction initiatives are covered under Criterion 5: Productivity. However, the following provides a summary of alternatives considered in each department within Corporate Services.

#### Community Care

##### Other Revenue Sources

Council in delivering NSW and Commonwealth funded services aged and disabled care packages to service recipients is somewhat limited in its ability to source other revenues. Council has undertaken a review of fees applied to recipients where such can be charged and has ensured that it is in line with reasonable charges for like services. Council has also sought to ensure that it is capitalising on grant opportunities which reduce its marginal cost for delivery of services, balancing the provision of services to a greater number of clients with the potential for greater overheads due to any resultant expansion in operations.

##### Cost reduction

An external review of the delivery of Community Care has been commissioned, with the final report to be received in the near future. This review had three main objectives, to identify whether:

- Council should continue to operate in that industry; and if so,
- How to best structure the area for improved capacity and productivity;
- Review business processes and the broader Council's administrative support and oversight functions to deliver any efficiency gains possible.

The draft report has identified that Council is still considered to be the preferred auspice body for these services within the region, servicing six (6) local government areas, and that there is a considerable social, health and economic benefit to the community in those services being delivered and managed from Gunnedah. Some opportunities have been identified for streamlining of operations, to offset potential for service improvements.

In addition to the review, an internal review of the Division within which Community Care exists, has been restructured to clarify service delivery responsibilities and boundaries and reduce any unnecessary overheads.

#### **Reductions in current services/assets**

Options are significantly limited to reduce services or assets that would have any net benefit to Council's financial position due to the nature of the grant funding of the packages. In fact, within certain parameters, expansion of services on a strategic basis may be better suited to reducing marginal costs of service delivery within economies of scale.

### **Community Planning & Development**

#### **Other Revenue Sources**

Community Planning and Development encompasses a wide variety of services to the community including delivering a NSW funded Community Hub program and services in the area of Library, Youth Service, Cultural Precinct including the Civic Theatre, Economic Development, Tourism, Grant Identification and Community Development.

As such alternative revenue streams are continually monitored for all department operations and the wider Council programs. Council has recently secured the services of an external Grant identification and submission specialist in an effort to increase the contribution of Grants in line with the adopted Delivery and Operational Plans. Grants in the area of Library, Youth Service and specific programs are received annually for recognised projects such as Youth Week and the NSW State Library Contribution.

Given the nature of grant funding, this approach meets with varying success in the ongoing contribution to Council's operational costs for the department, with most funding opportunities targeted to specific events or initiatives. Council is in the process of reviewing fees applied to the Cultural Precinct, with a view to maximising the revenue with minimal impact on the usage of the facility. Council continues to seek opportunities to generate income; examples include the Home Hosting program run in conjunction with the annual AgQuip field days or the delivery of conferences/events that return a profit to Council, in addition to maximising the community benefit derived.

#### **Cost reduction**

Services and expenditure are reviewed across the department as part of the ongoing operational plan, with initiatives highlighted being undertaken in the last 18 months. The review has focused on the delivery of a more comprehensive service provide within the current budget however this has allowed for the 1% efficiently gain sought by Council to be absorbed into the current budget through various measures including the move to electronic newsletters and correspondence and a review of staff location and roles. Work is continuing to reduce the impact of increasing overheads such as electricity costs on the overall budget.

#### **Reductions in current services/assets**

Options are limited to a reduction in services as assets in this area a linked directly to service delivery such as the Visitor Information Centre, Library building or books. Any savings that could be achieved through the reduction of assets would negate the delivery of the service in its current form. The current services are in line with the desires of the community outlined in the CSP.

### **Customer Services and Communication**

#### **Other Revenue Sources**

The Customer Service and Communications Department consists of two full time customer service officers, one casual customer service officer and one Manager. Responsibilities include communication activities, the manning of a manual switchboard and receipting and customer enquiries. Other revenue source options are very limited in this area.

### **Cost reduction**

The casual customer service officer has been put in place in an attempt to see if the Department can run with less than four FTEs and at this stage it has been deemed that this is not workable, without negatively impacting service levels and the officer in question has as a result been performing full time hours.

### **Reductions in current services/assets**

A reduction of one FTE would mean the switch would need to be answered at the front counter during lunch hours and result in a diversion of the manager's focus from leading the department to a more hands on role. This would in turn lead to reduced service for both face to face customers and an increased flow of calls to run-off areas.

## **Finance and Governance**

### **Other Revenue Sources**

Council's Finance and Governance Department includes the delivery of services in relation to financial management, fleet management, general purpose income, governance, risk management, rating and procurement, loan management, as well as the management of the local saleyards. Other than the saleyards the department performs an internal service function to Council's other departments and operations.

Alternate revenue sources in these areas are limited; however effective business planning in relation to the saleyards has resulted in fees and charges being reviewed to bring them in line with the broader market and the payment of a dividend to Council's general fund. The projected dividend will see Council making a reasonable return on investment of around 4% in addition to achieving and maintaining significant economic benefit to Gunnedah through its services to the region.

### **Cost reduction**

A number of efficiencies have been identified as outlined later at Criterion 5, as well as a number of planned productivity and cost containment strategies. These include realised efficiencies in the areas of accounts receivable, automated purchasing, EFT payment expansion, fuel tax credits, asset system, budget management system improvements, debt recovery, transactional banking and just in time inventory. Planned areas include the review of the vehicle fleet, purchasing processes review, overheads review, a business analyst focus and internal audit.

### **Reductions in current services/assets**

As predominately an internal service unit, whilst services can be scaled back to fit the demands of the remainder of the organisation this will be need to be responsive to any changes in other departments operations and resultant changes in internal service demand.

## **Information Services**

### **Other Revenue Sources**

Geographical Information Systems (GIS) - Council has undertaken a review of fees applied to recipients where such can be charged and has ensured that it is in line with reasonable charges for like services. This review has included a transition to digital media and maps. Mining companies in the Gunnedah Shire are placing an increased reliance on digital mapping technologies.

### **Cost reduction**

Efficiencies obtained planned productivity and cost containment strategies are identified at Criterion 5. These include the expanded delivery of remote-access virtual machine access for remote offices, integration of property and content management systems in –house. Council is also currently reviewing the opportunity to move to a managed service provider or participate in resource sharing projects with other Councils.

Council is in the process of obtaining quotes and documentation regarding cloud-based IT managed services. Research and findings from other Councils that have made the transition to Managed Services are also currently being sought. Preliminary findings indicate that Wide Area Network (WAN) regional communication infrastructure needs to be explored in greater detail.

Council's Information Services Department is also in the process of researching a transition to Voice Over Internet Protocol (VOIP) telecommunications. This system is to replace the 15+ year old CustomNet telephone system. A key driver in this project is the associated cost overheads of telecommunication line rental etc.

#### **Reductions in current services/assets**

As outlined above with regard to Finance and Governance, Council's Information Services Department is predominately engaged in delivering an internal service function. Council currently has a small to medium sized fleet of current CLOUD based computing. The Information Communication Technology (ICT) Strategy 2012-2022 defines the roadmap of GSC's technology over the next 10 years, indicating a further migration to CLOUD based software/hardware. In the short to medium term, it would be detrimental to GSC's overall operations if reductions were to be made to the Department's services without parallel reductions of technical services (and/or staff requiring IT support) in other areas of Council.

#### **Alternative Options - Infrastructure Division**

##### **Other revenue sources**

In recent years GSC has increased its delivery of Private Works to the community. These private works return a profit and are undertaken with staff and equipment so as not to jeopardise GSC works programs, in some instances GSC is able to more efficiently employ plant and staff that may have otherwise been idle. This has created an extra revenue source for Council.

In 2011 Council following recommendation, resolved to cap the increase in contribution to the State Rural Fire Service to that of the State imposed cap on rates income for Councils. Across the past three years Council has been initially invoiced for amounts higher than this but have only paid in-line with this resolution and discussions had to communicate such to the RFS. This has provided extra revenue to be utilised for core services and infrastructure.

#### **Alternative Options - Planning & Environmental Development Division**

In 2010 Council produced a draft Open Space Strategy as a discussion document to engage the community on the strategic direction for open space over the following decade, including in the draft strategy were a number of models for service delivery and revenue generation/cost off-set for a number of services. This ranged from:

- Increased user charges for sporting groups and users of facilities;
- Further transfer of tasks to user groups as opposed to Council delivering all services;
- The liquidation of some smaller infrequently used parks and to sell them as residential land; and
- To centralise some passive recreation space and sporting grounds.

The draft document was met with strong disapproval throughout the community and a common theme transpired that Council should increase general rates and continue to provide the current services and facilities utilising the rates revenue source rather than increasing user charges and/or removing service levels and assets for what was viewed by the Gunnedah Community as a core function of Council.

### **3.3.3 Impact of special variation on key financial indicators**

Income Statements and a sheet of key financial indicators located in Councils LTFP are included below. They are presented on a Consolidated basis and for each of the three separate funds (General, Water & Sewer) across the proposed special rate variation period and beyond. There are separate sets presented

for the current model from LTFP (V3) including the special variation and another set for the model without the variation 'Current Income'.

| INCOME STATEMENT - CONSOLIDATED<br>Scenario: Sustainable Services                  | Past Year     | Current Year  | Projected Years |               |               |               |               |               |               |               |               |               |
|--|---------------|---------------|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | 2010/11       | 2011/12       | 2012/13         | 2013/14       | 2014/15       | 2015/16       | 2016/17       | 2017/18       | 2018/19       | 2019/20       | 2020/21       | 2021/22       |
|  | \$'000        | \$'000        | \$'000          | \$'000        | \$'000        | \$'000        | \$'000        | \$'000        | \$'000        | \$'000        | \$'000        | \$'000        |
| <b>Income from Continuing Operations</b>   |               |               |                 |               |               |               |               |               |               |               |               |               |
| <b>Revenue:</b>  |               |               |                 |               |               |               |               |               |               |               |               |               |
| Rates & Annual Charges   | 11,472        | 11,991        | 12,653          | 13,686        | 14,716        | 15,889        | 16,929        | 17,582        | 18,260        | 18,923        | 19,609        | 20,321        |
| User Charges & Fees  | 8,911         | 8,853         | 7,316           | 7,728         | 8,095         | 8,481         | 8,877         | 9,313         | 9,811         | 10,293        | 10,799        | 11,330        |
| Interest & Investment Revenue  | 1,800         | 1,570         | 1,166           | 998           | 1,140         | 1,090         | 1,248         | 1,378         | 1,514         | 1,408         | 1,455         | 1,427         |
| Other Revenues   | 652           | 666           | 380             | 422           | 422           | 423           | 383           | 383           | 383           | 383           | 383           | 383           |
| Grants & Contributions provided for Operating Purposes                             | 9,746         | 11,324        | 8,093           | 10,524        | 10,949        | 11,373        | 11,625        | 12,272        | 12,870        | 13,560        | 14,282        | 15,052        |
| Grants & Contributions provided for Capital Purposes                               | 711           | 749           | 582             | 538           | 1,422         | 1,409         | 397           | 404           | 382           | 391           | 389           | 388           |
| <b>Other Income:</b>   |               |               |                 |               |               |               |               |               |               |               |               |               |
| Net gains from the disposal of assets  | -             | 454           | -               | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| Joint Ventures & Associated Entities   | -             | -             | -               | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| <b>Total Income from Continuing Operations</b>                                     | <b>33,292</b> | <b>35,606</b> | <b>30,190</b>   | <b>33,896</b> | <b>36,743</b> | <b>38,665</b> | <b>39,459</b> | <b>41,333</b> | <b>43,221</b> | <b>44,958</b> | <b>46,918</b> | <b>48,902</b> |
| <b>Expenses from Continuing Operations</b>   |               |               |                 |               |               |               |               |               |               |               |               |               |
| Employee Benefits & On-Costs   | 12,292        | 11,689        | 11,813          | 12,482        | 12,819        | 13,235        | 13,669        | 14,122        | 14,596        | 15,091        | 15,609        | 16,149        |
| Borrowing Costs  | 222           | 204           | 112             | 367           | 652           | 1,532         | 1,825         | 1,905         | 1,885         | 1,823         | 1,868         | 1,857         |
| Materials & Contracts  | 8,453         | 9,451         | 7,326           | 8,444         | 9,049         | 9,591         | 9,954         | 10,427        | 11,165        | 11,781        | 12,459        | 13,049        |
| Depreciation & Amortisation  | 8,531         | 8,023         | 8,239           | 8,563         | 8,885         | 9,226         | 9,581         | 9,927         | 10,312        | 10,685        | 11,076        | 11,477        |
| Impairment   | 183           | 159           | -               | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| Other Expenses   | 2,198         | 2,366         | 3,146           | 3,332         | 3,548         | 3,747         | 3,988         | 4,222         | 4,466         | 4,723         | 4,986         | 5,260         |
| Interest & Investment Losses   | -             | -             | -               | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| Net Losses from the Disposal of Assets   | 494           | -             | 149             | 102           | 112           | 119           | 129           | 187           | 141           | 139           | 191           | 105           |
| Joint Ventures & Associated Entities   | -             | -             | -               | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| <b>Total Expenses from Continuing Operations</b>                                   | <b>32,373</b> | <b>31,892</b> | <b>30,786</b>   | <b>33,290</b> | <b>35,065</b> | <b>37,450</b> | <b>39,145</b> | <b>40,791</b> | <b>42,565</b> | <b>44,241</b> | <b>46,188</b> | <b>47,898</b> |
| <b>Operating Result from Continuing Operations</b>                                 | <b>919</b>    | <b>3,714</b>  | <b>(595)</b>    | <b>606</b>    | <b>1,678</b>  | <b>1,216</b>  | <b>314</b>    | <b>542</b>    | <b>655</b>    | <b>717</b>    | <b>730</b>    | <b>1,004</b>  |
| Discontinued Operations - Profit/(Loss)  | -             | -             | -               | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| <b>Net Profit/(Loss) from Discontinued Operations</b>                              | <b>-</b>      | <b>-</b>      | <b>-</b>        | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      |
| <b>Net Operating Result for the Year</b>   | <b>919</b>    | <b>3,714</b>  | <b>(595)</b>    | <b>606</b>    | <b>1,678</b>  | <b>1,216</b>  | <b>314</b>    | <b>542</b>    | <b>655</b>    | <b>717</b>    | <b>730</b>    | <b>1,004</b>  |
| Net Operating Result before Grants and Contributions provided for Capital Purposes | 208           | 2,965         | (1,177)         | 68            | 256           | (193)         | (83)          | 138           | 273           | 326           | 340           | 616           |

| FINANCIAL PERFORMANCE INDICATORS<br>Scenario: Sustainable Services     | Current Year |         | Projected Years |         |         |         |         |         |         |         |         |
|--|--------------|---------|-----------------|---------|---------|---------|---------|---------|---------|---------|---------|
|  | 2011/12      | 2012/13 | 2013/14         | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
| Unrestricted Current Ratio   | 3.76         | 3.40    | 3.88            | 3.75    | 3.07    | 3.22    | 3.37    | 3.45    | 3.37    | 3.51    | 3.48    |
| Debt Service Ratio   | 1.98%        | 1.69%   | 3.02%           | 4.05%   | 3.91%   | 4.12%   | 3.95%   | 3.78%   | 3.62%   | 3.47%   | 3.32%   |
| Rates & Annual Charges Coverage Ratio                                  | 35.01%       | 40.27%  | 42.51%          | 40.95%  | 40.79%  | 42.06%  | 41.74%  | 41.41%  | 41.15%  | 40.83%  | 40.56%  |
| Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage | 7.85%        | 7.19%   | 6.14%           | 6.03%   | 5.75%   | 5.64%   | 5.43%   | 5.46%   | 5.36%   | 5.37%   | 5.37%   |
| Building & Infrastructure Renewals Ratio                               | 97.00%       | 118.52% | 222.36%         | 131.13% | 191.69% | 121.80% | 93.62%  | 96.58%  | 111.04% | 86.61%  | 99.95%  |

| INCOME STATEMENT - GENERAL FUND<br>Scenario: Sustainable Services                  | Past Year     | Current Year  | Projected Years |               |               |               |               |               |               |               |               |               |
|--|---------------|---------------|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | 2010/11       | 2011/12       | 2012/13         | 2013/14       | 2014/15       | 2015/16       | 2016/17       | 2017/18       | 2018/19       | 2019/20       | 2020/21       | 2021/22       |
|  | \$'000        | \$'000        | \$'000          | \$'000        | \$'000        | \$'000        | \$'000        | \$'000        | \$'000        | \$'000        | \$'000        | \$'000        |
| <b>Income from Continuing Operations</b>   |               |               |                 |               |               |               |               |               |               |               |               |               |
| <b>Revenue:</b>  |               |               |                 |               |               |               |               |               |               |               |               |               |
| Rates & Annual Charges   | 9,554         | 9,859         | 10,376          | 11,291        | 12,195        | 13,267        | 14,198        | 14,703        | 15,226        | 15,767        | 16,327        | 16,908        |
| User Charges & Fees  | 6,890         | 6,800         | 5,159           | 5,482         | 5,755         | 6,044         | 6,338         | 6,647         | 7,011         | 7,353         | 7,712         | 8,089         |
| Interest & Investment Revenue  | 1,163         | 1,282         | 838             | 708           | 785           | 724           | 854           | 930           | 1,009         | 919           | 905           | 899           |
| Other Revenues   | 652           | 644           | 358             | 400           | 400           | 401           | 361           | 361           | 361           | 361           | 361           | 361           |
| Grants & Contributions provided for Operating Purposes                             | 9,504         | 11,108        | 7,747           | 10,165        | 10,577        | 10,988        | 11,404        | 12,043        | 12,632        | 13,314        | 14,027        | 14,788        |
| Grants & Contributions provided for Capital Purposes                               | 501           | 749           | 582             | 538           | 1,422         | 1,409         | 397           | 404           | 382           | 391           | 389           | 388           |
| <b>Other Income:</b>   |               |               |                 |               |               |               |               |               |               |               |               |               |
| Net gains from the disposal of assets  | -             | 454           | -               | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| Joint Ventures & Associated Entities   | -             | -             | -               | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| <b>Total Income from Continuing Operations</b>                                     | <b>28,264</b> | <b>30,896</b> | <b>25,060</b>   | <b>28,584</b> | <b>31,134</b> | <b>32,833</b> | <b>33,552</b> | <b>35,088</b> | <b>36,622</b> | <b>38,105</b> | <b>39,722</b> | <b>41,433</b> |
| <b>Expenses from Continuing Operations</b>   |               |               |                 |               |               |               |               |               |               |               |               |               |
| Employee Benefits & On-Costs   | 11,159        | 11,155        | 11,250          | 11,895        | 12,208        | 12,597        | 13,004        | 13,429        | 13,873        | 14,337        | 14,822        | 15,329        |
| Borrowing Costs  | 222           | 204           | 112             | 367           | 652           | 1,252         | 1,459         | 1,549         | 1,539         | 1,487         | 1,432         | 1,399         |
| Materials & Contracts  | 7,935         | 7,920         | 5,269           | 6,180         | 6,665         | 7,081         | 7,352         | 7,702         | 8,310         | 8,789         | 9,324         | 9,764         |
| Depreciation & Amortisation  | 7,050         | 6,573         | 6,763           | 7,034         | 7,301         | 7,585         | 7,881         | 8,166         | 8,488         | 8,795         | 9,118         | 9,448         |
| Impairment   | 183           | 159           | -               | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| Other Expenses   | 1,592         | 1,970         | 2,716           | 2,856         | 3,045         | 3,220         | 3,435         | 3,643         | 3,859         | 4,086         | 4,319         | 4,560         |
| Interest & Investment Losses   | -             | -             | -               | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| Net Losses from the Disposal of Assets   | 296           | -             | 149             | 102           | 112           | 119           | 129           | 187           | 141           | 139           | 191           | 105           |
| Joint Ventures & Associated Entities   | -             | -             | -               | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| <b>Total Expenses from Continuing Operations</b>                                   | <b>28,437</b> | <b>27,981</b> | <b>26,259</b>   | <b>28,435</b> | <b>29,983</b> | <b>31,853</b> | <b>33,261</b> | <b>34,675</b> | <b>36,208</b> | <b>37,633</b> | <b>39,205</b> | <b>40,606</b> |
| <b>Operating Result from Continuing Operations</b>                                 | <b>(173)</b>  | <b>2,915</b>  | <b>(1,199)</b>  | <b>149</b>    | <b>1,151</b>  | <b>980</b>    | <b>291</b>    | <b>413</b>    | <b>413</b>    | <b>473</b>    | <b>517</b>    | <b>827</b>    |
| Discontinued Operations - Profit/(Loss)  | -             | -             | -               | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| <b>Net Profit/(Loss) from Discontinued Operations</b>                              | <b>-</b>      | <b>-</b>      | <b>-</b>        | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      |
| <b>Net Operating Result for the Year</b>   | <b>(173)</b>  | <b>2,915</b>  | <b>(1,199)</b>  | <b>149</b>    | <b>1,151</b>  | <b>980</b>    | <b>291</b>    | <b>413</b>    | <b>413</b>    | <b>473</b>    | <b>517</b>    | <b>827</b>    |
| Net Operating Result before Grants and Contributions provided for Capital Purposes | (674)         | 2,166         | (1,781)         | (388)         | (271)         | (429)         | (105)         | 9             | 31            | 82            | 128           | 438           |

