

Addendum to 2016-17 delivery program &  
operational plan

Special rate variation proposal

for 2017-2018

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## 1- INTRODUCTION & BACKGROUND

### What is a special rate variation (SRV)?

A SRV allows councils to increase general income above the rate peg, which has been set by the Independent Pricing and Regulatory Tribunal (IPART) at 1.5% for 2017-18. The Local Government Act 1993 (NSW) provides for two types of SRVs - either a single year percentage increase or successive annual percentage increases over a period of between 2 and 7 years.

A council can apply to IPART for a Special Variation to the rate peg which is then considered against the Guidelines set by the NSW Office of Local Government. The Guidelines include the level of community awareness and how efficiently the council has been managing its finances.

Council requests for Special Rate Variations are often in order to develop or maintain essential community infrastructure or regional projects.

### Don't merged councils have to maintain pre-merger rate paths of the former councils?

Prior to 29 March 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 1). The Bill amended the Local Government Act 1993 and included the following specific clauses in section 218CB of the Act which provide special dispensation for MidCoast Council:

*(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 2) to the *Guidelines for the Preparation of and Application for a Special Variation to General Income for 2017/18*. This Addendum provided additional information in regards to the application timetable for MidCoast Council for 2017/18.

### What were the pre-merger rate paths of the former Councils?

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 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.

Both Great Lakes and Greater Taree Councils also had existing environmental levies, Great Lakes at 6% and Greater Taree at 5%. Gloucester does not currently have an environmental levy.

### What steps does MidCoast Council have to take to make an application for a SRV?

Councils are required to lodge a notification of intention to apply for a special variation with IPART which MidCoast Council did in December 2016 prior to the NSW Government formalising the position on Special Rate Variations and merged councils.

The next step for MidCoast Council is to submit a formal Special Rate Variation application to IPART and address the criteria within the application as per the standard SRV process. The public exhibition of this addendum to the 2016/17 Delivery Program & Operational Plan is part of the formal application process.

Community awareness of Council's proposal is a critical component of a SRV application. MidCoast Council has undertaken an extensive community engagement program and details of that are included in this document, with further details to be included as part of the formal application.

The table of actions and decisions are listed below and included on a timeline as Annexure C.

## 2 - TABLE OF ACTIONS & DECISIONS

Date	Action / Decision	Responsibility
<b>2016</b>		
10 May	Draft determination on GLC & GTCC SRV application for 2016/17	IPART
12 May	MCC formed through merger of GLC, GTCC and GSC	Department Premier & Cabinet
17 May	SRV determinations announced excluding GLC & GTCC due to merger	IPART
June - July	MCC community engagement including assets & finances - 10 community meetings	MidCoast Council
October - November	MCC community engagement - including proposed SRV - 10 community meetings	MidCoast Council
November	MCC community survey - asset service levels & SRV	MidCoast Council
23 November	MCC resolve to notify IPART of intention to apply for SRV for 2017/18	MidCoast Council
16 December	SRV guidelines released for 2017/18, merged councils not eligible to apply	Office of Local Government
<b>2017</b>		
29 March 2017	Local Government Amendment (Rates - Merged Council Areas) Bill, including special dispensation for MCC that excludes MCC from restrictions in the Bill	NSW Parliament
1 May	Extra Ordinary Council meeting to place addendum to 2016/17 Delivery Program on public exhibition for 28 days	MidCoast Council
31 May	Extra Ordinary Council meeting to adopt addendum and formally resolve to apply for SRV. <i>Proposed</i> - submit application to IPART	MidCoast Council
1 June	<i>Proposed</i> - IPART assessment process including 28 day exhibition period	IPART
29 June	<i>Proposed</i> - IPART exhibition period closes	IPART
Mid July	<i>Proposed</i> - IPART Board meeting to consider MCC application	IPART
24 July	Extra Ordinary Council meeting to make the rates as per legislative requirement	MidCoast Council
1 August	Rate notices issues by 1 August as per legislative requirement	MidCoast Council

### 3 - SRV PROPOSAL AND HOW IT WILL BE SPENT

#### Why is MidCoast Council applying for a SRV?

All three former Councils 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. When MCC was 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.

