

NOTICE OF EXTRAORDINARY MEETING

Notice is hereby given that a meeting of

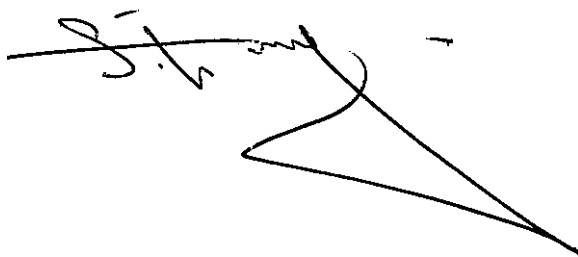
MidCoastCouncil

Will be held at the Forster Administration Centre, 4 Breese Parade, Forster

1 MAY 2017 AT 2.00 PM

The order of the business will be as detailed below (subject to variation by Council)

1. Acknowledgement of Country
2. Declaration of Pecuniary or Conflicts of Interest (nature of Interest to be Disclosed)
3. Matters for Information
4. Close of Meeting

A handwritten signature in black ink, appearing to read 'Steve Embry', with a large, stylized flourish extending downwards and to the right.

**STEVE EMBRY
ACTING INTERIM GENERAL MANAGER**

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CONSIDERATION OF OFFICERS' REPORTS:

DIRECTOR CORPORATE & BUSINESS SYSTEMS

1 ADDENDUM TO MCC DELIVERY PROGRAM-OPERATIONAL PLAN TO INCLUDE SRV SCENARIO

Report Author Steve Embry, Director Corporate & Business Systems

File No. / ECM Index Delivery Program/Operational Plan 2016/17 MidCoast Council

Date of Meeting ExtraOrd 1 May 2017

SUMMARY OF REPORT

An addendum to MidCoast Council's current Delivery Program/Operational Plan will be tabled at an Extraordinary meeting on 1 May 2017. In accordance with Integrated Planning & Reporting legislation the addendum will then be placed on public exhibition for a period of 28 days. The addendum will provide details of Council's proposed special rate variation to address underfunding of depreciation of Council's road and bridge assets, to start addressing the significant asset backlog and support ongoing financial sustainability.

SUMMARY OF RECOMMENDATION

That the addendum to MidCoast Council's 2016-17 Delivery Program/Operational Plan be placed on public exhibition for a period of 28 days.

FINANCIAL/RESOURCE IMPLICATIONS

Financial implications of the special rate variation proposal will be covered in the report to be tabled on 1 May 2017.

LEGAL IMPLICATIONS

Legislation was recently passed in the NSW Parliament to allow MidCoast Council to apply for a special rate variation under the Local Government Amendment (Rates - Merged Council Areas) Bill 2017. As part of the application process Council is required to exhibit an addendum to the current Delivery Program/Operational Plan to include the special rate variation proposal.

BACKGROUND

The value of MidCoast Council's assets total \$3.5 billion, with the most significant portion being road and bridge assets with a value of \$2.46 billion (76% of the asset base).

All three former Councils (Greater Taree, Great Lakes and Gloucester) highlighted the need for special rate variations through the Fit for the Future process to address existing asset renewal and backlog issues as well as financial sustainability.

Both Great Lakes and Greater Taree Councils had applied to the Independent Pricing and Regulatory Tribunal (IPART) for a special rate variation for 2016/17. Due to the timing of the amalgamations, a formal determination on these applications was not made. The Gloucester region has one year remaining of an approved 3 year x 13% special rate variation and had flagged their intention to apply for an additional increase.

When MCC formed it was evident that a critical initial priority would be consolidation of the asset and financial position to determine a sustainable path forward for our community.

The investigation of Council's asset position found a combined asset backlog of \$180M, and underfunding of depreciation for roads and bridges by \$5M annually. Until Council can fund its depreciation the asset backlog will increase.

Since the merger, Council has identified ongoing savings far exceeding the KPMG merger business case scenario. By committing these merger savings to our roads and bridges, along with additional merger funding through the Stronger Communities – Major Projects Fund, a \$30M Roadcare Program has been developed. Whilst this is a great result for a newly merged Council, it will not address the yearly \$5M gap in funding depreciation let alone the significant backlog.

As long as this funding gap remains, the condition of assets will decline. Council is aware that this result is unacceptable to our community as they consistently rate roads as in need of significant improvement as well as their highest priority service area.