| <b>FINANCIAL PERFORMANCE INDICATORS - GENERAL FUND</b>                 | <b>Current Year</b> | <b>Projected Years</b> |                |                |                |                |                |                |                |                |                |
|--|---------------------|------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Scenario: Sustainable Services</b>                                  | <b>2011/12</b>      | <b>2012/13</b>         | <b>2013/14</b> | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b> | <b>2017/18</b> | <b>2018/19</b> | <b>2019/20</b> | <b>2020/21</b> | <b>2021/22</b> |
| Unrestricted Current Ratio   | 5.09                | 3.83                   | 3.39           | 3.19           | 2.44           | 2.22           | 2.18           | 1.92           | 1.65           | 1.61           | 1.61           |
| Debt Service Ratio   | 2.17%               | 2.15%                  | 3.08%          | 4.24%          | 5.50%          | 6.19%          | 6.42%          | 6.29%          | 6.04%          | 5.80%          | 5.69%          |
| Rates & Annual Charges Coverage Ratio                                  | 31.91%              | 41.40%                 | 39.50%         | 39.17%         | 40.41%         | 42.32%         | 41.90%         | 41.58%         | 41.38%         | 41.10%         | 40.81%         |
| Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage | 4.28%               | 4.76%                  | 4.74%          | 4.74%          | 4.74%          | 4.74%          | 4.73%          | 4.73%          | 4.73%          | 4.73%          | 4.73%          |
| Building & Infrastructure Renewals Ratio                               | 109.00%             | 112.20%                | 199.06%        | 131.82%        | 126.87%        | 100.29%        | 97.17%         | 112.04%        | 97.19%         | 99.92%         | 98.79%         |

| INCOME STATEMENT - WATER FUND<br>Scenario: Sustainable Services                           | Past Year    | Current Year | Projected Years |              |              |              |              |              |              |              |              |              |
|---|--------------|--------------|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|   | 2010/11      | 2011/12      | 2012/13         | 2013/14      | 2014/15      | 2015/16      | 2016/17      | 2017/18      | 2018/19      | 2019/20      | 2020/21      | 2021/22      |
|   | \$'000       | \$'000       | \$'000          | \$'000       | \$'000       | \$'000       | \$'000       | \$'000       | \$'000       | \$'000       | \$'000       | \$'000       |
| <b>Income from Continuing Operations</b>  |              |              |                 |              |              |              |              |              |              |              |              |              |
| <b>Revenue:</b>   |              |              |                 |              |              |              |              |              |              |              |              |              |
| Rates & Annual Charges  | 772          | 785          | 817             | 817          | 817          | 817          | 817          | 849          | 883          | 919          | 955          | 994          |
| User Charges & Fees   | 1,704        | 1,706        | 1,793           | 1,864        | 1,939        | 2,016        | 2,097        | 2,202        | 2,312        | 2,428        | 2,549        | 2,676        |
| Interest & Investment Revenue   | 360          | 148          | 172             | 136          | 178          | 194          | 282          | 322          | 364          | 333          | 379          | 342          |
| Other Revenues  | -            | 21           | 21              | 21           | 21           | 21           | 21           | 21           | 21           | 21           | 21           | 21           |
| Grants & Contributions provided for Operating Purposes                                    | 191          | 175          | 275             | 285          | 295          | 306          | 164          | 170          | 176          | 182          | 189          | 196          |
| Grants & Contributions provided for Capital Purposes                                      | 210          | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| <b>Other Income:</b>  |              |              |                 |              |              |              |              |              |              |              |              |              |
| Net gains from the disposal of assets   | -            | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Joint Ventures & Associated Entities  | -            | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| <b>Total Income from Continuing Operations</b>  | <b>3,237</b> | <b>2,835</b> | <b>3,077</b>    | <b>3,122</b> | <b>3,249</b> | <b>3,353</b> | <b>3,380</b> | <b>3,564</b> | <b>3,756</b> | <b>3,882</b> | <b>4,093</b> | <b>4,228</b> |
| <b>Expenses from Continuing Operations</b>  |              |              |                 |              |              |              |              |              |              |              |              |              |
| Employee Benefits & On-Costs  | 763          | 332          | 354             | 369          | 384          | 401          | 418          | 435          | 454          | 473          | 493          | 514          |
| Borrowing Costs   | -            | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Materials & Contracts   | 326          | 1,066        | 1,334           | 1,497        | 1,577        | 1,661        | 1,711        | 1,793        | 1,879        | 1,968        | 2,062        | 2,161        |
| Depreciation & Amortisation   | 742          | 710          | 736             | 762          | 790          | 818          | 848          | 878          | 910          | 943          | 977          | 1,012        |
| Impairment  | -            | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Other Expenses  | 449          | 271          | 295             | 331          | 349          | 366          | 384          | 402          | 422          | 442          | 463          | 485          |
| Interest & Investment Losses  | -            | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Net Losses from the Disposal of Assets  | 198          | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Joint Ventures & Associated Entities  | -            | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| <b>Total Expenses from Continuing Operations</b>  | <b>2,478</b> | <b>2,378</b> | <b>2,719</b>    | <b>2,959</b> | <b>3,101</b> | <b>3,246</b> | <b>3,360</b> | <b>3,509</b> | <b>3,664</b> | <b>3,826</b> | <b>3,995</b> | <b>4,172</b> |
| <b>Operating Result from Continuing Operations</b>  | <b>759</b>   | <b>457</b>   | <b>358</b>      | <b>163</b>   | <b>148</b>   | <b>107</b>   | <b>20</b>    | <b>55</b>    | <b>92</b>    | <b>56</b>    | <b>97</b>    | <b>56</b>    |
| Discontinued Operations - Profit/(Loss)   | -            | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| <b>Net Profit/(Loss) from Discontinued Operations</b>                                     | <b>-</b>     | <b>-</b>     | <b>-</b>        | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     |
| <b>Net Operating Result for the Year</b>  | <b>759</b>   | <b>457</b>   | <b>358</b>      | <b>163</b>   | <b>148</b>   | <b>107</b>   | <b>20</b>    | <b>55</b>    | <b>92</b>    | <b>56</b>    | <b>97</b>    | <b>56</b>    |
| <b>Net Operating Result before Grants and Contributions provided for Capital Purposes</b> | <b>549</b>   | <b>457</b>   | <b>358</b>      | <b>163</b>   | <b>148</b>   | <b>107</b>   | <b>20</b>    | <b>55</b>    | <b>92</b>    | <b>56</b>    | <b>97</b>    | <b>56</b>    |

| <b>FINANCIAL PERFORMANCE INDICATORS - WATER FUND</b>                   | <b>Current Year</b> |                | <b>Projected Years</b> |                |                |                |                |                |                |                |                |
|--|---------------------|----------------|------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Scenario: Sustainable Services</b>                                  | <b>2011/12</b>      | <b>2012/13</b> | <b>2013/14</b>         | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b> | <b>2017/18</b> | <b>2018/19</b> | <b>2019/20</b> | <b>2020/21</b> | <b>2021/22</b> |
| Unrestricted Current Ratio   | 0.00                | 0.00           | 0.00                   | 0.00           | 0.00           | 0.00           | 0.00           | 0.00           | 0.00           | 0.00           | 0.00           |
| Debt Service Ratio   | 0.00%               | 0.00%          | 0.00%                  | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          |
| Rates & Annual Charges Coverage Ratio                                  | 27.70%              | 26.54%         | 26.16%                 | 25.14%         | 24.36%         | 24.16%         | 23.83%         | 23.52%         | 23.67%         | 23.34%         | 23.50%         |
| Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage | 22.69%              | 25.08%         | 22.06%                 | 19.11%         | 15.91%         | 12.45%         | 8.71%          | 9.10%          | 7.28%          | 7.41%          | 7.41%          |
| Building & Infrastructure Renewals Ratio *)                            | 44.00%              | 101.44%        | 59.02%                 | 53.62%         | 120.43%        | 53.29%         | 52.98%         | 52.67%         | 52.37%         | 52.06%         | 220.44%        |

| INCOME STATEMENT - SEWER FUND<br>Scenario: Sustainable Services                    | Past Year    | Current Year | Projected Years |              |              |              |              |              |              |              |              |              |
|--|--------------|--------------|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|  | 2010/11      | 2011/12      | 2012/13         | 2013/14      | 2014/15      | 2015/16      | 2016/17      | 2017/18      | 2018/19      | 2019/20      | 2020/21      | 2021/22      |
|  | \$'000       | \$'000       | \$'000          | \$'000       | \$'000       | \$'000       | \$'000       | \$'000       | \$'000       | \$'000       | \$'000       | \$'000       |
| <b>Income from Continuing Operations</b>   |              |              |                 |              |              |              |              |              |              |              |              |              |
| <b>Revenue:</b>  |              |              |                 |              |              |              |              |              |              |              |              |              |
| Rates & Annual Charges   | 1,146        | 1,346        | 1,461           | 1,578        | 1,704        | 1,806        | 1,914        | 2,029        | 2,151        | 2,237        | 2,326        | 2,420        |
| User Charges & Fees  | 317          | 347          | 364             | 382          | 401          | 421          | 442          | 464          | 488          | 512          | 538          | 564          |
| Interest & Investment Revenue  | 277          | 140          | 157             | 155          | 178          | 172          | 112          | 127          | 142          | 157          | 172          | 187          |
| Other Revenues   | -            | 1            | 1               | 1            | 1            | 1            | 1            | 1            | 1            | 1            | 1            | 1            |
| Grants & Contributions provided for Operating Purposes                             | 51           | 41           | 71              | 74           | 77           | 79           | 58           | 60           | 62           | 64           | 66           | 69           |
| Grants & Contributions provided for Capital Purposes                               | -            | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| <b>Other Income:</b>   |              |              |                 |              |              |              |              |              |              |              |              |              |
| Net gains from the disposal of assets  | -            | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Joint Ventures & Associated Entities   | -            | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| <b>Total Income from Continuing Operations</b>                                     | <b>1,791</b> | <b>1,875</b> | <b>2,054</b>    | <b>2,189</b> | <b>2,360</b> | <b>2,479</b> | <b>2,527</b> | <b>2,681</b> | <b>2,843</b> | <b>2,971</b> | <b>3,103</b> | <b>3,241</b> |
| <b>Expenses from Continuing Operations</b>   |              |              |                 |              |              |              |              |              |              |              |              |              |
| Employee Benefits & On-Costs   | 370          | 202          | 209             | 218          | 228          | 237          | 248          | 258          | 269          | 281          | 293          | 306          |
| Borrowing Costs  | -            | -            | -               | -            | -            | 280          | 365          | 356          | 346          | 336          | 436          | 458          |
| Materials & Contracts  | 192          | 466          | 724             | 766          | 807          | 849          | 890          | 932          | 977          | 1,023        | 1,072        | 1,124        |
| Depreciation & Amortisation  | 739          | 740          | 740             | 767          | 794          | 823          | 852          | 883          | 915          | 948          | 982          | 1,017        |
| Impairment   | -            | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Other Expenses   | 157          | 126          | 135             | 145          | 154          | 161          | 169          | 177          | 186          | 195          | 204          | 214          |
| Interest & Investment Losses   | -            | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Net Losses from the Disposal of Assets   | -            | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Joint Ventures & Associated Entities   | -            | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| <b>Total Expenses from Continuing Operations</b>                                   | <b>1,458</b> | <b>1,533</b> | <b>1,808</b>    | <b>1,896</b> | <b>1,982</b> | <b>2,350</b> | <b>2,524</b> | <b>2,607</b> | <b>2,693</b> | <b>2,783</b> | <b>2,988</b> | <b>3,119</b> |
| <b>Operating Result from Continuing Operations</b>                                 | <b>333</b>   | <b>342</b>   | <b>246</b>      | <b>294</b>   | <b>379</b>   | <b>129</b>   | <b>3</b>     | <b>74</b>    | <b>150</b>   | <b>188</b>   | <b>116</b>   | <b>122</b>   |
| Discontinued Operations - Profit/(Loss)  | -            | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| <b>Net Profit/(Loss) from Discontinued Operations</b>                              | <b>-</b>     | <b>-</b>     | <b>-</b>        | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     |
| <b>Net Operating Result for the Year</b>   | <b>333</b>   | <b>342</b>   | <b>246</b>      | <b>294</b>   | <b>379</b>   | <b>129</b>   | <b>3</b>     | <b>74</b>    | <b>150</b>   | <b>188</b>   | <b>116</b>   | <b>122</b>   |
| Net Operating Result before Grants and Contributions provided for Capital Purposes | 333          | 342          | 246             | 294          | 379          | 129          | 3            | 74           | 150          | 188          | 116          | 122          |

| <b>FINANCIAL PERFORMANCE INDICATORS - SEWER FUND</b>                   | <b>Past Years</b> | <b>Current Year</b> | <b>Projected Years</b> |                |                |                |                |                |                |                |                |                |
|--|-------------------|---------------------|------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Scenario: Sustainable Services</b>                                  | <b>2007/08</b>    | <b>2011/12</b>      | <b>2012/13</b>         | <b>2013/14</b> | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b> | <b>2017/18</b> | <b>2018/19</b> | <b>2019/20</b> | <b>2020/21</b> | <b>2021/22</b> |
| Unrestricted Current Ratio   |                   | 0.00                | 0.00                   | 0.00           | 0.00           | 2.26           | 2.10           | 1.95           | 1.81           | 1.68           | 1.22           | 1.14           |
| Debt Service Ratio   |                   | 0.00%               | 0.00%                  | 0.00%          | 0.00%          | 14.66%         | 19.18%         | 18.08%         | 17.05%         | 16.32%         | 20.31%         | 20.94%         |
| Rates & Annual Charges Coverage Ratio                                  |                   | 71.80%              | 71.12%                 | 72.05%         | 72.18%         | 72.84%         | 75.75%         | 75.68%         | 75.65%         | 75.30%         | 74.97%         | 74.66%         |
| Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage |                   | 12.89%              | 10.92%                 | 8.92%          | 9.11%          | 7.28%          | 7.41%          | 7.41%          | 7.41%          | 7.40%          | 7.40%          | 7.40%          |
| Building & Infrastructure Renewals Ratio                               |                   | 38.00%              | 47.57%                 | 153.63%        | 34.73%         | 763.72%        | 450.77%        | 34.13%         | 33.93%         | 33.74%         | 33.54%         | 33.35%         |