The asset analysis also identified a high level asset strategy for sealed roads and bridges:

- Maintain assets across MCC in current condition
- Don't let condition 3 roads slip into condition 4 & 5
- Look at risk and economic benefit of which condition 4 & 5 roads to prioritise for renewal
- Seek additional grant funding for regional roads and major transport routes
- Seek SRV to fund annual \$5M gap in renewal program funding for sealed road network

Since the merger, Council has identified ongoing savings and efficiencies 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 \$30million 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 this asset funding shortfall which involves a special rate variation. This proposal was discussed with the community in October - November 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 levies 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.

#### Why is MidCoast Council including an Environmental Levy as part of the SRV application?

The Great Lakes region has a long standing environmental levy of 6% approved until June 30<sup>th</sup> 2020 and the Manning region has an environmental levy of 5% approved until June 30<sup>th</sup> 2019. The Gloucester region does not currently have an environmental levy.

The extension of the environmental levy to the Gloucester region and harmonisation across all 3 regions at 6% ongoing, will allow a coordinated approach to the protection and restoration of the natural environment across the entire catchment area.

The environment is a common theme throughout the Community Strategic Plans from each of the former councils and as MidCoast Council, we know that this theme continues for our region. During recent community engagement regarding the MCC identity and branding, our natural

environment was a consistent and strong theme. The values and attributes identified by our residents included:

*From the mountains to our beaches we have an exceptional, expansive, tranquil and beautiful environment. Experience our rich natural treasures, stunning landscapes and pristine waterways.*

*A natural connection - we are defined by our connection to nature and our connection to each other. Where the leaves touch the water.*

An environmental levy for the MidCoast region will allow focus initially on the following themes:

1. River and catchment improvement and planning
2. Priority weed management
3. Community engagement, partnerships and incentives to improve catchment condition
4. Natural reserve and asset management

The types of projects that will be delivered include:

- Priority aquatic and riparian weed control on the upper Manning river system
- Bush regeneration and pest control in Council managed natural areas
- Community engagement to develop partnerships for supporting activities on private land to improve catchment health
- Fish barrier removal, erosion control and riverbank management

### What is the SRV proposal and how will it be spent?

Council will base the SRV application on an increase of 5% (including the rate peg), each year over a 4 year period. In addition, Council is proposing to harmonise the environmental levies at 6% across the MidCoast local government area. The cumulative impact (including the Environment Levy) on ratepayers in each region varies slightly depending on the existing

environmental levies. The cumulative impact is shown below, with additional detail for each region in Section 7 of this document.

- Manning Region: 28.5% (includes 1.5% rate peg, 3.5% for roads and bridges and the existing 5% environmental levy ongoing and increased by 1%)
- Great Lakes Region: 27.5% (includes 1.5% rate peg, 3.5% for roads and bridges and the existing environmental levy ongoing at 6%)
- Gloucester Region: 28.5% (includes removal of existing 13% increase for 2017/18, 1.5% rate peg, 3.5% for roads and bridges and introducing an environmental levy at 6%)

This is the proposal that Council discussed with the community in October and November 2016.

A 5% increase in the rate base (including the rate peg) will allow Council to start addressing the infrastructure backlog while at the same time providing necessary funding for road renewals, which will prevent the backlog from increasing. This will also assist in ensuring the financial sustainability of Council.

The application of additional funds will include \$5M per year to address the gap in renewal funding, as well as approximately \$27M over 4 years towards the \$180M backlog.