Council developed a strategy to address the asset funding shortfall involving a special rate variation. This proposal was discussed with the community in October 2016 during a community engagement program across the MidCoast area. The proposal presented was based on an increase of 5% (including the rate peg), each year over a 4 year period. In addition, Council proposed to harmonize the environmental rate at 6% across the MidCoast local government area.

MCC also commissioned a statistically valid community survey in November 2016. Survey results indicate that 76% support a special rate variation at the proposed level or slightly lower. This is a noteworthy result for a newly merged Council and clearly demonstrates the community's understanding of Council's position.

Council is conscious of potential issues around affordability and impact on the ratepayer. As part of our proposal we are also freezing the Domestic Waste Management Charge for three (3) years which will help offset the financial impact of the rate rise.

The average increase per region is indicated below. An analysis of Council's special rate variation proposal will be included in the report to be tabled at the meeting on 1 May 2017 and available on Council's website.

| | | |
|--|----------------------------------|----------------------------------|
| Manning Region based on average residential rate of \$1068 | Average increase per year | Average increase per week |
| | \$59 per year | \$1.13 per week |
| Great Lakes Region based on average residential rate of \$1235 | Average increase per year | Average increase per week |
| | \$64 per year | \$1.23 per week |
| Gloucester Region based on average residential rate of \$1081 | Average increase per year | Average increase per week |
| | \$77 per year | \$1.48 per week |

DISCUSSION

At the time of Council's community engagement in October-November 2016 the NSW Government held a position that merged councils would maintain the pre-merger rate paths of the former councils (excluding increases due to the annual rate peg amount).

This position was formalised on 29 March 2017 in the *Local Government Amendment (Rates - Merged Council Areas) Bill 2017* (Annexure A). The Bill amended the Local Government Act 1993 and the following specific clauses which provide special dispensation for MidCoast Council are now included in section 218CB of the Act:

(8) Nothing in this section prevents Mid-Coast Council from making an application under section 508A during the relevant period. And

(11) Any prohibition that expressly prevents any new council from making an application under section 508A that is contained in the guidelines made under that section does not apply to Mid-Coast Council.

In addition, on 4 April 2017 the Office of Local Government published an Addendum Guidelines (Annexure B) to the *Guidelines for the Preparation of an Application for a Special Variation to General Income for 2017/18*. This Addendum provided additional information on the dispensation for MidCoast Council in relation to application for a special rate variation for 2017/18.

Taking these special circumstance provisions into account, it is now proposed to proceed with the process to seek a special rate variation to address Council's asset and financial position.

In order to meet the requirements of the Guidelines and the Integrated Planning & Reporting legislation, Council is required to exhibit an addendum to its current Delivery Program/Operational Plan and place the addendum on public exhibition for a period of 28 days. The addendum will be tabled at an Extraordinary meeting on 1 May 2017. The addendum will provide details of Council's proposed special rate variation to address underfunding of depreciation of Council's road and bridge assets, as well as to start addressing the significant asset backlog.

RECOMMENDATION

That the addendum to MidCoast Council's 2016-17 Delivery Program/Operational Plan be placed on public exhibition for a period of 28 days.



STEVE EMBRY
ACTING INTERIM GENERAL MANAGER

ANNEXURES:

A: Local Government Amendment (Rates - Merged Council Areas) Bill 2017

Second print



New South Wales

**Local Government Amendment (Rates—
Merged Council Areas) Bill 2017**

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b2016-152 d09

This PUBLIC BILL, originated in the LEGISLATIVE COUNCIL and, having this day passed, is now ready for presentation to the LEGISLATIVE ASSEMBLY for its concurrence.

Legislative Council

Clerk of the Parliaments.



New South Wales

Local Government Amendment (Rates— Merged Council Areas) Bill 2017

Act No. , 2017

An Act to amend the *Local Government Act 1993* with respect to the maintenance of pre-merger rate paths for land in the areas of newly merged councils; and for related purposes.