| INCOME STATEMENT - CONSOLIDATED<br>Scenario: Current Income                        | Past Year     | Current Year  | Projected Years |               |               |               |               |               |               |               |               |               |
|--|---------------|---------------|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | 2010/11       | 2011/12       | 2012/13         | 2013/14       | 2014/15       | 2015/16       | 2016/17       | 2017/18       | 2018/19       | 2019/20       | 2020/21       | 2021/22       |
|  | \$'000        | \$'000        | \$'000          | \$'000        | \$'000        | \$'000        | \$'000        | \$'000        | \$'000        | \$'000        | \$'000        | \$'000        |
| <b>Income from Continuing Operations</b>   |               |               |                 |               |               |               |               |               |               |               |               |               |
| <b>Revenue:</b>  |               |               |                 |               |               |               |               |               |               |               |               |               |
| Rates & Annual Charges   | 11,472        | 12,183        | 12,643          | 13,157        | 13,690        | 14,193        | 14,715        | 15,255        | 15,816        | 16,397        | 17,000        | 17,625        |
| User Charges & Fees  | 8,911         | 6,933         | 7,308           | 7,753         | 8,154         | 8,563         | 8,984         | 9,425         | 9,888         | 10,374        | 10,884        | 11,419        |
| Interest & Investment Revenue  | 1,800         | 1,271         | 1,006           | 968           | 1,040         | 1,040         | 1,003         | 1,063         | 1,129         | 1,123         | 1,170         | 1,162         |
| Other Revenues   | 652           | 432           | 380             | 420           | 420           | 421           | 381           | 381           | 381           | 381           | 381           | 381           |
| Grants & Contributions provided for Operating Purposes                             | 9,746         | 8,664         | 9,737           | 10,378        | 10,968        | 11,534        | 11,814        | 12,440        | 13,103        | 13,806        | 14,551        | 15,342        |
| Grants & Contributions provided for Capital Purposes                               | 711           | 5,320         | 302             | 298           | 1,202         | 1,209         | 217           | 224           | 232           | 241           | 249           | 258           |
| <b>Other Income:</b>   |               |               |                 |               |               |               |               |               |               |               |               |               |
| Net gains from the disposal of assets  | -             | -             | -               | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| Joint Ventures & Associated Entities   | -             | -             | -               | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| <b>Total Income from Continuing Operations</b>                                     | <b>33,292</b> | <b>34,803</b> | <b>31,376</b>   | <b>32,974</b> | <b>35,475</b> | <b>36,959</b> | <b>37,113</b> | <b>38,789</b> | <b>40,550</b> | <b>42,322</b> | <b>44,237</b> | <b>46,187</b> |
| <b>Expenses from Continuing Operations</b>   |               |               |                 |               |               |               |               |               |               |               |               |               |
| Employee Benefits & On-Costs   | 12,292        | 11,071        | 11,683          | 12,048        | 12,430        | 12,828        | 13,245        | 13,680        | 14,134        | 14,609        | 15,106        | 15,624        |
| Borrowing Costs  | 222           | 139           | 112             | 87            | 63            | 342           | 432           | 420           | 407           | 393           | 378           | 362           |
| Materials & Contracts  | 8,453         | 7,511         | 7,187           | 7,920         | 8,417         | 8,925         | 9,249         | 9,675         | 10,186        | 10,723        | 11,349        | 11,885        |
| Depreciation & Amortisation  | 8,531         | 8,413         | 8,710           | 9,028         | 9,363         | 9,704         | 10,058        | 10,421        | 10,804        | 11,195        | 11,599        | 12,019        |
| Impairment   | 183           | -             | -               | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| Other Expenses   | 2,198         | 2,939         | 3,025           | 3,232         | 3,451         | 3,645         | 3,877         | 4,106         | 4,345         | 4,597         | 4,855         | 5,124         |
| Interest & Investment Losses   | -             | -             | -               | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| Net Losses from the Disposal of Assets   | 494           | -             | 149             | 102           | 112           | 119           | 129           | 187           | 141           | 139           | 191           | 105           |
| Joint Ventures & Associated Entities   | -             | -             | -               | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| <b>Total Expenses from Continuing Operations</b>                                   | <b>32,373</b> | <b>30,072</b> | <b>30,866</b>   | <b>32,417</b> | <b>33,836</b> | <b>35,563</b> | <b>36,989</b> | <b>38,488</b> | <b>40,017</b> | <b>41,656</b> | <b>43,478</b> | <b>45,119</b> |
| <b>Operating Result from Continuing Operations</b>                                 | <b>919</b>    | <b>4,731</b>  | <b>510</b>      | <b>558</b>    | <b>1,639</b>  | <b>1,396</b>  | <b>124</b>    | <b>301</b>    | <b>533</b>    | <b>666</b>    | <b>758</b>    | <b>1,068</b>  |
| Discontinued Operations - Profit/(Loss)  | -             | -             | -               | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| <b>Net Profit/(Loss) from Discontinued Operations</b>                              | <b>-</b>      | <b>-</b>      | <b>-</b>        | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      |
| <b>Net Operating Result for the Year</b>   | <b>919</b>    | <b>4,731</b>  | <b>510</b>      | <b>558</b>    | <b>1,639</b>  | <b>1,396</b>  | <b>124</b>    | <b>301</b>    | <b>533</b>    | <b>666</b>    | <b>758</b>    | <b>1,068</b>  |
| Net Operating Result before Grants and Contributions provided for Capital Purposes | 208           | (589)         | 208             | 260           | 437           | 187           | (93)          | 76            | 300           | 426           | 509           | 810           |

| <b>FINANCIAL PERFORMANCE INDICATORS</b>                                | <b>Current Year</b> | <b>Projected Years</b> |                |                |                |                |                |                |                |                |                |
|--|---------------------|------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Scenario: Current Income</b>  | <b>2011/12</b>      | <b>2012/13</b>         | <b>2013/14</b> | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b> | <b>2017/18</b> | <b>2018/19</b> | <b>2019/20</b> | <b>2020/21</b> | <b>2021/22</b> |
| Unrestricted Current Ratio   | 3.81                | 3.47                   | 0.92           | 0.16           | -0.54          | -0.42          | -0.30          | -0.23          | 0.02           | 0.26           | 0.55           |
| Debt Service Ratio   | 1.98%               | 1.69%                  | 1.49%          | 1.34%          | 1.31%          | 1.62%          | 1.55%          | 1.48%          | 1.42%          | 1.36%          | 1.30%          |
| Rates & Annual Charges Coverage Ratio                                  | 35.01%              | 40.29%                 | 39.90%         | 38.59%         | 38.40%         | 39.65%         | 39.33%         | 39.00%         | 38.74%         | 38.43%         | 38.16%         |
| Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage | 7.93%               | 6.83%                  | 6.32%          | 6.07%          | 5.57%          | 5.30%          | 5.01%          | 5.03%          | 4.91%          | 4.91%          | 4.91%          |
| Building & Infrastructure Renewals Ratio                               | 97.00%              | 118.52%                | 222.36%        | 131.13%        | 191.69%        | 121.80%        | 93.62%         | 96.58%         | 111.04%        | 86.61%         | 99.95%         |

| INCOME STATEMENT - GENERAL FUND<br>Scenario: Current Income                               | Past Year     | Current Year   | Projected Years |               |               |               |               |               |               |               |               |               |
|---|---------------|----------------|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|   | 2010/11       | 2011/12        | 2012/13         | 2013/14       | 2014/15       | 2015/16       | 2016/17       | 2017/18       | 2018/19       | 2019/20       | 2020/21       | 2021/22       |
|   | \$'000        | \$'000         | \$'000          | \$'000        | \$'000        | \$'000        | \$'000        | \$'000        | \$'000        | \$'000        | \$'000        | \$'000        |
| <b>Income from Continuing Operations</b>  |               |                |                 |               |               |               |               |               |               |               |               |               |
| <b>Revenue:</b>   |               |                |                 |               |               |               |               |               |               |               |               |               |
| Rates & Annual Charges  | 9,554         | 10,052         | 10,376          | 10,749        | 11,136        | 11,537        | 11,952        | 12,383        | 12,829        | 13,290        | 13,769        | 14,265        |
| User Charges & Fees   | 6,890         | 4,881          | 5,136           | 5,458         | 5,730         | 6,017         | 6,311         | 6,618         | 6,941         | 7,279         | 7,634         | 8,007         |
| Interest & Investment Revenue   | 1,163         | 983            | 678             | 678           | 685           | 674           | 674           | 680           | 689           | 699           | 685           | 699           |
| Other Revenues  | 652           | 410            | 358             | 398           | 398           | 399           | 359           | 359           | 359           | 359           | 359           | 359           |
| Grants & Contributions provided for Operating Purposes                                    | 9,504         | 8,447          | 9,391           | 10,020        | 10,597        | 11,149        | 11,593        | 12,211        | 12,865        | 13,559        | 14,296        | 15,077        |
| Grants & Contributions provided for Capital Purposes                                      | 501           | 5,320          | 302             | 298           | 1,202         | 1,209         | 217           | 224           | 232           | 241           | 249           | 258           |
| <b>Other Income:</b>  |               |                |                 |               |               |               |               |               |               |               |               |               |
| Net gains from the disposal of assets   | -             | -              | -               | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| Joint Ventures & Associated Entities  | -             | -              | -               | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| <b>Total Income from Continuing Operations</b>  | <b>28,264</b> | <b>30,093</b>  | <b>26,241</b>   | <b>27,601</b> | <b>29,748</b> | <b>30,985</b> | <b>31,106</b> | <b>32,475</b> | <b>33,915</b> | <b>35,428</b> | <b>36,993</b> | <b>38,665</b> |
| <b>Expenses from Continuing Operations</b>  |               |                |                 |               |               |               |               |               |               |               |               |               |
| Employee Benefits & On-Costs  | 11,159        | 10,537         | 11,149          | 11,491        | 11,849        | 12,222        | 12,612        | 13,020        | 13,446        | 13,891        | 14,356        | 14,842        |
| Borrowing Costs   | 222           | 139            | 112             | 87            | 63            | 44            | 41            | 39            | 36            | 33            | 30            | 26            |
| Materials & Contracts   | 7,935         | 5,980          | 5,347           | 5,970         | 6,363         | 6,761         | 6,982         | 7,298         | 7,695         | 8,114         | 8,615         | 9,019         |
| Depreciation & Amortisation   | 7,050         | 6,964          | 7,234           | 7,499         | 7,779         | 8,063         | 8,358         | 8,660         | 8,980         | 9,304         | 9,641         | 9,990         |
| Impairment  | 183           | -              | -               | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| Other Expenses  | 1,592         | 2,542          | 2,628           | 2,806         | 3,001         | 3,172         | 3,381         | 3,587         | 3,801         | 4,026         | 4,256         | 4,496         |
| Interest & Investment Losses  | -             | -              | -               | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| Net Losses from the Disposal of Assets  | 296           | -              | 149             | 102           | 112           | 119           | 129           | 187           | 141           | 139           | 191           | 105           |
| Joint Ventures & Associated Entities  | -             | -              | -               | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| <b>Total Expenses from Continuing Operations</b>  | <b>28,437</b> | <b>26,162</b>  | <b>26,620</b>   | <b>27,956</b> | <b>29,167</b> | <b>30,381</b> | <b>31,504</b> | <b>32,791</b> | <b>34,098</b> | <b>35,507</b> | <b>37,089</b> | <b>38,479</b> |
| <b>Operating Result from Continuing Operations</b>  | <b>(173)</b>  | <b>3,932</b>   | <b>(378)</b>    | <b>(355)</b>  | <b>581</b>    | <b>604</b>    | <b>(398)</b>  | <b>(316)</b>  | <b>(183)</b>  | <b>(79)</b>   | <b>(95)</b>   | <b>187</b>    |
| Discontinued Operations - Profit/(Loss)   | -             | -              | -               | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| <b>Net Profit/(Loss) from Discontinued Operations</b>                                     | <b>-</b>      | <b>-</b>       | <b>-</b>        | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      |
| <b>Net Operating Result for the Year</b>  | <b>(173)</b>  | <b>3,932</b>   | <b>(378)</b>    | <b>(355)</b>  | <b>581</b>    | <b>604</b>    | <b>(398)</b>  | <b>(316)</b>  | <b>(183)</b>  | <b>(79)</b>   | <b>(95)</b>   | <b>187</b>    |
| <b>Net Operating Result before Grants and Contributions provided for Capital Purposes</b> | <b>(674)</b>  | <b>(1,388)</b> | <b>(680)</b>    | <b>(653)</b>  | <b>(621)</b>  | <b>(605)</b>  | <b>(615)</b>  | <b>(540)</b>  | <b>(416)</b>  | <b>(319)</b>  | <b>(345)</b>  | <b>(72)</b>   |

| <b>FINANCIAL PERFORMANCE INDICATORS - GENERAL FUND</b>                 | <b>Current Year</b> | <b>Projected Years</b> |                |                |                |                |                |                |                |                |                |
|--|---------------------|------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Scenario: Current Income</b>  | <b>2011/12</b>      | <b>2012/13</b>         | <b>2013/14</b> | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b> | <b>2017/18</b> | <b>2018/19</b> | <b>2019/20</b> | <b>2020/21</b> | <b>2021/22</b> |
| Unrestricted Current Ratio   | 2.74                | 2.57                   | 0.92           | 0.16           | -0.54          | -0.42          | -0.30          | -0.23          | 0.02           | 0.26           | 0.55           |
| Debt Service Ratio   | 2.36%               | 2.03%                  | 1.79%          | 1.61%          | 0.27%          | 0.26%          | 0.25%          | 0.24%          | 0.23%          | 0.22%          | 0.21%          |
| Rates & Annual Charges Coverage Ratio                                  | 33.40%              | 39.54%                 | 38.95%         | 37.44%         | 37.23%         | 38.43%         | 38.13%         | 37.83%         | 37.51%         | 37.22%         | 36.89%         |
| Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage | 4.29%               | 4.31%                  | 4.31%          | 4.31%          | 4.31%          | 4.31%          | 4.31%          | 4.31%          | 4.31%          | 4.31%          | 4.31%          |
| Building & Infrastructure Renewals Ratio                               | 109.00%             | 112.20%                | 199.06%        | 131.82%        | 126.87%        | 100.29%        | 97.17%         | 112.04%        | 97.19%         | 99.92%         | 98.79%         |

| INCOME STATEMENT - WATER FUND<br>Scenario: Current Income                          | Past Year    | Current Year | Projected Years |              |              |              |              |              |              |              |              |              |
|--|--------------|--------------|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|  | 2010/11      | 2011/12      | 2012/13         | 2013/14      | 2014/15      | 2015/16      | 2016/17      | 2017/18      | 2018/19      | 2019/20      | 2020/21      | 2021/22      |
|  | \$'000       | \$'000       | \$'000          | \$'000       | \$'000       | \$'000       | \$'000       | \$'000       | \$'000       | \$'000       | \$'000       | \$'000       |
| <b>Income from Continuing Operations</b>   |              |              |                 |              |              |              |              |              |              |              |              |              |
| <b>Revenue:</b>  |              |              |                 |              |              |              |              |              |              |              |              |              |
| Rates & Annual Charges   | 772          | 785          | 817             | 849          | 883          | 919          | 955          | 994          | 1,033        | 1,075        | 1,118        | 1,162        |
| User Charges & Fees  | 1,704        | 1,706        | 1,793           | 1,882        | 1,976        | 2,075        | 2,179        | 2,288        | 2,402        | 2,522        | 2,648        | 2,781        |
| Interest & Investment Revenue  | 360          | 148          | 172             | 136          | 178          | 194          | 232          | 272          | 314          | 283          | 329          | 292          |
| Other Revenues   | -            | 21           | 21              | 21           | 21           | 21           | 21           | 21           | 21           | 21           | 21           | 21           |
| Grants & Contributions provided for Operating Purposes                             | 191          | 175          | 275             | 285          | 295          | 306          | 164          | 170          | 176          | 182          | 189          | 196          |
| Grants & Contributions provided for Capital Purposes                               | 210          | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| <b>Other Income:</b>   |              |              |                 |              |              |              |              |              |              |              |              |              |
| Net gains from the disposal of assets  | -            | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Joint Ventures & Associated Entities   | -            | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| <b>Total Income from Continuing Operations</b>                                     | <b>3,237</b> | <b>2,835</b> | <b>3,077</b>    | <b>3,173</b> | <b>3,353</b> | <b>3,514</b> | <b>3,551</b> | <b>3,744</b> | <b>3,946</b> | <b>4,083</b> | <b>4,304</b> | <b>4,451</b> |
| <b>Expenses from Continuing Operations</b>   |              |              |                 |              |              |              |              |              |              |              |              |              |
| Employee Benefits & On-Costs   | 763          | 332          | 332             | 346          | 361          | 377          | 393          | 410          | 428          | 447          | 466          | 487          |
| Borrowing Costs  | -            | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Materials & Contracts  | 326          | 1,066        | 1,231           | 1,303        | 1,372        | 1,446        | 1,515        | 1,587        | 1,663        | 1,743        | 1,826        | 1,913        |
| Depreciation & Amortisation  | 742          | 710          | 736             | 762          | 790          | 818          | 848          | 878          | 910          | 943          | 977          | 1,012        |
| Impairment   | -            | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Other Expenses   | 449          | 271          | 271             | 291          | 308          | 323          | 338          | 355          | 372          | 390          | 409          | 429          |
| Interest & Investment Losses   | -            | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Net Losses from the Disposal of Assets   | 198          | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Joint Ventures & Associated Entities   | -            | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| <b>Total Expenses from Continuing Operations</b>                                   | <b>2,478</b> | <b>2,378</b> | <b>2,569</b>    | <b>2,702</b> | <b>2,831</b> | <b>2,963</b> | <b>3,094</b> | <b>3,230</b> | <b>3,373</b> | <b>3,522</b> | <b>3,678</b> | <b>3,841</b> |
| <b>Operating Result from Continuing Operations</b>                                 | <b>759</b>   | <b>457</b>   | <b>508</b>      | <b>470</b>   | <b>522</b>   | <b>551</b>   | <b>457</b>   | <b>513</b>   | <b>573</b>   | <b>561</b>   | <b>626</b>   | <b>611</b>   |
| Discontinued Operations - Profit/(Loss)  | -            | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| <b>Net Profit/(Loss) from Discontinued Operations</b>                              | <b>-</b>     | <b>-</b>     | <b>-</b>        | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     |
| <b>Net Operating Result for the Year</b>   | <b>759</b>   | <b>457</b>   | <b>508</b>      | <b>470</b>   | <b>522</b>   | <b>551</b>   | <b>457</b>   | <b>513</b>   | <b>573</b>   | <b>561</b>   | <b>626</b>   | <b>611</b>   |
| Net Operating Result before Grants and Contributions provided for Capital Purposes | 549          | 457          | 508             | 470          | 522          | 551          | 457          | 513          | 573          | 561          | 626          | 611          |

| <b>FINANCIAL PERFORMANCE INDICATORS - WATER FUND</b>                   | <b>Current Year</b> | <b>Projected Years</b> |                |                |                |                |                |                |                |                |                |
|--|---------------------|------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Scenario: Current Income</b>  | <b>2011/12</b>      | <b>2012/13</b>         | <b>2013/14</b> | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b> | <b>2017/18</b> | <b>2018/19</b> | <b>2019/20</b> | <b>2020/21</b> | <b>2021/22</b> |
| Unrestricted Current Ratio   | 0.00                | 0.00                   | 0.00           | 0.00           | 0.00           | 0.00           | 0.00           | 0.00           | 0.00           | 0.00           | 0.00           |
| Debt Service Ratio   | 0.00%               | 0.00%                  | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          | 0.00%          |
| Rates & Annual Charges Coverage Ratio                                  | 27.70%              | 26.54%                 | 26.77%         | 26.34%         | 26.14%         | 26.91%         | 26.54%         | 26.19%         | 26.32%         | 25.97%         | 26.11%         |
| Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage | 22.69%              | 25.08%                 | 22.29%         | 19.28%         | 16.04%         | 12.53%         | 8.71%          | 9.10%          | 7.28%          | 7.41%          | 7.41%          |
| Building & Infrastructure Renewals Ratio                               | 44.00%              | 101.44%                | 59.02%         | 53.62%         | 120.43%        | 53.29%         | 52.98%         | 52.67%         | 52.37%         | 52.06%         | 220.44%        |