### Why is an increase in rates the best way forward?

As discussed, the investigation of MidCoast Council's combined asset position found a significant backlog of \$180M on the road and bridge network and a fundamental gap in funding of depreciation for the road and bridge network of \$5M *annually*. It is critical for MCC to fund this annual gap and start addressing the asset backlog. If MCC cannot increase funding by \$5M annually, the asset backlog will increase and the condition of the road and bridge network will continue to decline.

Council will continue to achieve savings through the merger as services and activities are integrated, and service delivery is reviewed. However, a \$5M *annual* gap is a significant figure and it is not feasible for efficiencies and savings alone to address the funding gap for depreciation of roads and bridges. The savings and efficiencies realised will continue to be reinvested and utilised to support other key Council services, activities and facilities that are important to our community.

Council has also considered the feasibility and appropriateness of using borrowings to address the funding gap however this is not a sustainable option and the repayments would still need to be funded.

Without an increase in the rate base it will not be possible for MidCoast Council to fund the \$5M annual gap in funding of depreciation for roads and bridges, much less start to tackle the \$180M backlog. Other options are not sustainable and will not allow Council to manage the extensive transport network utilising a strategic and responsible asset management approach.

### What will happen if the SRV is not approved?

If the SRV is not approved, rates would only increase by the annual rate peg amount.

However at the same time the condition of the road and bridge network would decline as the gap in funding for depreciation would remain. The backlog would also remain and increase due to the underfunding of depreciation. The end result would be that Council would be unable to maintain the extensive transport network at a service level that is acceptable to the community.

Without an environmental levy, funding for the projects and activities the levy supports would be critically reviewed. Council would need to assess whether to continue with the program and would then need to determine a funding source from other critical areas and services. Without the program that the levy supports, water quality throughout the catchment would decline.

Without the SRV associated industries (including tourism) and our residents will be impacted as the quality of our roads, bridges and environment will decline.

## 4 - COMMUNITY CONSULTATION

### Community engagement strategy

A Community Engagement Strategy was presented to Council in November 2016. This Strategy informed Council's approach to the SRV engagement. Council adapted engagement activities identified in the strategy as appropriate taking into account the Government's varying position regarding merged councils and SRVs. The engagement principles in the Strategy remained constant.

### Community meetings

Council has held 3 rounds of community meetings since May 2016, with 10 meetings each round across the MidCoast area. An average of 350-400 people attended each round of meetings. Council has also had the opportunity to address community groups through a combined Probus meeting (over 200 attendees) and regular Business Chamber meetings.

The initial round of community meetings was held immediately following the amalgamation in June - July. This provided an opportunity for the community to get an overview of the increased size, scale and capacity of Council and the MidCoast region, which:

- has a population of over 90,000 people
- covers more than 10,000 square kms
- has 190 kms of coastline
- has 3,574 kms of road and 542 bridges (195 which are timber)

Information regarding the initial asset and financial position was discussed, as well as elements of the overarching corporate strategy.



The community meetings held in October - November 2016 provided detailed information on the asset and financial position including the SRV proposal, as well as the variable impact on ratepayers in each of the 3 regions.

## Community survey

### Method

Jetty Research undertook an informed survey on behalf of Council where participants were randomly selected and asked to participate in the survey. To allow respondents to make informed choices regarding the options for future asset management and funding models, they were asked to read a package of concise and simple information prior to undertaking the phone survey (see Annexure 4). This method has been found useful in building community capacity to evaluate options for a way forward. A sample size of 400 was used with a sampling error of +/- 4.9%.

### Satisfaction with sealed road maintenance

Participants indicated that on a scale of 1 (very dissatisfied) - 5 (very satisfied), the maintenance of sealed roads was at 2.29 which was the lowest satisfaction rating of the 11 Council facilities and services that were included in the survey.

### Funding for roads

89% of residents surveyed agreed that without additional funding the condition of roads and bridges will continue to deteriorate.