| | |
|---|---|
| The Legislature of New South Wales enacts: | 1 |
| 1 Name of Act | 2 |
| This Act is the <i>Local Government Amendment (Rates—Merged Council Areas) Act 2017</i> . | 3 |
| | 4 |
| 2 Commencement | 5 |
| This Act commences on the date of assent to this Act. | 6 |

| | | |
|-----------------------------|---|----------------------|
| Schedule 1 | Amendment of Local Government Act 1993 No 30 | 1 |
| Section 218CB | | 2 |
| Insert after section 218CA: | | 3 |
| 218CB | Transitional provision for maintenance of pre-amalgamation rate paths | 4 |
| (1) | The Minister may make a determination for the purpose of requiring a new council, in levying rates for land, to maintain the rate path last applied for the land by the relevant former council. | 5 6 7 |
| (2) | A determination applies to the levying of rates by the new council for the 3 rating years immediately following the rating year for which the relevant proclamation makes provision for the levying of rates (the <i>relevant period</i>). | 8 9 10 |
| (3) | Without limiting the content of a determination, a determination is to set out the methodology that the new council is to apply when setting rates for land for the relevant period, including in relation to the following: | 11 12 13 |
| (a) | the structure of rates, | 14 |
| (b) | the categorisation or subcategorisation of land for rating purposes, | 15 |
| (c) | the calculation of the new council's notional general income for rating purposes, | 16 17 |
| (d) | the treatment of any variation of a former council's notional general income under Part 2 of Chapter 15 that would have been applicable, had the amalgamation effected by the relevant proclamation not occurred, to the determination of rates and charges for land within the new area. | 18 19 20 21 |
| (4) | A determination must be published in the Gazette and may be revoked or varied only by a further determination of the Minister published in the Gazette. | 22 23 |
| (5) | While a determination is in force, the provisions of this Act that apply in relation to rates are modified to the extent necessary to give effect to the determination. | 24 25 26 |
| (6) | This section does not apply to a new council constituted before 12 May 2016. | 27 |
| (7) | This section does not affect any power to make a proclamation under this Part relating to rates. | 28 29 |
| (8) | Nothing in this section prevents Mid-Coast Council from making an application under section 508A during the relevant period. | 30 31 |
| (9) | A determination under this section is to take into account a determination under section 508A made on an application referred to in subsection (8). | 32 33 |
| (10) | A determination under section 508A made on an application referred to in subsection (8) has effect despite subsection (5). | 34 35 |
| (11) | Any prohibition that expressly prevents any new council from making an application under section 508A that is contained in the guidelines made under that section does not apply to Mid-Coast Council. | 36 37 38 |
| (12) | In this section: <i>former council</i> , in relation to a new council, means a council of a former area. <i>new area</i> means the area constituted by the amalgamation of areas (<i>former areas</i>) by the relevant proclamation. | 39 40 41 42 |

new council means the council of a new area constituted by section 219. 1
relevant proclamation means the proclamation made pursuant to Part 1 of 2
Chapter 9 that amalgamates former areas into the new area and constitutes the 3
new council. 4

- B: Office of Local Government Addendum Guidelines to the Guidelines for the Preparation of an Application for a Special Variation to General Income for 2017/2018



ADDENDUM GUIDELINES

TO THE GUIDELINES FOR THE PREPARATION OF AN APPLICATION FOR A SPECIAL VARIATION TO GENERAL INCOME FOR 2017/2018 ISSUED ON 15 DECEMBER 2016

1. Introduction

- 1.1 This instrument is issued by the Chief Executive of the Office of Local Government (**Chief Executive**) pursuant to the *Local Government Act 1993* as Addendum Guidelines to the *Guidelines for the Preparation of an Application for a Special Variation to General Income for 2017/2018* issued by the Chief Executive on 15 December 2016 (the **Guidelines**).
- 1.2 Terms used in these Addendum Guidelines that are defined in the Guidelines have the meaning provided in the Guidelines.
- 1.3 These Addendum Guidelines commence on the date they are issued by the Chief Executive.

2. Application timetable for Mid-Coast Council for 2017/18

- 2.1 The application timetable for Special Variation for 2017/18 set out in Part 8.2 of the Guidelines does not apply to:
 - (a) Mid-Coast Council, or
 - (b) IPART, as the Minister's delegate for the purposes of s. 508A of the *Local Government Act 1993*, with respect to acceptance and determination of an application for Special Variation made by Mid-Coast Council.
- 2.2 The requirement to lodge an application on or before 13 February 2017 contained in Attachment 5 to the Guidelines does not apply to Mid-Coast Council with respect to an application for Special Variation for 2017/18.
- 2.3 IPART will determine any application for Special Variation for 2017/18 made by Mid-Coast Council within 90 days of receipt of such application.

4 APRIL 2017