| INCOME STATEMENT - SEWER FUND<br>Scenario: Current Income                                 | Past Year    | Current Year | Projected Years |              |              |              |              |              |              |              |              |              |
|---|--------------|--------------|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|   | 2010/11      | 2011/12      | 2012/13         | 2013/14      | 2014/15      | 2015/16      | 2016/17      | 2017/18      | 2018/19      | 2019/20      | 2020/21      | 2021/22      |
|   | \$'000       | \$'000       | \$'000          | \$'000       | \$'000       | \$'000       | \$'000       | \$'000       | \$'000       | \$'000       | \$'000       | \$'000       |
| <b>Income from Continuing Operations</b>  |              |              |                 |              |              |              |              |              |              |              |              |              |
| <b>Revenue:</b>   |              |              |                 |              |              |              |              |              |              |              |              |              |
| Rates & Annual Charges  | 1,146        | 1,346        | 1,450           | 1,558        | 1,670        | 1,737        | 1,807        | 1,879        | 1,954        | 2,032        | 2,114        | 2,198        |
| User Charges & Fees   | 317          | 347          | 379             | 413          | 448          | 471          | 494          | 519          | 545          | 572          | 601          | 631          |
| Interest & Investment Revenue   | 277          | 140          | 157             | 155          | 178          | 172          | 97           | 112          | 127          | 142          | 157          | 172          |
| Other Revenues  | -            | 1            | 1               | 1            | 1            | 1            | 1            | 1            | 1            | 1            | 1            | 1            |
| Grants & Contributions provided for Operating Purposes                                    | 51           | 41           | 71              | 74           | 77           | 79           | 58           | 60           | 62           | 64           | 66           | 69           |
| Grants & Contributions provided for Capital Purposes                                      | -            | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| <b>Other Income:</b>  |              |              |                 |              |              |              |              |              |              |              |              |              |
| Net gains from the disposal of assets   | -            | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Joint Ventures & Associated Entities  | -            | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| <b>Total Income from Continuing Operations</b>  | <b>1,791</b> | <b>1,875</b> | <b>2,058</b>    | <b>2,201</b> | <b>2,374</b> | <b>2,460</b> | <b>2,457</b> | <b>2,571</b> | <b>2,689</b> | <b>2,812</b> | <b>2,939</b> | <b>3,071</b> |
| <b>Expenses from Continuing Operations</b>  |              |              |                 |              |              |              |              |              |              |              |              |              |
| Employee Benefits & On-Costs  | 370          | 202          | 202             | 211          | 220          | 229          | 239          | 249          | 260          | 271          | 283          | 295          |
| Borrowing Costs   | -            | -            | -               | -            | -            | 298          | 390          | 381          | 371          | 360          | 348          | 336          |
| Materials & Contracts   | 192          | 466          | 610             | 646          | 681          | 718          | 753          | 789          | 827          | 867          | 909          | 952          |
| Depreciation & Amortisation   | 739          | 740          | 740             | 767          | 794          | 823          | 852          | 883          | 915          | 948          | 982          | 1,017        |
| Impairment  | -            | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Other Expenses  | 157          | 126          | 126             | 135          | 143          | 150          | 157          | 165          | 173          | 181          | 190          | 199          |
| Interest & Investment Losses  | -            | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Net Losses from the Disposal of Assets  | -            | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Joint Ventures & Associated Entities  | -            | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| <b>Total Expenses from Continuing Operations</b>  | <b>1,458</b> | <b>1,533</b> | <b>1,677</b>    | <b>1,759</b> | <b>1,838</b> | <b>2,218</b> | <b>2,392</b> | <b>2,467</b> | <b>2,546</b> | <b>2,627</b> | <b>2,712</b> | <b>2,800</b> |
| <b>Operating Result from Continuing Operations</b>  | <b>333</b>   | <b>342</b>   | <b>381</b>      | <b>442</b>   | <b>536</b>   | <b>242</b>   | <b>65</b>    | <b>103</b>   | <b>143</b>   | <b>184</b>   | <b>227</b>   | <b>271</b>   |
| Discontinued Operations - Profit/(Loss)   | -            | -            | -               | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| <b>Net Profit/(Loss) from Discontinued Operations</b>                                     | <b>-</b>     | <b>-</b>     | <b>-</b>        | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     |
| <b>Net Operating Result for the Year</b>  | <b>333</b>   | <b>342</b>   | <b>381</b>      | <b>442</b>   | <b>536</b>   | <b>242</b>   | <b>65</b>    | <b>103</b>   | <b>143</b>   | <b>184</b>   | <b>227</b>   | <b>271</b>   |
| <b>Net Operating Result before Grants and Contributions provided for Capital Purposes</b> | <b>333</b>   | <b>342</b>   | <b>381</b>      | <b>442</b>   | <b>536</b>   | <b>242</b>   | <b>65</b>    | <b>103</b>   | <b>143</b>   | <b>184</b>   | <b>227</b>   | <b>271</b>   |

| <b>FINANCIAL PERFORMANCE INDICATORS - SEWER FUND</b>                   | <b>Current Year</b> |                |                |                | <b>Projected Years</b> |                |                |                |                |                |                |  |
|--|---------------------|----------------|----------------|----------------|------------------------|----------------|----------------|----------------|----------------|----------------|----------------|--|
| <b>Scenario: Current Income</b>  | <b>2011/12</b>      | <b>2012/13</b> | <b>2013/14</b> | <b>2014/15</b> | <b>2015/16</b>         | <b>2016/17</b> | <b>2017/18</b> | <b>2018/19</b> | <b>2019/20</b> | <b>2020/21</b> | <b>2021/22</b> |  |
| Unrestricted Current Ratio   | 0.00                | 0.00           | 0.00           | 0.00           | #REF!                  | #REF!          | #REF!          | #REF!          | #REF!          | #REF!          | #REF!          |  |
| Debt Service Ratio   | 0.00%               | 0.00%          | 0.00%          | 0.00%          | 12.13%                 | 15.89%         | 14.83%         | 13.80%         | 12.81%         | 11.85%         | 10.93%         |  |
| Rates & Annual Charges Coverage Ratio                                  | 71.80%              | 70.45%         | 70.80%         | 70.35%         | 70.61%                 | 73.54%         | 73.09%         | 72.67%         | 72.28%         | 71.92%         | 71.58%         |  |
| Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage | 12.89%              | 10.91%         | 8.91%          | 9.11%          | 7.27%                  | 7.40%          | 7.40%          | 7.40%          | 7.40%          | 7.40%          | 7.40%          |  |
| Building & Infrastructure Renewals Ratio                               | 38.00%              | 47.57%         | 153.63%        | 34.73%         | 763.72%                | 450.77%        | 34.13%         | 33.93%         | 33.74%         | 33.54%         | 33.35%         |  |

Council's infrastructure renewal backlog has been valued at \$25.7 million and the special variation of rating is designed to allow Council to close its annual operating gap and simultaneously provide the annual funding source to service debt funding and address the aforementioned backlog over the 10 year period. Capital projects to be funded can be seen on pages 22-24 of GSC's OP <http://www.gunnedah.nsw.gov.au/index.php/our-future/integrated-planning-and-reporting>.

## **4. Criterion 2: Community engagement**

### **4.1 The consultation strategy**

There are two parts to GSC's special rate variation process, part 1 encompassed the period before the first set of Integrated Planning and Reporting documents were finalised in 2012 and part 2 encompasses the period between 21 November when elected officials decided to pursue the special rate variation and the finalisation of the submission on 7 March 2013.

#### **Part 1 2011 – mid 2012**

On 20 June 2010 Council adopted a Community Engagement Strategy for the delivery of the IP&R framework. This strategy was based on the NSW Government social justice principles incorporating the International Association for Public Participation (IAP2) spectrum. The desired outcome was to set the scene early and try to identify areas where services could be investigated to reduce operational costs and the need for an application for a special rate variation. Despite the DP and OP workshops highlighting the need to raise revenue (Version 1 of the LTFP) minimal commitment was received from the community to find savings, their desire was chiefly to see the outcomes of the CSP achieved.

During January to 26 March, 2011 over 340 Gunnedah Shire Council staff and residents were involved in the initial consultations for the CSP as follows:

#### **Community workshops**

- Carroll community workshop – 21 February 2011
- Gunnedah community workshop – 22 February 2011
- Kelvin community workshop – 23 February 2011
- Curlewis community workshop – 23 February 2011
- Breeza community workshop – 24 February 2011
- Mullaley community workshop - 24 February 2011
- Tambar Springs community workshop – 7 March 2011

#### **Stakeholder Workshops**

- Gunnedah Shire Council staff workshops -19 and 20 January, 2011
- Gunnedah Shire Council Councillors - 7 February, 2011
- Aged Care and Services workshop - 21 February, 2011
- Aboriginal Residents workshops (3) - 21February, 2011
- School Interviews:
  - Primary schools – 22 February, 2011
  - High schools – 22 February, 2011

#### **Issues Workshops**

- Community Leadership workshop 8 March, 2011
- Economic Development and Sustainability workshop - 8 March, 2011
- Social Development and Sustainability workshop - 9 March, 2011
- Local Environment and Amenity workshop - 9 March, 2011

### **Your Say, Our Future Surveys**

- 338 surveys returned.

### **Big Picture Photo Competition**

- 37 submissions

### **Review Workshops**

- Carroll community workshop 21 February, 2012
- Gunnedah community workshop 21 and 22 February, 2012
- Kelvin community workshop 20 February, 2012
- Curlewis community workshop 23 February, 2012
- Breeza community workshop 23 February, 2012
- Mullaley community workshop 22 February, 2012
- Tambar Springs community workshop 20 February, 2012

The CSP was adopted by Council on 21 March 2012.

Council then undertook another extensive round of consultation to inform the DP and OP with eight workshops being conducted:

- Tambar Springs, 28 May 2012
- Mullaley, 28 May 2012
- Gunnedah, 29 May 2012
- Kelvin, 29 May 2012
- Curlewis, 30 May 2012
- Breeza, 30 May 2012
- Gunnedah, 31 May 2012
- Carroll, 31 May 2012

At these meetings GSC presented four scenarios as to how we manage our assets and finances into the future as outlined in Section 3.2. Basically however the scenarios were structured as a series of 'layers' where each layer relates to the taking of a progressively more aspirational position. The layers are cumulative, so each layer incorporates the assumptions and outcomes of each of the previous layers. The layers presented were as follows:

1. Current Income layers
2. Sustainable Services layers
3. Service and Asset Expansion Layer
4. New Assets and Services Layer

On 23 May 2012 GSC placed the draft strategic plans on exhibition and in doing so first formally informed the community of the need to apply for a special rate variation. Four scenarios were presented as briefly discussed above and in Section 3.2.

No submissions were received from the public and the DP and OP were adopted on 23 May 2012.

The Operational Plan 2012/13 stated:

*The Operational Plan paves the way for the necessary action to achieve sustainability as set out in 'Scenario 2' of the Long Term Financial Plan.*

*The capital projects beyond the first year that are identified throughout the document under each Service Profile and summarized at the end will not be able to be undertaken without the respective revenue increases identified for each of those years.*

## Part 2 – November 2012 – 7 March 2013

### Communications Overview

On 21 November Gunnedah Shire Council allocated \$25,000 towards a communications strategy to undertake appropriate community consultation in relation to the application and amendment of Council's resourcing, delivery and operational plans.

The campaign has built on prior consultations for the development of the CSP as well as the DP and OP.

The information campaign has consisted of fact sheets, posters, web content, print, video and radio and two mail outs in January and February.

The engagement campaign has consisted of a statistically relevant telephone survey, community information sessions, stakeholder presentations, an online guest book, quick polls and a survey available to the broad community.

### The Community Engagement Strategy

Gunnedah Shire Council recognises and abides by best practice principles and core values developed by the International Association for Public participation (IAP2). These best practice principles underpinned the development of the Community Engagement Strategy at **Attachment C**.

Activities aligned with the IAP2 Public Participation Spectrum are identified in the below table.

| <b>Inform</b>   | <b>Consult</b>  | <b>Involve</b>   | <b>Collaborate</b>  | <b>Empower</b>   |
|---|---|--|---|--|
| Goal: To provide the public with balanced and objective information to assist them in understanding the problems, alternatives, opportunities and/or solutions. | Goal: To obtain feedback on analysis, alternatives and/or decisions.  | Goal: To work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered.   | Goal: To partner with the public in each aspect of the decision including the development of alternatives and the identification of the preferred solution.                               | Goal: To place final decision – making in the hands of the public. |
| Promise: We will keep you informed.   | Promise: We will keep you informed, listen to, acknowledge concerns and provide feedback on how public influenced the decision. | Promise: We will work with you to ensure that your concerns and aspirations are directly reflected in the alternatives developed and provide feedback on how public input influenced the decision. | Promise: We will look to you for direct advice and innovation in formulating solutions and incorporate your advice and recommendations into the decisions to the maximum extent possible. | Promise: We will implement what you decide.                        |

|   |  |                |   |  |
|---|--|----------------|---|--|
| <ul style="list-style-type: none"> <li>• Print advertisements</li> <li>• Radio advertisements</li> <li>• Fact sheets</li> <li>• Insert in rate notices</li> <li>• Council website</li> <li>• Community information sessions</li> <li>• Media pieces</li> <li>• Posters and display materials</li> </ul> | <ul style="list-style-type: none"> <li>• Bang the Table guest-book and quick poll</li> </ul> | Bang the Table | <ul style="list-style-type: none"> <li>• surveys</li> <li>• Community meetings</li> </ul> | <ul style="list-style-type: none"> <li>• Public submissions</li> <li>• Web survey</li> <li>• Community meetings</li> </ul> |
|---|--|----------------|---|--|

In accordance with Gunnedah Shire Council's Community Engagement Strategy this project is considered to have a high impact on the community. All communication activities deemed essential will be undertaken.

### Timeline in brief

|                    |  |
|--------------------|--|
| <b>21 November</b> | Gunnedah Shire Council resolved to pursue a special rate variation with the Independent Pricing and Regulatory Tribunal (IPART) at the rate (including the rate peg amount) of 19% in 2013/14, 9% in 2014/15 and 9% in 2015/16 |
| <b>4 December</b>  | Press release  |
| <b>10 December</b> | Press release  |
| <b>11 December</b> | Community meeting  |
| <b>13 December</b> | Press release  |
| <b>15 December</b> | Mayor, Deputy Mayor and staff attend Gunnedah markets  |
| <b>17 December</b> | Press release  |
| <b>20 December</b> | Community meeting  |
| <b>20 December</b> | Council page – Namoi Valley Independent  |
| <b>20 December</b> | Commence screening 'Sustainable Communities  |
| <b>3 January</b>   | Press release  |
| <b>10 January</b>  | YourSay website launched   |
| <b>10 January</b>  | Radio segment  |
| <b>11 January</b>  | Council made a decision to revise the percentage sought based on community views   |
| <b>11 January</b>  | Press release  |
| <b>22 January</b>  | Council holds a rate workshop and determines the rating mix  |
| <b>22 January</b>  | Community meeting  |
| <b>23 January</b>  | Press release  |
| <b>23 January</b>  | Community meeting  |
| <b>24 January</b>  | Community meeting  |

|                    |  |
|--------------------|--|
| <b>29 January</b>  | Press release  |
| <b>29 January</b>  | Community meetings x two   |
| <b>31 January</b>  | Extraordinary meeting of Council – approves the exhibition of the draft plans and formally endorses the revised percentage and ratings mix |
| <b>31 January</b>  | Community meeting  |
| <b>31 January</b>  | Council page – Namoi Valley Independent  |
| <b>31 January</b>  | DL sized insert in all rates notices advising of percentages   |
| <b>2 February</b>  | Community meeting  |
| <b>7 February</b>  | Press release  |
| <b>12 February</b> | Radio segment  |
| <b>15 February</b> | Ratepayers receive four page information leaflet   |
| <b>19 February</b> | Council page – Namoi Valley Independent  |
| <b>19 February</b> | Radio segment  |
| <b>20 February</b> | Telephone survey commences   |
| <b>22 February</b> | Community meeting  |
| <b>26 February</b> | Radio segment  |

### Print Campaign

The print campaign commenced soon after Council's decision to progress with a special rate variation application.

The local newspaper is the Namoi Valley Independent which has an average circulation of 4000, all press releases were distributed to the Namoi Valley Independent and in most cases the distribution covered a wider range of outlets as specified in **Attachment D**.

Council also has a regular page in the Namoi Valley Independent and throughout the period has featured special rate variation related content. Council pages are at **Attachment E**.

Media releases (**Attachment F**) have been issued as follows:

|                      |  |
|----------------------|--|
| Tuesday 4 December   | Commencement of Special Rate Variation Application   |
| Monday 10 December   | Commencement of Special Rate Variation Consultation Process                                  |
| Thursday 13 December | Former Mayor weighs in on Special Rate Variation Discussions                                 |
| Monday 17 December   | Special Rates Variation Community Consultation Forum   |
| Thursday 20 December | List of Community Forums advertised – Gunnedah Shire Council Page (Namoi Valley Independent) |
| Thursday 3 January   | Special Rates Variation Community Forums   |
| Friday 11 January    | Council Listens to Ratepayers  |
| Wednesday 23 January | Council Shire Council Workshops Rate Impact  |
| Tuesday 29 January   | Mining Assists in Reducing Rate Increase   |

|                     |   |
|---------------------|---|
| Tuesday 29 January  | Shire Council News – Special Rates Variation – Revised Percentage                     |
| Thursday 7 February | Roads, Reading, and Recreation – Sustainability Supports the Community                |
| Tuesday 19 February | Shire Council News – Special Rates Variation – Update, polls and what does Council do |

Media articles are provided at **Attachment G**.

#### Radio

Mayor Hasler and the General Manager have had a regular radio spot Tuesday mornings 8.15am on local radio station 2MO 1080am.

| Date                | Topic                        |
|---------------------|------------------------------|
| Thursday 10 January | Your Say official launch     |
| Tuesday 12 February | Have your say and SRV update |
| Tuesday 19 February | SRV update                   |
| Tuesday 26 February | SRV update                   |
| Tuesday 5 March     | SRV – free time              |
| Tuesday 12 March    | SRV – where to from here     |

#### Information (Hard copy but also provided on website)

At each meeting, the following documents were available:

- Feedback form (**Attachment H**)
- Form to request Councillor or staff attendance at a community organisation (such as Rotary) meeting (**Attachment I**)
- Recent media releases
- Capital project summary (**Attachment J**)
- Rate tables indicating the effect of the rate rise on average ratepayers dependant on location and sector (**Attachment K**)

|                      |  |
|----------------------|--|
| Thursday 20 December | Fact sheet available detailing effect of rate increase upon the average residential ratepayer                    |
| Wednesday 9 January  | Posters regarding forum times distributed to key Gunnedah locations and village stores.                          |
| Tuesday 22 January   | Fact sheet available detailing effect of <i>revised</i> rate increase upon average ratepayers in all categories. |
| Wednesday 30 January | Insert distributed with rate notices detailing new percentage ( <b>Attachment L</b> ).                           |
| Friday 15 February   | Information leaflet mailed to all ratepayers ( <b>Attachment M</b> )   |

## Community Meetings

Nine meetings were conducted across the Shire and have been well attended by some 300 people.



Presentations were given by the Mayor, Owen Hasler; the General Manager, Mr Robert Campbell; the Director Community and Corporate Services, Mr Eric Groth; the Director Infrastructure Services, Mr Wayne Kerr; the Director Planning and Environmental Services, Mr Mike Silver; and the Manager Finance and Governance Mr Damien Connor. The agenda for each meeting did not change substantially and followed the below program of events.

| Time    | Item   | Presenter   |
|---------|--|---|
| 10.00am | Welcome and how to provide your feedback   | Manager Customer Service and Communication, Isabella Raynolds   |
| 10.05am | Special Rate Variation – ‘Overview’  | Gunnedah Shire Council Mayor, Mr Owen Hasler  |
| 10.15am | Special Rate Variation – ‘What it means financially’   | Manager, Finance and Governance, Mr Damien Connor   |
| 10.25am | Asset Management – ‘Where will the money be spent and what happens if we don’t get agreement to a rate rise’ | Director, Infrastructure Services, Mr Wayne Kerr; Director Planning and Environment, Mr Mike Silver; Director Community and Corporate Services, Mr Eric Groth |
| 10.55am | Concluding remarks   | General Manager, Mr Robert Campbell   |
| 11.00am | Your views and questions and answers   | All – General Manager, senior staff and Mayor and Deputy Mayor available to take your questions   |
| 12.00pm | Close  |   |

Comments were recorded and notes are provided at **Attachment N**.