### SRV support

Across the region, 32% of people support the SRV as proposed with an additional 44% supporting it at a lower amount. The total of **76% support for a SRV (as proposed or lesser amount)** is a significant result in the context of a newly merged Council. Support varies by region and is attributable to the asset and financial position of the former Councils.

### Environmental Levy support

95% of people agree that the natural environment across the MidCoast area is an important asset, with 87% agreeing that maintaining the natural environment should remain a priority for the MidCoast area. 79% of respondents agree that the environmental program implemented in the Great Lakes and Manning regions should be extended to the Gloucester region.

Residents were also asked whether they support the proposed environmental levy, with 38% agreeing that the levy is necessary and support the proposed amount. An additional 45% accept that it is necessary but believe the proposed amount is too high.

Across the region, four in five (80%) of residents believed they could afford to pay the associated increase to fund the environmental levy (40% comfortably and 40% if need be).

## 5 - INFRASTRUCTURE & ASSETS

### Sealed Roads

The following definitions / descriptors are used by Council when talking about sealed roads.

#### Maintenance

- filling potholes, light patching

#### Renewals

- replacing something with the same thing (i.e. not upgrading); taking a very poor/failed road back to new condition; placing a new surface (reseal) over an existing worn surface to preserve the underlying pavement and provide a safe driving surface

#### Backlog

- The total amount of renewal works that need to be undertaken to bring Council's assets to an acceptable standard. We recognise that addressing backlog is a generational issue and funding it fully in the short term is not possible

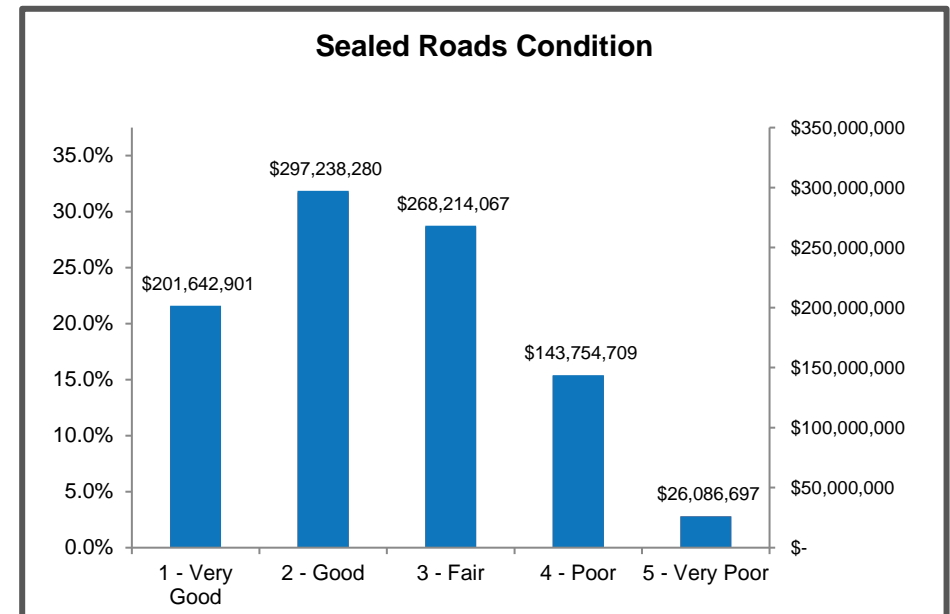
#### Enhancement

- Upgrading the standard of an asset, eg sealing an unsealed road. Note that the cost of enhancements is not included in the backlog amount.

The condition of the sealed road network is assessed on a 1-5 scale with 1 being 'very good' and 5 being 'very poor'. Once roads slip into condition 4 and condition 5, the cost to bring them back to an acceptable standard increases and if funding is not available for these works, both the backlog and the community's dissatisfaction with the road network increases.

Therefore, the goal is to obtain maximum asset life through a renewal program where roads can be held at condition 3 for an appropriate length of time with renewals funded when required to meet the communities agreed service levels. Previous community research indicates general satisfaction with roads at condition 3, with the expectation of lesser used roads being acceptable in condition 4.