Meeting dates and times were as follows.

| Location                       | Venue             | Date             | Time      |
|--------------------------------|-------------------|------------------|-----------|
| Gunnedah Community Forum       | The Civic Theatre | Tues.11/12/2012  | 1715-1845 |
| Attendance at Gunnedah Markets | Markets           | Sat.15/12/2012   | 0800-1100 |
| Gunnedah Community Forum       | Smithurst Theatre | Thur.20/02/2013  | 1230-1330 |
| Kelvin Community Forum         | Kelvin Hall       | Tues.22/01/2013  | 0730-0930 |
| Mullaley Community Forum       | Mullaley Hall     | Wed. 23/01/2013  | 1800-2000 |
| Carroll Community Forum        | Carroll School    | Thurs.24/01/2013 | 1800-2000 |
| Curlewis Community Forum       | Curlewis Hall     | Tues.29/01/2013  | 1700-1900 |
| Breeza Community Forum         | Breeza Hall       | Tues.29/01/2013  | 1930-2130 |
| Gunnedah Community Forum       | Smithurst Theatre | Thurs.31/01/2013 | 1715-1915 |
| Gunnedah Community Forum       | Smithurst Theatre | Sat.02/02/2013   | 1000-1200 |
| Gunnedah Community Forum       | Mooki Room        | Fri.22/02/2013   | 1200-1400 |

## Website – YourSayGunnedah

An increase in rates.....Your Say Gunnedah! | Your Say Gunnedah - Windows Internet Explorer

http://yoursaygunnedah.com.au

Home Help Search Sign In or Register To Get Involved

### An increase in rates.....Your Say Gunnedah!

Share

Gunnedah Shire Council is responsible for maintaining an extensive range of infrastructure, including roadways, footpaths, cycle ways, stormwater drainage and community facilities including the swimming pool and the airport.

In mid 2012 Gunnedah Shire Council finalised a comprehensive set of strategic plans (the Integrated Planning and Reporting process) that identified a gap in funding for infrastructure renewal. This is primarily due to the fact that costs have been increasing faster than the ability of the Council to generate revenue, which has resulted in roads, stormwater infrastructure and other assets deteriorating at an unacceptable rate.

Council has agreed that an increase in rates is required to address this situation or alternatively Council and the community will need to be selective about which assets are maintained.

Please read the [news articles](#) or [View the FAQ's](#) for further information.

You can participate in the following ways:

- Complete the [Special Rates Variation Survey](#)
- Tell us in private [your solution](#) to the growing gap between Council revenue and costs
- Add your ideas and comments anonymously to the [discussion forums](#)

VIDEOS

more...

Internet 100%

On 10 January 2013 a website was launched to allow the Gunnedah Shire community to 'have their say' it featured Frequently asked Questions (sample at **Attachment O**), a quick poll, a survey, an online questiontool, the 'Sustainable Communities' video as well as a library of information.

The website was updated regularly and questions were responded to as soon as possible. An activity report is at **Attachment P**.

### **Multimedia**

The Institute of Public Works Engineering Australia (IPWEA) produced short film 'Sustainable Communities' was played at M15+ movies at the Gunnedah Civic Theatre between Thursday 20 December 2012 and 13 January 2013.

In order to encourage viewers to watch the film, they were asked to answer three written questions about the film and if answered correctly they received a two for one movie pass.

The questionnaire (**Attachment Q**) also allowed film goers to provide their feedback on the special rate variation proposal.

On 14 January a revised version of the film commenced showing at the Civic Cinema, it contained an introduction and conclusion by the Mayor, Owen Hasler and the General Manager, Mr Robert Campbell. Showing of the film ceased on 20February 2013.

### **Survey**

IRIS Research of Wollongong conducted a survey using deliberative polling, Deliberative polling is a combined communication and research process that simplifies complex decision-making. The main steps in the Deliberative Polling process are:

1. Communicate sufficient information to a large random sample of the population
2. Permit time for the sample group to deliberate on the information and options
3. Conduct a random sample or census within the deliberation group

All rate payers were forwarded an information package containing a letter and attachments outlining Council's proposals and reasons for the special rate variation.

Residents on receipt of the package were given a period for deliberation before being called and surveyed. The questionnaire was only administered to those that received and read the information package so they could make an informed choice. Residents (non-ratepayers) who wanted to take part in the survey were advised that they could read the brochure online and then participate.

The targeted survey was supplemented by the non-targeted survey available at [yoursaygunnedah.com.au](http://yoursaygunnedah.com.au)

### **Television**

The Mayor, Mr Owen Hasler and the General Manager, Mr Robert Campbell have both appeared regularly on television. There has been no paid television advertising.

## Other

Feedback forms have been provided at all community fora to enable the public to provide their written feedback for compilation and inclusion in this submission, we have also invited feedback via telephone, email and in person.

## From here on

GSC will between now and June develop a communications strategy that will keep the community informed and involved on the issue of a special rate variation. If approved the community will need to know that their money is being well-spent, if not approved either in whole or in part the community will need to be informed of assets and services that are being reduced.

## 4.2 Outcomes from community consultations

### Overview

Overall results indicate that approximately 60% of people support the variation and 40% do not. The vast majority of persons who rejected the special rate variation did so because they considered that Council could be more efficient. Feedback was obtained via several methods as indicated below.

### Feedback Forms – provided at all community meetings and available at Council buildings across the Shire

31 forms were received, 12 persons supported the variation, nine supported but thought the variation was too high, and ten persons rejected.

The majority of forms returned were from people from the rural and residential sectors.

Forms are at **Attachment R**.

### Requested:

Name, address, email and phone:

Council values your comments and feedback regarding the Special Rates Variation (SRV). Please fill out the below form and return it to [council@infogunnedah.com.au](mailto:council@infogunnedah.com.au), the feedback will be collated and submitted to the Independent Pricing and Regulatory Tribunal for their consideration.

### 1

I agree the SRV is necessary and support the proposed rate variation

I accept the SRV is necessary but believe proposed variation is too high

I reject the need for any SRV

### 2

Do you own property within Gunnedah Shire Council?

If yes:

Business

Residential  = 9

Rural  = 3

Mining

### 3

If you do not support the rate increase which assets would you ask Council to no longer maintain?

**Ideas in brief:**

- Waste Management Facility
- Cycle and walking paths, riverbank beautification
- Council staff vehicles, Town Hall Veranda, showground fencing, Council housing
- Airport and pools
- Pool maintenance
- Town Hall veranda, street paving (skate park funds should have gone to pool)
- The library

**4**

If you do support the rate variation, which assets/infrastructure would you like to see Council maintain?

**Ideas in brief**

- Roads, parks equipment
- Parks and gardens, town roads

**5**

Please list any additional comments

**Ideas in brief**

- Airport facilities essential
- Regional roads should get more funding, more for bridges, more funding for Town Hall, little forward funding for waste management
- Do sports clubs pay a fee for field preparation?
- Spend it on roads, footpaths, sporting fields, less on trees
- A single digit variation would be acceptable but cut inefficiencies and proceed with Voluntary Planning Agreements
- Maintain the library, cinema/town hall and pool
- Need more grading of roads and the cemetery needs better watering, would like a tree lined main road
- Council needs better management
- Agree with variation provided roads get the most
- Sporting fields, airport are quite adequate for now, spend more on villages
- Stop street beautification, sack a quarter of the workforce
- Be more efficient
- Rate rise should be over a longer period for a gradual recovery
- How can we be sure the increased rates will be spent appropriately?

**SRV Quiz – Provided to moviegoers at the Civic Cinema who received a two-for-one movie pass if they answered correctly following the viewing of an SRV film**

Out of 249 quizzes returned, 100 did not support and 149 did. Full results are at **Attachment S**.

**Selected comments – if you don't support what would you cut?****Don't support**

- Excess staff not outdoor but indoor.
- Sporting fields - user pays.

- A review of operational efficiency would be a primary recommendation. Development of Tourism may be an option in need of investigation.
- Airport - Commercial Airlines within 60 minutes of Gunnedah
- Airport - it's not used for regular people only for private use so should be maintained or sold. If there were flights to Sydney or Brisbane for Qantas or Brindabella then that would be ok.
- Airport, Golf course, Sports fields, Swimming Pools.
- All facilities are significant to the area therefore costs should be taken elsewhere.
- Anything that flood damages repeatedly. Incorrect signage - or village signs that have shelf lives of less than 4 years. Cement paths - for bikes. Not needed.
- Anything that isn't currently used or that doesn't have the proper amount of staff / volunteers to maintain. Do we really need two theatres? The Civic can be used for most functions/ meetings, as it is new.
- Cemeteries - cremate everyone.
- Council Chambers.
- Excess administration staff and other Parks. Stop Employment of Staff who don't reside in Gunnedah Shire. Monitor Council estimates and over run expenditure on jobs.
- I don't think we have to lose our services it should be on a user pays system e.g. the Town Airport should have Landing Fee of \$10.00 per tine like every other airport in NSW.
- I would probably say the Airport as it isn't really needed here and we can always go to Tamworth. Also it is probably the most expensive.
- I'd be prepared to lose the asphalt spraying machines as it seems fairly ineffective and they don't even compact the asphalt afterwards. I prefer the sections the contractors have done. Don't even start me on Memorial Avenue recent Works.
- If we the rate payers could see where our money was going and same had some say then we may not mind the rate rise but how could that be possible I don't know. Money is hard to get and I don't like wasting it so how can YOU be smarter with OUR money. PS We need one really good park, not lots of high to maintained wasted spaces.
- Information centre - No one ever goes there. The Rugby Club.
- Less beautification of CBD. Waste of money on "Welcome to Gunnedah" signs.
- Less money spend on continually repairing damage done to roundabout structure in town that are continually damaged by the trucks. Money spent on Infrastructure Bridge on the footpaths that could have be more wisely spent by other infrastructure does the same purpose but would be cheaper to maintain.
- Less plant and machinery - more productivity office working - more open house more explanation of who does what - more client approached - more productivity.
- Library - in this age we have most of these facilities available at home.
- More funding and Grant Applications for funding to cover for State and Federal Government. Get rid of Halls Kelvin Breeza Mullaley they are no longer needed of transport improvements and increased traffic developments and technology
- None would expect more funding from state and federal governments.
- Outdoor maintenance staff & road maintenance and use contractors.
- Parks and gardens could be successfully privatised. Community halls can be run by local communities, sporting fields can be run by sporting clubs.
- Public Toilets people treat them badly anyway so why have them there for people to destroy. Yes tourists won't have somewhere to stop in town but vandals have ruined that for people.
- Reduce bad management decisions e.g. wide barrier in front of old sheep yards at stock selling centre. Make the increases over five years rather than three years. Produce a public budget to back up your claims.

- Reduce the number of administrative staff in council offices - lessen vehicles used from same.
- Showground- only used a few times a year but still need facilities for sporting e.g. basketball and gym. Please look at stopping wastage within council. E.g. car travel and efficiency of work.
- Smaller parks not significant i.e. Jae High Park on Hunter & Meldrum
- Spend more money on maintaining these facilities efficiently.
- The roads are substandard as it is, that won't be a great loss. One of the two theatres.
- The toilet.
- Trees / plants -Main Street. Brick wall around roundabout.
- Upgrades to town council chambers, upgrades to the main street. Spend more on road sealing on rate payers areas that have been promised for years and always spent on town areas where councillors live.(Screw the rural areas again policy)
- We don't have our road maintained very well, two mail services a week; have to be responsible for all rubbish removal. Have not had a taxable income for five years(farmers).
- Visitor information could be unmanned. Sport areas could be more multipurpose e.g. showground.

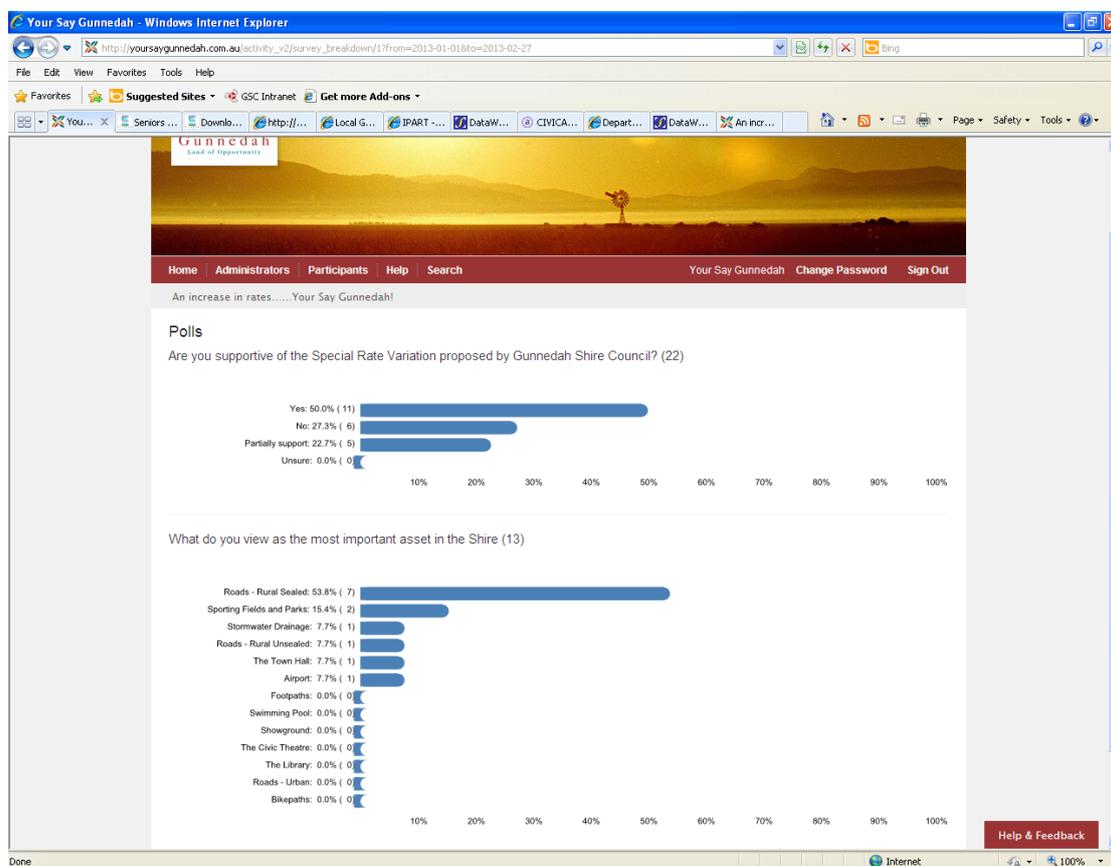
### **Support**

- A hard pill to swallow but necessary.
- A rise -yes - but don't drain our meagre money we have to live on.
- All facilities are needed so it is advised that the rate will need to increase over a period of years
- All Gunnedah Facilities are essential and respond to the diversity in the community. A small rate rise can be accommodated.
- Gunnedah thrives because of all that we have ,for us as a community & for all who visit our town- I would be very disappointed to lose any of our facilities therefore understand fully the need for the rate rise.
- Happy to pay increased rates.
- I agree with the rate increase as I believe all community facilities should be retained and maintained to a high standard for future generations.
- I am happy to accept the significant rate increases as I do not wish to lose any of our facilities.
- I don't think our community deserves to lose any of our facilities. This means increasing rates by a tiny amount each person. I believe it should be done.
- I don't feel that we should lose any facilities so I believe that the rates do need to increase but in small increments
- I have no problem with an increase in rate if our assets are maintained efficiently
- I support the increase - all community facilities must be retained for the future.
- I understand that a rate increase is necessary and would not like to see assets lost or poorly maintained however expenses should be cut back as much as possible [i.e. out sourcing surveys / studies etc at considerable expense when we have the ability and talent in town] Every dollar spent should be carefully scrutinised..... is it really necessary!
- I would prefer to keep our current facilities and perhaps even improve on them.
- Increasing rates are always an unpopular decision. Each facility that is maintained by Council seems very important in one way or another. I wouldn't like to lose anything. I hope things can be decided fairly and amicable - maybe we can do without public toilets!
- None - All facilities benefit the community rates can be increased if needed to maintain services for the future of the town our children and community welfare.

- None - I approve the rate increase but more info to the public on councils budget what it intends to plan for.
- None - Put up the rates
- None - The facilities should be kept within the budget & regular small increases preferable to one large one. 1 to 1 office to field staff also seems not tenable. And for small electorates small numbers of councillors would seem appropriate.
- None. I believe all are important. Poorly maintained roads lead to accidents. Poorly maintained buildings lead to greater cost in the long run. We need to look after what we have for the future.
- None. We have a well resourced town that requires constant maintenance. There must be increases [ unfortunately]
- Rate revenue & user fees should be used for maintenance & repairs. Appropriate borrowing should be used to pay for new infrastructure & major replacements to spread the cost over the life of each asset.
- Rates should increase by small increments each year to maintain all areas
- Spread increase over x years & consider amalgamating with an adjoining council to reduce the huge amount of staffing admin, executive etc roles
- There are no facilities by council which this community should have e to lose. Rate increases may be the way to go but there should also be a committed effort by council to cut the waste e.g.: ripping up freshly poured concrete footpath and kerbs just because it was done wrong. A fleet of less expensive cars which are more fuel efficient rather than allowing more expensive fuel guzzlers to be chosen.
- We need progress which costs so rates must increase

## Online Results – One survey and two quick polls

### Quick Polls



Survey (full report at Attachment T)

## Question

1. **Have you read the information on the website about the proposed rate variation**
  - Yes – 97%
  - No – 3%
2. **Council recommends reading the information on the website before taking the survey.**
3. **Please indicate how important the following types of infrastructure are to you?**
  - a. Showground
  - b. Airport
  - c. Bicycle paths
  - d. Community Buildings
  - e. Footpaths
  - f. Roads – rural sealed
  - g. Roads – Rural unsealed
  - h. Stormwater drainage
  - i. Roads – urban
  - j. Swimming pool
  - k. Sporting fields and parks
4. **Please indicate how important it is for Council to renew and maintain each type of infrastructure to an acceptable level?**  
**(Assets as above)**
5. **As a ratepayer/resident of Gunnedah Shire Council, would you prefer to see a Special Rate Variation to cover the gap in funding for renewal and maintenance of infrastructure or would you prefer a reduction in infrastructure and services?**
  - 62.1% (82 persons) preferred a special rate variation
  - 39.4% (52 persons) asked for a reduction on standards of infrastructure and services
6. **Can you identify any circumstances where you would support the proposed Special Rate Variation?**  
**(Allowed comments)**
7. **Do you have any infrastructure renewal projects you would like to suggest that Council should undertake on a priority basis?**
  - Yes – 26.5%
  - No – 75%
8. **If 'Yes', please describe the infrastructure renewal projects.**  
**(Allowed comments)**
9. **On the following scale how would you rate your support for a Special Rate Variation to allow Council to maintain, renew infrastructure within the community at an acceptable level? (1 being 'Strongly Oppose' and 5 being 'Strongly Favour')**
  1. 31
  2. 17
  3. 26
  4. 27
  5. 30

Essentially 48 oppose, 26 are 'on the fence' and 57 support

## Written submissions

34 written submissions were received which were generally negative they are provided at **Attachment U**.

## Meeting summary

Nine community meetings were held across the Shire, in Gunnedah and each village (with the exception of Tambar Springs which is approximately 29 kilometres from Mullaley, where a meeting was held).

Attendance ranged from seven persons at the smaller village meetings to over forty persons at the first Gunnedah meeting.

In general persons at meetings were receptive to the information provided however in general the comments were primarily negative.

## Telephone Survey

### Gunnedah Shire Council Special Rates Variation Survey

#### Summary of Results (full results are at Attachment V)

Using a scale from 1 to 5, where 1 means I don't like living here at all and 5 means It is a great place to live, how would you rate Gunnedah Shire as a place to live?

- 56% said it was a great place to live and 2.1 % said they don't like it at all

On a scale of 1 to 5, where 1 is very dissatisfied and 5 is very satisfied, how satisfied are you with the range of services currently provided by Council in the local area?

- 54.7% were either very satisfied or satisfied as indicated by picking 4 on the scale.

Using the same scale, how satisfied are you with the quality of infrastructure currently provided by Council in the local area?

- 46.1% were either very satisfied or satisfied as indicated by picking 4 on the scale.

How satisfied are you with the level of customer service provided by Council?

- 57.4% were either very satisfied or satisfied as indicated by picking 4 on the scale.

On a scale of 1 to 5, where 1 is not important at all and 5 is very important, how important do you believe it is for Gunnedah Council to maintain services and infrastructure.

- 87.1% thought it was either very important or important as indicated by picking 4 on the scale.
- 2% of people fell at the lower of the scale.

Using the same scale, how important do you believe it is for Gunnedah Council to undertake programs to provide improved services and infrastructure?

- 76.4% thought it was very important or important as indicated by picking 4 on the scale.

Considering the proposal outlined in the brochure would you prefer:

|  | Frequency | Percent |
|--|-----------|---------|
| Valid  |           |         |
| A special variation to rates to cover the gap in funding the renewal and maintenance of infrastructure and services or | 231       | 61.9    |
| No special rate variation and a reduction in the standards of infrastructure and services provided to the community    | 142       | 38.1    |
| Total  | 373       | 100.0   |

Rate the importance of Airport

- 36.7% thought it was not at all important
- 21.4% thought it was very important

Rate the importance of Bicycle paths

- 37% thought they were not at all important
- 11.3% thought they were very important

Rate Importance of Community buildings such as the library, town hall and village halls

- 4.8% thought they were not at all important
- 35.4% thought they were very important

Rate the importance of Maintenance of sealed rural roads

- 2.4% thought they were not at all important
- 56.8% thought they were very important

Rate the Importance of Maintenance of unsealed rural roads

- 3.5% thought they were not at all important
- 48.8% thought they were very important

Rate Importance of Maintenance of urban local roads

- 1.3% thought they were not at all important
- 45.6% thought they were very important

Rate the Importance of Upkeep of the showground

- 5.4% thought it was not at all important
- 20.4% thought it was very important

Rate the Importance of Storm water drainage

- 5.4% thought it was not at all important
- 43.2% thought it was very important

Rate the Importance of Maintenance and upkeep of swimming pools

- 8.8% thought it was not at all important
- 38.9% thought it was very important

Rate the importance of Maintenance and upkeep of sporting fields and parks

- 5.1% thought it was not at all important
- 33.5% thought it was very important

Which of the following infrastructure and facilities do you consider to be the lowest priority?  
Of respondents who indicated No SRV

|   | Frequency | Valid Percent |
|---|-----------|---------------|
| Valid Airport   | 52        | 36.6          |
| Bicycle paths   | 55        | 38.7          |
| Community buildings such as the library, town hall and<br>ige halls | 2         | 1.4           |
| Maintenance of unsealed rural roads                                 | 3         | 2.1           |
| Maintenance of urban local roads                                    | 1         | .7            |
| Upkeep of the showground  | 9         | 6.3           |
| Storm water drainage  | 3         | 2.1           |
| Maintenance and upkeep of swimming pools                            | 4         | 2.8           |
| Maintenance and upkeep of sporting fields and parks                 | 11        | 7.7           |
| Other (Please specify)  | 2         | 1.4           |
| Total   | 142       | 100.0         |
| Missing System  | 231       |               |
| Total   | 373       |               |

## 5 Criterion 3: Rating structure and the impact on ratepayers

### 5.1 Proposed rating structure

Council's rating structure over the next four years that are subject to the proposed special rate variation is as follows:

| Scenario          | 2013/14    | 2014/15      | 2015/16      | 2016/17      | Cumulative |
|-------------------|------------|--------------|--------------|--------------|------------|
| 3 year – previous | 19% (16)   | 9% (6)       | 9% (6)       | 3.5% (0)     | 46.4%      |
| 4 year – notional | 9.4% (6)   | 8.5% (5)     | 9.5% (6)     | 7.5% (4)     | 39.7%      |
| Residential       | 7.4% (4)   | 7.5% (4)     | 8.5% (5)     | 6.5% (3)     | 33.4%      |
| Business          | 5.4% (2)   | 6.5% (3)     | 7.5% (4)     | 5.5% (2)     | 27.3%      |
| Farming           | 7.4% (4)   | 7.5% (4)     | 8.5% (5)     | 6.5% (3)     | 33.4%      |
| Mining            | 35% (31.6) | 18.6% (15.1) | 18.6% (15.1) | 15.8% (12.3) | 120%       |

It is based on the following rate mix strategy which was adopted to provide an aligned, equitable and transparent division of Council's total rate income between categories. It is representative of the impact on Councils expenditure of each category and it has been clearly and significantly communicated to all sectors of the community.

The percentage contribution to total rating revenue by each of the four ordinary categories is proposed to be represented as follows:

| Category          | Residential | Business | Farming | Mining |
|-------------------|-------------|----------|---------|--------|
| Contribution now  | 32.27%      | 19.09%   | 40.00%  | 8.64%  |
| At end of 2016/17 | 30.81%      | 17.39%   | 38.20%  | 13.60% |

If GSC's application for a special rate variation was not approved than the rating structure for 2013/14 would mirror the rate peg amount of 3.4% for each category. GSC would then need to establish which services and infrastructure were to be cut or altered before re-calculating the required rate income split under the new organisational and service model.

### 5.2 Impact on rates

The following tables contain worked examples depicting the holistic effect on the average assessment in each category, taking into consideration not only rate increases but also the change in all annual fees and charges applicable to that category. The tables have been widely distributed, (including in a bulk mail-out to all rate-payers), during consultation forums, in press releases and on Councils dedicated community engagement website.

.....

## Gunnedah Residential

| Rate                    | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | Total increase | \$ / week increase | Real Increase | \$ / week increase |
|-------------------------|---------|---------|---------|---------|---------|----------------|--------------------|---------------|--------------------|
| Gunnedah Residential    | 707     | 759     | 816     | 885     | 943     | 236            | \$1.13             | 133           | \$0.64             |
| Gunnedah Water          | 170     | 170     | 170     | 170     | 170     | 0              | 0                  | -25           | -0.12              |
| Gunnedah Sewer          | 422     | 456     | 492     | 522     | 553     | 131            | \$0.63             | 70            | 0.34               |
| Domestic & Green Waste  | 315     | 330     | 344     | 359     | 376     | 61             | \$0.29             | 15            | 0.07               |
| Waste Management Fee    | 65      | 65      | 68      | 72      | 75      | 10             | \$0.05             | 0             | -0.00              |
| Storm water residential | 25      | 25      | 25      | 25      | 25      | 0              | 0                  | -4            | -0.02              |
| Total rate bill         | 1704    | 1805    | 1912    | 2031    | 2137    | 433<br>(25.4%) | \$2.11             | 189           | \$0.91             |

In addition to applying a lower percentage to Residential rates than the overall rate variation amount in each of the four years, the impact for ratepayers will be further reduced by the proposed freezing of Gunnedah Water annual rate to a zero increase over each of the four years; reducing the notional cumulative impact from 39.7% to **25.4%** on the total residential rate bill over the four year period. This increase on the total rate bill once reduced to 'real' terms is **11.1%** over the four year period.

**NOTE:** 62.2% of residential rate assessments are below the average rate depicted above and accordingly their impact will be less than that used in the example.

## Gunnedah Business

| Rate                      | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | Total increase | \$ / week increase | Real Increase | \$/week increase |
|---------------------------|---------|---------|---------|---------|---------|----------------|--------------------|---------------|------------------|
| Gunnedah Business         | 3416    | 3600    | 3834    | 4122    | 4349    | 933            | \$4.48             | 433           | \$2.08           |
| Gunnedah Water            | 170     | 170     | 170     | 170     | 170     | 0              | \$0.00             | - 25          | -\$0.12          |
| Gunnedah Sewer            | 422     | 456     | 492     | 522     | 553     | 131            | \$0.63             | 70            | \$0.34           |
| Trade Waste Annual Fee    | 148     | 160     | 173     | 183     | 194     | 46             | \$0.22             | 17            | \$0.08           |
| Domestic Waste Commercial | 315     | 330     | 344     | 359     | 376     | 61             | \$0.29             | 15            | \$0.07           |
| Waste Management Fee      | 65      | 65      | 68      | 72      | 75      | 10             | \$0.05             | -             | \$0.00           |
| Stormwater Commercial     | 25      | 25      | 25      | 25      | 25      | 0              | \$0.00             | - 4           | -\$0.02          |
| Total Rate Bill           | 4561    | 4806    | 5106    | 5453    | 5742    | 1181           | \$5.68             | 506           | \$2.43           |

**NOTE:** 65.7% of business rate assessments are below the average rate depicted above and accordingly their impact will be less than that used in the example.

**Farmland Example**

| L.V. \$975,000       | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | Total increase | \$ / week increase | Real Increase | \$ / week increase |
|----------------------|---------|---------|---------|---------|---------|----------------|--------------------|---------------|--------------------|
| Farmland             | 3239.93 | 3479.70 | 3740.68 | 4058.61 | 4322.42 | 1082.49        | \$5.20             | \$607.49      | \$2.92             |
| Waste Management Fee | 65      | 65      | 68      | 72      | 75      | 10             | \$0.05             | 0             | -\$0.00            |
| Total Rate Bill      | 3304.93 | 3544.70 | 3808.68 | 4130.61 | 4397.42 | 1092.49        | \$5.25             | \$607.49      | \$2.92             |

NOTE: 71.6% of farmland rate assessments are below the average rate depicted above and accordingly their impact will be less than that used in the example. The land value for the average farmland assessment is \$975,000.

## Village Residential

| <b>Breeza</b>           | <b>2012/13</b> | <b>2013/14</b> | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b> | <b>Total Increase</b> | <b>\$/ week Increase</b> | <b>Real Increase</b> | <b>\$/ week increase</b> |
|-------------------------|----------------|----------------|----------------|----------------|----------------|-----------------------|--------------------------|----------------------|--------------------------|
| Residential Village     | 355            | 381            | 410            | 445            | 474            | 119                   | \$0.57                   | \$67.00              | \$0.32                   |
| Waste Management Fee    | 65             | 65             | 68             | 72             | 75             | 10                    | \$0.05                   | -\$4.00              | -\$0.02                  |
| <b>Total Rate Bill</b>  | <b>420</b>     | <b>446</b>     | <b>478</b>     | <b>517</b>     | <b>549</b>     | <b>129</b>            | <b>\$0.62</b>            | <b>\$63.00</b>       | <b>\$0.30</b>            |
|                         |                |                |                |                |                |                       |                          |                      |                          |
| <b>Carroll</b>          | <b>2012/13</b> | <b>2013/14</b> | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b> | <b>Total Increase</b> | <b>\$/ week Increase</b> | <b>Real Increase</b> | <b>\$/ week increase</b> |
| Residential Village     | 355            | 381            | 410            | 445            | 474            | 119                   | \$0.57                   | \$67.00              | \$0.32                   |
| Domestic Waste Ordinary | 250            | 263            | 275            | 287            | 300            | 50                    | \$0.24                   | -                    | -                        |
| Waste Management Fee    | 65             | 65             | 68             | 72             | 75             | 10                    | \$0.05                   | -\$4.00              | -\$0.02                  |
| <b>Total Rate Bill</b>  | <b>670</b>     | <b>709</b>     | <b>753</b>     | <b>804</b>     | <b>849</b>     | <b>179</b>            | <b>\$ 0.86</b>           | <b>\$63.00</b>       | <b>\$0.30</b>            |
|                         |                |                |                |                |                |                       |                          |                      |                          |
| <b>Curlewis</b>         | <b>2012/13</b> | <b>2013/14</b> | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b> | <b>Total Increase</b> | <b>\$/ week Increase</b> | <b>Real Increase</b> | <b>\$/ week increase</b> |
| Residential Village     | 355            | 381            | 410            | 445            | 474            | 119                   | \$0.57                   | \$67.00              | \$0.32                   |
| Water                   | 190            | 190            | 199            | 208            | 217            | 27                    | \$0.13                   | -\$10.00             | -\$0.05                  |
| Sewer                   | 621            | 646            | 675            | 705            | 737            | 116                   | \$0.56                   | -                    | -                        |
| Domestic Waste Ordinary | 250            | 263            | 275            | 287            | 300            | 50                    | \$0.24                   | -                    | -                        |
| Waste Management Fee    | 65             | 65             | 68             | 72             | 75             | 10                    | \$0.05                   | -\$4.00              | -\$0.02                  |
| <b>Total Rate Bill</b>  | <b>1481</b>    | <b>1545</b>    | <b>1627</b>    | <b>1717</b>    | <b>1803</b>    | <b>322</b>            | <b>\$1.55</b>            | <b>\$53.00</b>       | <b>\$0.25</b>            |
|                         |                |                |                |                |                |                       |                          |                      |                          |
| <b>Kelvin</b>           | <b>2012/13</b> | <b>2013/14</b> | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b> | <b>Total Increase</b> | <b>\$/ week Increase</b> | <b>Real Increase</b> | <b>\$/ week increase</b> |
| Residential Village     | 355            | 381            | 410            | 445            | 474            | 119                   | \$0.57                   | \$67.00              | \$0.32                   |
| Waste Management Fee    | 65             | 65             | 68             | 72             | 75             | 10                    | \$0.05                   | -\$4.00              | -\$0.02                  |
| <b>Total Rate Bill</b>  | <b>420</b>     | <b>446</b>     | <b>478</b>     | <b>517</b>     | <b>549</b>     | <b>129</b>            | <b>\$0.62</b>            | <b>\$63.00</b>       | <b>\$0.30</b>            |
|                         |                |                |                |                |                |                       |                          |                      |                          |
| <b>Mullaley</b>         | <b>2012/13</b> | <b>2013/14</b> | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b> | <b>Total Increase</b> | <b>\$/ week Increase</b> | <b>Real Increase</b> | <b>\$/ week increase</b> |
| Residential Village     | 355            | 381            | 410            | 445            | 474            | 119                   | \$0.57                   | \$67.00              | \$0.32                   |
| Water                   | 310            | 310            | 324            | 339            | 354            | 44                    | \$0.21                   | -\$16.00             | -\$0.08                  |
| Waste Management Fee    | 65             | 65             | 68             | 72             | 75             | 10                    | \$0.05                   | -\$4.00              | -\$0.02                  |
| <b>Total Rate Bill</b>  | <b>730</b>     | <b>756</b>     | <b>802</b>     | <b>856</b>     | <b>903</b>     | <b>173</b>            | <b>\$0.83</b>            | <b>\$47.00</b>       | <b>\$0.23</b>            |
|                         |                |                |                |                |                |                       |                          |                      |                          |
| <b>Tambar Springs</b>   | <b>2012/13</b> | <b>2013/14</b> | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b> | <b>Total Increase</b> | <b>\$/ week Increase</b> | <b>Real Increase</b> | <b>\$/ week increase</b> |
| Residential Village     | 355            | 381            | 410            | 445            | 474            | 119                   | \$0.57                   | \$67.00              | \$0.32                   |
| Water                   | 360            | 360            | 376            | 393            | 411            | 51                    | \$0.25                   | -\$18.00             | -\$0.09                  |
| Waste Management Fee    | 65             | 65             | 68             | 72             | 75             | 10                    | \$0.05                   | -\$4.00              | -\$0.02                  |
| <b>Total Rate Bill</b>  | <b>780</b>     | <b>806</b>     | <b>854</b>     | <b>910</b>     | <b>960</b>     | <b>180</b>            | <b>\$0.87</b>            | <b>\$45.00</b>       | <b>\$0.22</b>            |

Note that the real increase for the villages does not in any case rise above \$.30 cents per week.

In addition to providing an aligned, equitable and transparent rating mix reflective of the benefit provided by infrastructure, services and projects to each category, Council's strategic rate structure also addresses a number of other key issues:

### **Consideration of socio-economic factors**

- By reducing the residential category rates below the notional increase for total rates by 2% in 2013/14 and 1% in each of the subsequent three years, Council has been able to establish a more acceptable increase for all residential rate payers including those potentially most vulnerable including pensioners and those from lower socio-economic backgrounds. By increasing minimum rates in-line with the reduced increases also, Council has insured that those groups aren't unfairly impacted by the rate variation.

### **Relief to business sector**

- By reducing the business category rates below the notional increase for total rates by 4% in 2013/14 and 2% in each of the subsequent three years, Council has been able to address the fact that its average business rates are on the high side compared to other Group 11 Councils and simultaneously reduce the impact on a sector that in the main is going through a tough economic period. Business, particularly small businesses are integral to a town the size of Gunnedah and provide essential services and considerable employment. Finally, by offering further relief to this sector it is understood that this will help alleviate increasing rate costs being passed on to local consumers and resultantly offering a level of flow-on relief to residential rate payers as well.

### **Relief to farming sector**

- By reducing the farmland category rates below the notional increase for total rates by 2% in 2013/14 and 1% in each of the subsequent three years, Council has been able to establish a more acceptable increase for all farmland rate payers, recognising the major contributor they are to the local economy and the considerable amount of employment and flow-on employment that they create in the area, particularly for the lower socio-economic section of the local workforce.

This most recent approach to realigning the contribution from each rate category to total rate income is a continuation of a strategy started in 2009 with the significant emergence and growth of mining in the Gunnedah LGA and the objective to more equitably align rate income per category with the category's impost.

Over this 4 year period the cumulative increase from rate pegging was 13.10%, however, the long term rate mix restructuring undertaken by Council resulted in the following increase for each of the four major rate categories across this period:

- Residential – 7.21% total (1.80% average p/a) - 5.89% below rate pegging
- Business – 6.46% total (1.62% average p/a) – 6.64% below rate pegging
- Farmland – 6.63% total (1.66% average p/a) – 6.47% below rate pegging

Over this period the total income from the mining rate category increased from a low base of \$48,917 to \$768,327 in 2012/13. This is seen as being 'on the way' to a far more equitable contribution to total rate income.

By extending this calculation out to include the proposed rate variation over the next four years the total and average increases for each of these categories across the 8 year period would be:

- Residential – 43.03% total (5.38% average) – 13.37% above rate pegging (1.67% average)
- Business – 35.53% total (4.44% average) – 5.87% above rate pegging (0.73% average)
- Farmland – 42.26% total (5.28% average) – 12.60% above rate pegging (1.58% average)

Considering GSC's rate structure, long term alignment strategy for its rating mix, the freeze on water rates, the percentage of assessments below the category averages depicted and the real increase in the average residential rates bill being 11.1% across the four year proposed rate variation period, GSC is satisfied that its approach to ensuring long term financial, asset and service sustainability at the same time as delivering

inter-generational equity could only be considered as reasonable, aligned and as affordable as is possible for all.

### 5.2.1 Minimum Rates

Does the council have minimum rates?

Yes  No

Council employs minimum rates for all rating sub-categories. It is proposed that all minimums increase in-line with the rate increase for that category and as such the share of rate payers on the minimum rate in each category will remain unchanged with or without the special variation.

### 5.3 Community’s capacity to pay proposed rate increases

As mentioned in section 5.2 the total notional increase in rate income from the proposed special variation is applied to each category differently in order to establish an aligned, equitable and affordable increase for the rate payers of each category. This strategy is a continuing one that was first initiated in 2009, the results of which can be seen below:

Over the four year period since 2009 the cumulative increase from rate pegging was 13.10%; however, the long term rate mix restructuring undertaken by Council resulted in the following increase for each of the four major rate categories across this period:

- Residential – 7.21% total (1.80% average p/a) - 5.89% below rate pegging
- Business – 6.46% total (1.62% average p/a) – 6.64% below rate pegging
- Farmland – 6.63% total (1.66% average p/a) – 6.47% below rate pegging

Over this period the total income from the mining rate category increased from a low base of \$48,917 to \$768,327 in 2012/13. This is seen as being ‘on the way’ to a far more equitable contribution to total rate income.

By extending this calculation out to include the proposed rate variation and rate mix strategy over the next four years the total and average increases for each of these categories across the 8 year period would be:

- Residential – 43.03% total (5.38% average) – 13.37% above rate pegging (1.67% average)
- Business – 35.53% total (4.44% average) – 5.87% above rate pegging (0.73% average)
- Farmland – 42.26% total (5.28% average) – 12.60% above rate pegging (1.58% average)

The strategy employed over the next four year period is designed to obtain the following division between rate categories of total rate income:

| Category          | Residential | Business | Farming | Mining |
|-------------------|-------------|----------|---------|--------|
| Contribution now  | 32.27%      | 19.09%   | 40.00%  | 8.64%  |
| At end of 2016/17 | 30.81%      | 17.39%   | 38.20%  | 13.60% |

In order to achieve this split and reduce the impact on GSC’s most vulnerable sectors the following reductions to the total special variation percentages will be applied over the next four years:

- Residential – 2% reduction in 2013/14 and 1% in each of the three following years
- Business – 4% reduction in 2013/14 and 2% in each of the three following years
- Farmland – 2% reduction in 2013/14 and 1% in each of the three following years.

When applied to the total rate bill for the average residential rate assessment the total cumulative increase is reduced from 39.7% to **25.4%** across the four year period. This is achieved by GSC’s decision to freeze water rates for the entire four years to help lessen the impact and by other annual charges not

needing to increase by the same level as rates due to them not having been constrained by rate pegging in the past.

When this figure is reduced to 'real' terms, being the removal of annual inflation indexation, than it comes right back to an **11.1%** real increase in the average residential rate bill across the four year period of the special variation.

In addition to attempting to keep rate increases to as affordable level as possible, GSC last year reviewed its Hardship Policy to increase the available assistance for ratepayers suffering genuine hardship and to ensure the adequacy of the provisions. This has presented GSC staff with a strong tool for making sure that the GSC's most vulnerable residents are given every possible assistance if and when needed.

In recent times GSC has been able to reduce its outstanding rates and charges percentage to 6.69% on a Consolidated basis or 4.34% for General Fund alone, which is quite low by comparison to other Group 11 Councils. This low base allows Council some leeway in being able to absorb any increase in outstanding rates and charges without adversely affecting liquidity or forecast cashflow projections.

In the most recently available Comparative Data Return from the NSW Division of Local Government, GSC's average residential rate and Rate income as a percentage of total income, by comparison to other Group 11 Council's located in the North West & Hunter area is as follows:

| <b>Council</b>          | <b>Residential Rate</b> | <b>Rates as % of total income</b> |
|-------------------------|-------------------------|-----------------------------------|
| <b>Gunnedah</b>         | <b>\$597.28</b>         | <b>34.46%</b>                     |
| <b>Inverell</b>         | <b>\$667.18</b>         | <b>39.55%</b>                     |
| <b>Moree</b>            | <b>\$777.80</b>         | <b>44.37%</b>                     |
| <b>Narrabri</b>         | <b>\$747.28</b>         | <b>35.98%</b>                     |
| <b>Muswellbrook</b>     | <b>\$619.86</b>         | <b>33.18%</b>                     |
| <b>Group 11 Average</b> | <b>\$612.50</b>         | <b>34.45%</b>                     |

The above table illustrates that GSC's Residential rate is below that of all of the other Group 11 Council's located within close geographic proximity and is also below that of the Group 11 average. Gunnedah's reliance on rates as a percentage of total income is also below that of all of the North West Group 11 Councils, almost identical to that of the Group 11 average and slightly above the Hunter Council of Muswellbrook.

The aforementioned Councils located in the North West area have SEIFA index rating ranges of; Gunnedah 784-1045; Narrabri 758-1079; Moree 654-1090; and Inverell 796-1009.

All four Council areas have similar SEIFA rating scores and considering that they are all Group 11 Council's, located geographically in the same region and with similar communities, Gunnedah's average residential rate is thought to be quite reasonable, even once the proposed special rate variation is factored in.

## 5.4 Addressing hardship

Does the council have a Hardship Policy in place?

Yes  No

If Yes, is the Policy identified in the council's IP&R documentation?

Yes  No

Council's Hardship policy is attached at **Attachment W**. This policy details the measures provided to limit the impact of rates and annual charges from causing undue hardship on all of Council's rate payers, particularly pensioners and other at risk groups. There is a specific section in the policy detailing the concessions available and provided for eligible pensioners.

Whilst the policy is not specifically mentioned in the CSP, it is identified in the OP in the fees and charges section and is inherent in the CSP vision and community values. The vision is for a prosperous, caring and proud community reflected in the achievements and aspirations of the people

Does the council propose to introduce any measures to limit the impact of the proposed special variation on vulnerable groups such as pensioners?

Yes  No

Council is satisfied that the measures already in place are satisfactory. Currently Council offers the full pensioner rebate to eligible ratepayers.

## 6 Criterion 4: Delivery Program and Long Term Financial Plan assumptions

Signed statements that attest that the assumptions underlying the Delivery Program and Long Term Financial Plan are appropriate and realistic are at **Attachment X**.

### 6.1 Delivery Program assumptions

#### Growth Rate Assumptions (Feb 2013)

As part of its Strategic Asset Management Planning, GSC considered population growth factors influencing and expected to influence the Shire. Most significantly is the expansion of coal mining and Coal Seam Gas (CSG) exploration in and around the Shire.

The Namoi 2030 Regional Resource Strategy provided population movement (growth) figures for communities within the Namoi Valley out to 2030 and these baseline figures have been augmented with local employment data collated from a survey conducted in late 2010 of the resource companies operating in the shire and surrounds.

From the data it was expected a population surge would commence during 2011 and continue through to 2017. This would be as a result of local mining companies moving from exploration activities to construction and ultimately to extraction of coal.

#### Census 2011

The ABS preliminary population estimate at 30 June 2011 for Gunnedah LGA was 12,353. This proved to be 287 more than the actual Census night population of 12,066. Of significance is the comparison with the 2006 Census which showed Gunnedah LGA supported a population of 12,007. The 2011 Census figure is a 4.7% increase over the 5 years, an average of 0.94% per annum increase.

#### Gunnedah LGA

##### ABS Estimated Resident Population

| Year       | 2006   | 2011   |
|------------|--------|--------|
| Population | 11,524 | 12,353 |
| Change     |        | 829    |
| % change   |        | 7.2%   |

##### ABS Census Population

| Year       | 2006   | 2011   |
|------------|--------|--------|
| Population | 11,524 | 12,066 |
| Change     |        | 542    |
| % change   |        | 4.7%   |

#### Comparison to Projection

In line with projected growth, Gunnedah's population has grown as a reflection of coal mining and CSG related development.

In 2010 original assumptions, based on at least two major mines moving into their construction phases over the period 2011 – 2013, and with them additional people, predicted Gunnedah’s 2013 population to be around 13,023. Adding an estimated annual 0.9% increase (based on the 2009 - 2011 annual increase of 0.9%) to the 2011 Census figure, places the Shire’s estimated population in June 2013 at 12,284, a figure that sits neatly on the ‘Namoi 2030 + Developments’ trend line and is in excess of the ‘0.5%’ and ‘Namoi 2030’ growth lines (12,187 and 12,116 respectively). See graph below.

Considering no mine has yet moved to the construction phase places our current prediction ‘on track’ with the present population.

### Population influences

Council encourages developers and businesses to locate their employees to Gunnedah as opposed to entertaining and encouraging a Fly in Fly out workforce locally. As it is, a number of drive-in drive-out contractors and employees commute daily from Tamworth or from further down the Hunter region.

As can be seen in the 2012 DAs table below, considerable housing development is occurring and despite its buoyancy, both the rental and housing markets are very tight for those moving to Gunnedah.

Potentially about 1,000 residential blocks are possible in and around Gunnedah, with nearly 300 developed for purchase. Another 60 rural residential blocks are also for sale.

Housing, subdivision and business developments have pushed Development Application approvals to consecutive record figures. For the year ended Dec 2012, \$42.6M worth of applications were determined.

| <b>DAs determined 2012</b>     |                  |                    |
|--------------------------------|------------------|--------------------|
| <b>TYPE</b>                    | <b>No of DAs</b> | <b>TOTAL VALUE</b> |
| Total DAs lodged               | 181              | \$ 42,607,536      |
| Dwellings (urban, rural)       | 99               | \$ 22,698,984      |
| Commercial                     | 30               | \$ 8,809,568       |
| Industrial                     | 8                | \$ 1,066,000       |
| Other                          | 7                | \$ 3,191,000       |
| Subdivision Additional Lots    | 118              | \$ 1,295,000       |
| Complying Development Consents | 67               | \$ 7,174,688       |

### Reviewed Projection and Tracking

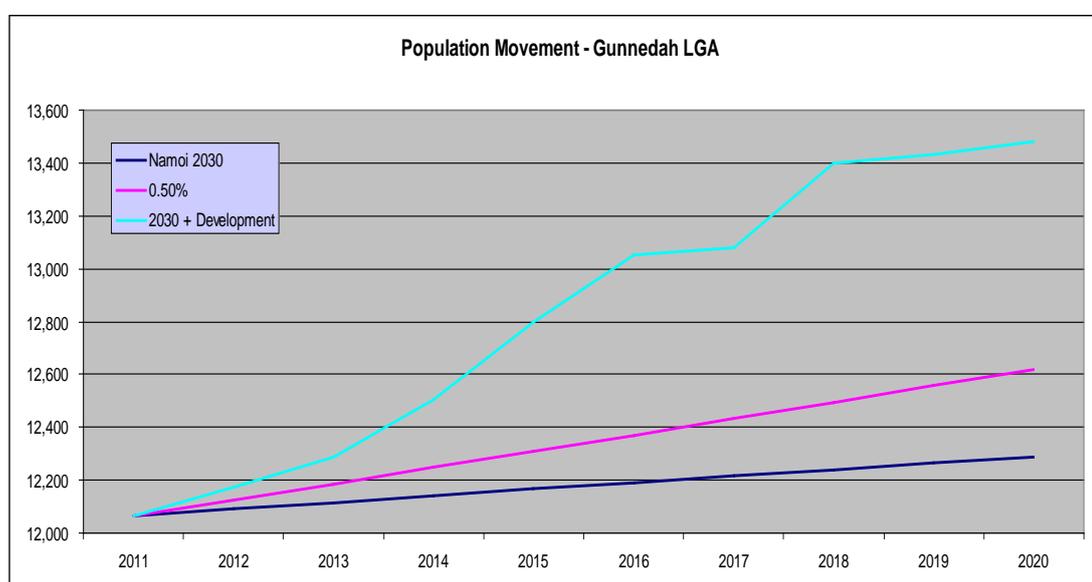
Given the escalation of now three mines (BHP Billiton Caroon Coal Project, Shenhua Watermark Coal, Maules Creek Project) to their respective construction phases is now expected to occur during the period 2014 – 2017, the renewed influx of new Gunnedah Shire residents should begin to occur then.

The Namoi 2030 report estimates a Gunnedah population of 12,290 by 2020. This compares with an across-the-board, averaged increase of 0.5% per annum providing a 2020 population of 12,620. At the higher extreme, the population increase based on estimated numbers and timing provided by the resource companies, results in an estimated 13,479. This equates to an annual increase of 0.98% for the period 2011 to 2020. The assumption of 0.5% growth appears realistic given the sensitivity of the resource sector to market forces

The table below and the resulting graph show a comparison of Namoi 2030 report population movement figures, a straight 0.5% increase per annum, a Namoi 2030 and 0.5% combination and specific development workforce data plus the Namoi 2030 figures.

## Population Movement Scenarios 2011-2020

| <u>Annual Increase based on</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Namoi 2030 + Development</b> | 12,066      | 12,175      | 12,286      | 12,502      | 12,795      | 13,050      | 13,082      | 13,402      | 13,431      | 13,479      |
| <b>0.5% growth</b>              | 12,066      | 12,126      | 12,187      | 12,248      | 12,309      | 12,371      | 12,433      | 12,495      | 12,557      | 12,620      |
| <b>Namoi figures 2030</b>       | 12,066      | 12,091      | 12,116      | 12,141      | 12,165      | 12,190      | 12,215      | 12,240      | 12,265      | 12,290      |



The uncertain nature of resource development timeframes has created a model that requires further updates so a more accurate picture of population demands on assets can be forecast. Any reliance on the short term and accumulated demand on Council assets created by population movements needs to be backed by regularly updated data supplied from the major resource companies.

### 6.2 Long Term Financial Plan assumptions

GSC has a number of strategies, assumptions and performance parameters that are utilised in the construction of its LTFP and are clearly stated in the commentary section of the Plan. The details are as follows:

#### Financial Planning Strategies

The key objective of the long term financial plan remains the achievement of financial sustainability across the short, medium and longer term whilst still achieving Council's broader community vision and corporate objectives.

The financial plan is based on the following key strategies:

#### Sustainability

- Provide spending on infrastructure renewal to ensure that Council's physical assets are maintained to standards that provide functionality and serviceability.
- Ensure rate increases are equitable and not excessive and that the increase can be justified in a positive and transparent manner.
- Provide a pricing strategy for services based on Council's preferred options for service delivery and subsidisation vs user pays principles.
- New or expansionary community assets to be funded via property development and s64 and s94 developer contributions.

#### *Liquidity*

- Ensure Council has sufficient available cash to meet its debts as and when they fall due.
- Avoid budgets where the liquidity ratios fall below target.
- Utilise loan funds for renewal and replacement capital purposes and to achieve inter-generational equity in the absence of pre-established reserves to fund this expenditure.
- Utilise a range of reserves to smooth cash flow, particularly in relation to large asset classes and unpredictable outlays such as Employee Leave Entitlement, Domestic Waste Management, Plant Replacement and the Livestock Saleyards.

## Key Financial Assumptions

As part of undertaking financial modelling, key assumptions that underpin the estimates must be made. The following assumptions have been used in the modelling contain within this plan:

| Category                                  | Background   | Assumption               |
|---|--|--------------------------|
| Rates                                     | 4 year special rate variation increases than average rate pegging thereafter.                        | 9.4, 8.5, 9.5, 7.5 & 3.0 |
| User Charges & Fees                       | Based on average increase to Council's major operating inputs  | 4.0 to 5.0%              |
| Interest & Investment Revenue             | Average estimated return from prevailing market  | 4.5 to 5.5%              |
| Grants and Contributions - Operating      | Based on 2012/13 & 2013/14 Local Government Index rate   | 3.50%                    |
| Grants and Contributions - Capital        | Based on 2012/13 & 2013/14 Local Government Index rate   | 3.50%                    |
| Employee Costs                            | Already establish award conditions plus average historical competency increases for Gunnedah Council | 4.50%                    |
| Superannuation                            | Average over 10 years based on wage changes plus proposed super guarantee increases                  | 7.30%                    |
| Materials & Contracts                     | Average based on recent historical trend plus continuing demand competition in key resource markets  | 5.45%                    |
| Borrowing Costs                           | Based on average long term rates and current market quotes   | 7.00%                    |
| Utilities                                 | Based on recent history and recent market commentary   | 5.0 to 8.0%              |
| Infrastructure Property Plant & Equipment | Based on 2012/13 & 2013/14 Local Government Index rate   | 3.50%                    |

- Gunnedah's population has been forecast to continue to grow at a rate of 0.5% per annum over the period of this plan. This assumption is based on annual growth rates experienced over recent years combined with forecasts for growth in the future. This is informed by expected residential developments over the next 10 years and jobs growth resulting from the mining sector and mining related industries.
- Salary increases have been determined based on already adopted award increases for the first 2 years of the plan and an estimated 3.25% for the remainder.
- Workers Compensation total premiums have been assumed to remain in-line with the average increase in employee costs of 4.50%.

## Financial Performance Measures

Council measures its financial performance reporting in accordance with the Statement of Performance Measures contained within Note 13 of the Local Government Code of Accounting Practice and Financial Reporting.

Council will review the long term financial Plan each year as part of the development of the next annual Operating Plan. The review will include an assessment of the previous year's performance in terms of the accuracy of the projections made compared with the actual results. The outcome will be used to improve the accuracy of the LTFP over the longer term. The major indicators include:

| Measure                                | What it measures   | Target    | Calculation   |
|--|--|-----------|---|
| Unrestricted Current Ratio             | Council's ability to meet its financial obligations in the short term, such as paying for goods and services supplied.     | >1.5:1    | Current assets less all external restrictions/Current liabilities less specific purpose liabilities |
| Debt Service Ratio                     | The impact that loan principal and interest repayments have on the annual discretionary revenue of Council.                | <7%       | Debt Service costs/Income from continuing operations less capital income                            |
| Rates Coverage Ratio                   | The degree of dependence upon revenue from rates and charges and to assess the security of Council's income.               | 35 to 45% | Rates and Annual Charges/ Revenue from continuing operations  |
| Rates & Charges Outstanding percentage | The impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery policy and efforts. | <10%      | Outstanding rates and annual charges/Revenue from rates and annual charges collectible              |
| Asset Renewals Ratio                   | Assess Council's ability to renew its Infrastructure assets compared with the consumption (depreciation) of those assets.  | 100%      | Value of asset renewals/Depreciation expense for the assets   |

## **7 Criterion 5: Productivity improvements and cost containment strategies**

### **Overview**

Council has undertaken a number of initiatives to improve productivity and contain costs over the last two years. A number of these, as listed below, have been separately detailed as “efficiency audits” however Council has also undertaken an exercise in August 2012 requiring directors to identify efficiency savings of 1% of annual operating costs excluding depreciation. Council was able to realise 0.5% in total reductions to those operating costs without impacting service delivery. A 0.5% reduction in operating expenditure, excluding depreciation equates to a 1.5% reduction in required rating revenue. This is of course in addition to the 0.2% applied in determining the permissible increase to notional rating revenue by IPART.

### **Organisational development**

Council in the past two years has completed an organisational restructure which effectively removed the Group management tier of management and established three Directorships. This flattened structure has as its objective more direct accountability and greater involvement of middle management.

All three Directorships or Departments have undergone a functional review in which staff roles and responsibilities have been assessed and modified to ensure job requirements better fit organisational needs. In essence this has occurred without additional labour cost. Cultural change through training, performance appraisal, recruitment and performance management is ongoing.

Senior management executive training has commenced and will continue. This includes multi-rater feedback as a key informant to identify gaps and opportunities, and to help ensure optimum leadership capabilities in the executive team.

An extensive Councillor induction process was introduced for Councillors at the commencement of term last year. A training program has been adopted which includes financial management, planning processes, governance responsibilities, strategic planning and Code of Conduct provisions.

Council has commenced development of a behavioural model to guide the whole organisation. This is a model based around customer service and business performance. All aspects of the model will be incorporated into recruitment, and performance management including staff appraisals.

### **Best practice and policy development**

Council has substantially completed its Best Practice Review Action Plan that was developed following an audit carried out by the Division of Local Government. Council has given priority to this Promoting Better Practice Program. Improvements include policy development, training or development program for Councillors, review of delegations, website review and renewal, improved debt collection strategies, improvements in land and asset registration and plans of management for community land.

### **Human resource management improvements**

Council has moved to improve performance, reduce the costs of compensation claims and improve workplace safety through:

- Random drug and alcohol testing commenced this year
- Use of Safety Activity Score cards for all areas of Council. Corrective Action system is now adopted to ensure non-compliance is actioned through assigning responsibilities and follow ups
- Improved claims management including early testing, active claims intervention and integration back into workforce where possible

- Improved recruitment policy and processes
- Training and coaching in management of difficult employees
- Training to ensure compliance with Workplace Health and Safety harmonisation legislation

Gunnedah Shire Council performed substantially better (87.44% and 87.72%) than the State average (64%) and DLG group average (65%) for safety system implementation respectively with similar results for documentation.

### **Information technology development**

Considerable improvements have been made through IT development. This included CCTV installation to protect certain public assets, Geographical Information System improvements, Civica installation and updates to improve financial reporting and management, Powerbudget to improve financial cost centre management, and Interplan to facilitate sectional and corporate planning, management and reporting. Council is expecting considerable improvements in financial planning, monitoring and reporting as a result of software introduction.

### **Financial management**

Council has had a tradition of honest and accurate financial reporting. Council's true financial position in relation to asset management is now evident following some 18 months of asset assessment and planning. Financial sustainability of the organisation has been the main concern of Council in its deliberations over options for funding asset maintenance and renewal. This has resulted in the urgent need to look to a special rate increase to avoid an unwanted substantial run-down of assets and concomitant reduction in basic services. On balance the community, through feedback, have indicated their desire to retain the modest levels of service currently existing, into the future.

In terms of revenue opportunities GSC has reviewed all of the opportunities around fees, charges and business returns along with internal efficiencies that may reduce costs. GSC has run its own elections to save costs and saved between \$14,000 and \$90,000 on the quotes provided by the only two other service providers available. GSC also has been proactive in debt recovery reducing outstanding rate collections from 13.3% in 2010 to 6.7% in 2012.

GSC has also dealt with unprecedented levels of development without increases in staff and in fact along with Infrastructure Services has run with a shortage of staff.

### **Planned productivity improvements and cost containment strategies**

GSC has initiated an external organisation review, being undertaken by Blackadder Associates Pty Ltd, with the identification of the following issues to be addressed as part of the brief:

- The performance of the organisation and the performance of the senior management group led by the General Manager
- The structure and efficiency of the GSC and its ability to deliver services aligned with what is expected by the community
- The financial performance of the GSC and opportunities to deliver savings to ensure such actions support the special rate variation application to IPART.

### **Efficiency Sheets**

The following summarises measures undertaken to achieve productivity improvements and efficiencies in GSC's operations in recent years. In addition to the productivity gains below, GSC has undertaken efficiency audits and these are attached at **Attachment Y**.

### **Division of Community and Corporate Services**

The efficiency audits undertaken within the Division of Community and Corporate Services and attached as part of the application include:

|  |   |
|--|---|
| Accounts receivable                          | GSC's asset system                          |
| Automated purchasing system                  | Budget Management systems                   |
| EFT Payments                                 | Debt Recovery processes                     |
| Fuel Tax Credits                             | Just in time store inventory system         |
| GSC's Land Register                          | Payment terms review                        |
| Saleyards shading construction               | Transactional banking services              |
| Water, Sewer and Trade Waste billing         | Information Services                        |
| Community Scholarship Fund                   | Digital cinema                              |
| Economic Development                         | Library                                     |
| Community Planning & Development Restructure | Civic facilities energy consumption         |
| Visitor Information Centre Cleaning          | School Holiday Program                      |
| Community Care vehicle utilisation           | Community Care - letting spare office space |

In addition to the external review of the organisation, the following initiatives have been identified for continued investigation or future review to improve productivity and contain costs. GSC recognises that in order to become more efficient, productive and minimise the marginal cost of delivering services it will at times need to increase certain expenditures. Some of the examples as follows encompass this principle, such as the engagement of a resource to assist with maximisation of grants and their strategic utilisation.

- **Customer service staffing** – current maternity leave position being relieved by a casual position to trial and identify ability to deliver required services with reduced staffing compliment. This is despite the view that GSC already believes based on benchmarking itself against others, that its FTE is appropriate and fit for purpose when considering GSC's operations and the community's elected service delivery. It should be noted that whilst GSC is above the group average and well below the NSW median and mean FTE figures, its operation of Community Care programs servicing six local government areas includes a grant funded staffing compliment of 16 FTE.
  
- **Community Care review** – a review is currently being undertaken of the operations of the Community Care department to enable GSC to determine whether it should continue to auspice community care programs, if so how to best structure their delivery and to identify opportunities for improvement in service delivery and productivity.
  
- **Information Communication Technology Strategy 2012 – 2022** – in preparing this strategy GSC has commenced and is undertaking continuing investigations into productivity and cost reduction strategies including the exploration of moving to a managed services provision. GSC is still investigating opportunities in that regard including ensuring that service delivery is not compromised by any migration of internal services and that GSC is not unduly exposed to risks. It is expected however that the impending expansion of the National Broadband Network may provide opportunities that either currently do not exist or are cost prohibitive.

- **Vehicle fleet review** – a review of GSC’s vehicle fleet including GPS monitoring is scheduled for this financial year to assist in rationalisation of the fleet where opportunities identified and aid in further reduction of FBT costs to GSC. In addition to this reviews are currently being undertaken at a departmental level to ensure a more productive and efficient use of those vehicles currently available. An example has been the co-location of complimentary services to provide better access to existing assets and remove the need for fleet expansion.
  
- **Purchasing process review** – a review of GSC’s purchasing practices is currently being undertaken to enable a reduction in incidences of error and minimise requirement for support functions, and as a result staff time demands.
  
- **Overheads identification and allocation review** – a review of GSC’s overheads identification and distribution methodology is underway and will be completed by financial year end which is anticipated to assist in business process improvement as well as efficiencies in practice of overhead measurement and allocation.
  
- **Business analyst focus** – improvements being realised within the Finance and Governance area will enable GSC to undertake a greater focus on business processes by rolling business analyst reviews within GSC’s existing staff compliment.
  
- **Audit Committee and Internal Audit function** – GSC has implemented a risk management framework which will see it form an Audit Committee prior to the end of the financial year, and utilise external resources to assist in the internal audit function. This will aid in GSC aligning structure and business process with strategic objectives and compliment the increased business analysis internal focus. It should be noted that the Internal Audit administration, Audit Committee support and risk management framework administration has been put in place without the addition of additional staff. This has been achieved through a structural review.
  
- **Electronic Communication** – GSC’s Customer Service and Communications and Community Development and Planning Departments are currently undertaking a review of how GSC communicates with the community, including a greater focus on electronic modes such as email lists for correspondence and newsletters, as well as the addition of two new websites to complement the two introduced last year.
  
- **Grant maximisation and strategic intent** – GSC has recently engaged a consultant to work with staff, and groups within the community, to ensure that GSC maximises its grant revenue and coordinates its utilisation so as to minimise duplication, other potential for wastage and to simply drive each dollar further. Similarly another objective is to ensure that GSC is pursuing grants primarily to support the objectives as identified and outlined in its CSP, other plans and Resourcing Strategy.
  
- **Partnerships with the community** – a greater emphasis has been placed on better coordinating and working with existing community groups, businesses, regional organisations and other government agencies. Existing examples include sister city relationships assisting cost effective delivery of aboriginal youth exchange programs, sponsorship of library resources by local groups and Namoi GSC regional Resourcing partnerships.
  
- **Benchmarking** – GSC is also continuing to benchmark itself against other councils, particularly those in Group 11 within the NSW Comparative Data set, and against other relevant organisations in other industries.

Similar to the situation with the potential for additional revenue from mining industry voluntary planning agreements (VPA’s), GSC has undertaken to review future year increases proposed under this application

for variation to rating revenue as and when any opportunity to reduce costs is able to be realised. GSC's Long Term Financial Plan represents a comprehensive view the community's objectives and GSC's intended operations over that period recognising that there will be threats and opportunities that arise.

GSC believes it has taken a responsible and prudent approach to planning based on current circumstances to ensure that its service delivery is sustainable and its support of the community is viable well into the future. Should ongoing investigation of opportunities for productivity improvements or cost reduction realise results during the SRV period, again as with potential VPA's GSC will be in a position to reduce the increases above rate pegging currently required, and review its long term financial plan and revenue policy.

**Division of Infrastructure Services**

The efficiency audits undertaken within the Division of Infrastructure Services and attached as part of the application include:

|                   |   |
|-------------------|---|
| Concrete Grinding | Renewal of Gravity Sewer Mains          |
| Heavy patching    | Survey Practices                        |
| Plant Operations  | Gunnedah Water Standpipe Administration |
| Unsealed roads    |   |

**Work services**

This area is responsible a significant proportion of GSCs assets including roads, bridges, cycleway, footpaths and stormwater drainage.

GSC now grinds concrete footpath trip points in accordance with GSCs risk management policies in order to defer the capital replacement of paving slabs with differential joints. This practise was introduced in 2001 and continues to deliver significant savings.

Further opportunities are associated GSCs' ability to retain staff skills in trialling and developing techniques that challenge staff in delivering a product that is cheaper or is of a better quality without increased cost of safety risk. A very pleasing example of these efficiencies include the utilisation of binding polymers such as 'polycom' in reducing the need and frequency of maintenance grading of GSCs' gravel road pavements together the improved safety and local amenity through the suppression of dust. Additional examples are delivery of in-situ pavement stabilisation and bitumen resealing utilising GSCs day labour workforce'. The unit rates achieved both in the bitumen reseal delivery and in-situ stabilisation have drawn most favourable comment from the Roads & Maritime Services agency relative the delivery of quality works at very benchmark competitive rates.

**Water Services**

The analysis of this are relates to more efficient use of resources and alternate treatments to the total replacement of infrastructure as well as resources to monitor and manage potable water quality and bore field pump performance.

Over the past ten years GSC has moved to the best practise approach of water service delivery with an average 26-30% of the revenue generated from user charges. Integral in this process was the metering of all assessments including its parks and reserves and most recently restriction of standpipe water to its electronic keyed bulk supply to the Gunnedah standpipe significantly reducing unaccounted loses.

GSC has also committed considerable resources to the video surveillance and the in-situ relining of its sewer mains, where possible in conjunction joint tendering with our neighbours Liverpool Plains Shire GSC

under our formal water alliance. This method extends the useful lives of these assets and has saved considerable community funds.

A significant undertaking presently being pursued is the technical staffs' insistence of the consultants consideration for the utilisation and expansion of trickling filter technology in the forthcoming augmentation of its Gunnedah sewerage treatment works. Much of the current philosophy involves total replacement of older works without adequate recognition of the irrigated effluent disposal option requiring less tertiary treatment and utilisation of the latent capacity of treatment components that yield quality effluent. This augmentation and renewal shall defer the expenditure of an estimated \$25m for a further 20-30 years without compromise capacity and quality.

**Design and Office Administration**

GSCs Infrastructure Design Section have fully embraced GPS technologies with movement to remote single person survey capacity, an in house design and project set-out capability.

The opportunity to have the Department of Lands CORS remote positioning technology located on GSCs administrative building has delivered a major advancement in survey co- ordination for all users in the community in recognition licence fee offsets that will significantly reduce the costs associated the transition of the grader fleet to automated level control for construction and drainage works.

Further demonstrated efficiencies have included the redesign of two positions following staff resignations. The Design Engineer now also has the added responsibilities of subdivisions and development comment and supervision, resulting in the removal of the Developments Engineer from the organisational structure. The wages savings with this opportunity are meaningful and ongoing. The Infrastructure Cost Clerk now also has a significant role in ensuring the capture, input and monitoring of GSCs plant fleet income and hire rates with very significant savings being effected in the initial year of implementation and there continues to be ongoing efficiencies associated with this administrative change.

**Division of Planning & Environmental Services**

The efficiency audits undertaken within the Division of Planning & Environmental Services and attached as part of the application include:

|                |                                       |
|----------------|---------------------------------------|
| Domestic waste | Preparation of Local Environment Plan |
| Buildings      |                                       |

**Waste Management**

The development of the initial waste strategy by GSC in 2000 established a change in the approach to the management of waste across the Shire area. Over the subsequent ten years a variety of innovative process and initiatives were implemented to provide more effective service delivery that also satisfied statutory and environmental requirements.

More recently GSC has moved to ensure that there is an ongoing approach to continuous improvement through the development of a new Waste Management Strategy.

This will result in an analysis of the nature of service delivery, such as the closing of landfills and the establishment of transfer facilities.

In 2008 GSC embarked on a tender process for a new kerbside waste collection contract. This process was initiated regionally in order to benefit from economies of scale. The process undertaken was extremely rigorous to ensure that the community was receiving value for money.

In particular, the community survey undertaken as the initial phase of the process ensured an alignment of service standard and community expectation.

Similarly, in order to achieve better returns and a more efficient management of recyclable and reusable waste products, GSC has maintained involvement with regional waste management and resource recovery contracts through the Northern Inland Regional Waste Group. This continues to provide tangible cost savings to GSC in respect of tender development, advertising and management costs.

### **Public Facility Management**

The analysis in this area relates to more effectively delivering services with resultant efficiencies and cost benefits.

The provision of a Facility Agreement process for users of all Open Space and Recreational facilities has ensured that appropriate levels of service delivery is provided to facility users whilst also assisting GSC in the efficient maintenance and management of the asset.

This process has also resulted in a more equitable fee structure being applied that has been embraced by sporting and community groups. The engagement of the various groups in this process has also resulted in an alignment of community group expectations and GSC's ability to deliver services.

The overall outcome of this process has resulted in a positive cost benefit.

The use of technology at the Gunnedah Memorial Swimming Pool demonstrates how significant cost savings can be achieved. The electronic scanning system for patrons has reduced the need to employ additional staff with a resultant cost benefit. The system is also patron friendly thus being beneficial in a customer service sense.

Effectively, the ongoing review of process in this area demonstrates a commitment to achieve savings through innovation and ongoing review of process.

### **Planning Management**

The internal finalisation of Gunnedah LEP 2012 is an example of full utilisation of staff resources – supported by measured use of external consultants.

An indirect cost saving was achieved in the completion of GSC's principal planning instrument. The efficient and effective use of internal resources has also resulted in greater ownership and understanding of the instrument, particularly in relation to strategic objectives.

## **8 Other information**

### **8.1 Previous Instruments of Approval for expiring special variations**

Not applicable.

### **8.2 Reporting**

GSC uses a system called Interplan to ensure it is fully compliant with reporting requirements under the IP&R framework. It is a web based fully automated and integrated system that enables GSC to generate a consistent and comprehensive approach to the management and reporting of organisational plans.

GSC also provides quarterly Budget reports to elected officials and the public.

GSC will in addition provide bi-annual reporting on projects at public meetings scheduled for the purpose of complying with IP&R requirements and keeping the community informed on the delivery of works and services.

### **8.3 Council resolution**

A copy of the council's resolution to apply to IPART for the special variation is at **Attachment Z**.

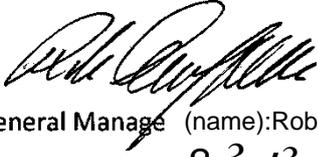
## 9 Checklist of application contents

| Item   | Included?                           |
|--|-------------------------------------|
| Community Engagement Strategy, Community Strategic Plan, Delivery Program& Draft Operational Plan extracts | <input checked="" type="checkbox"/> |
| Long Term Financial Plan extracts  | <input checked="" type="checkbox"/> |
| Asset Management Plan extracts   | <input checked="" type="checkbox"/> |
| Contributions Plan documents (if applicable)   | <input checked="" type="checkbox"/> |
| Community feedback (including surveys and results if applicable)   | <input checked="" type="checkbox"/> |
| Hardship Policy (if applicable)  | <input checked="" type="checkbox"/> |
| Productivity/cost containment examples   | <input checked="" type="checkbox"/> |
| Past Instruments of Approval (if applicable)   | <input type="checkbox"/> NA         |
| Reporting mechanisms   | <input checked="" type="checkbox"/> |
| Resolution to apply for the special variation  | <input checked="" type="checkbox"/> |

It is the responsibility of the council to provide all relevant information as part of this application.

## 10 Certification by the General Manager and the Responsible Accounting Officer

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

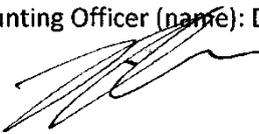


General Manager (name): Robert Campbell

Signature Date: 8-3-13

Responsible Accounting Officer (name): Damien Connor

Signature Date:

 8/3/2013

Once signed the certification must be scanned and submitted with the council's application.