The graph below shows the current condition distribution of MCC sealed roads. It indicates a need to maintain the condition 3 roads to prevent them from falling into condition 4; and a backlog of works on roads in condition 4. The impact of this backlog is that without appropriate funding, these roads will slip into condition 5 which is unacceptable from both an asset management and a community perspective.



Council currently has an annual shortfall in its renewal funding for roads of \$5 million per year. This is based on the following equation:

Annual depreciation	\$37.3M
Renewals last year	\$32.3M
Annual shortfall	\$5M

This results in a renewal ratio of 86.5%, with 100% being the target ratio. This means that an additional \$5M per year above the current annual budget

allocation is required to prevent Council's roads backlog from increasing and roads falling from condition 3 into condition 4, and condition 4 into condition 5.

## Bridges

Since the merger, investigations have been undertaken on 95 timber bridges in the Manning region. The investigations have indicated that more detailed structural evaluation of a number of bridges of concern is required. Detailed assessment has been undertaken on 20 of these bridges and expenditure of \$750,000 has already been incurred to make these bridges safe. This work

involved short term actions of strengthening specific elements to ensure that they remain open to light vehicles, introducing load limits or constructing side tracks. This has resulted in restrictions on the movement of heavy vehicles such as stock transport and many of these bridges will require replacement within a short period to reduce the impact on communities.

Once investigations of the remaining bridges have been completed, it is expected that the expressed bridge backlog will be significantly higher than the initially projected \$4M backlog and will demonstrate a funding renewal shortfall of approximately \$1m per year above the current annual budget allocation.

## 6 - LONG TERM FINANCIAL PLAN - BASE CASE & SRV SCENARIO

### Consolidated Income Statement - Base case scenario (includes rate peg of 1.5%)

Mid Coast Council										
10 Year Financial Plan for the Years ending 30 June 2026										
INCOME STATEMENT - CONSOLIDATED										
Scenario: Base Case	Projected Years									
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Income from Continuing Operations</b>										
<b>Revenue:</b>										
Rates & Annual Charges	86,371,761	88,334,342	90,851,037	91,863,114	92,409,928	94,879,393	97,017,113	99,225,490	101,474,859	103,778,925
User Charges & Fees	12,975,425	13,250,120	13,591,495	13,931,122	14,288,864	14,663,722	15,041,213	15,431,313	15,829,168	16,222,045
Interest & Investment Revenue	3,295,358	3,399,753	3,502,801	3,619,632	3,730,376	3,845,171	3,969,160	4,092,488	4,215,307	4,352,775
Other Revenues	4,175,997	4,342,327	4,461,579	4,610,220	4,758,754	4,912,575	5,028,785	5,148,480	5,273,701	5,316,419
Grants & Contributions provided for Operating Purposes	28,370,841	28,368,910	28,609,832	28,851,184	29,093,982	29,338,975	29,583,449	29,896,051	30,243,096	30,595,219
Grants & Contributions provided for Capital Purposes	12,981,753	5,096,350	5,295,610	7,499,627	5,748,358	5,553,203	5,860,434	5,810,111	5,892,287	5,997,027
<b>Total Income from Continuing Operations</b>	<b>148,171,135</b>	<b>142,791,803</b>	<b>146,312,353</b>	<b>150,374,898</b>	<b>150,030,263</b>	<b>153,193,039</b>	<b>156,500,154</b>	<b>159,603,932</b>	<b>162,928,419</b>	<b>166,262,410</b>
<b>Expenses from Continuing Operations</b>										
Employee Benefits & On-Costs	49,651,082	50,922,351	51,940,380	53,408,044	54,469,589	56,052,619	57,683,898	59,365,631	61,137,872	62,907,623
Borrowing Costs	3,893,085	3,727,858	3,303,779	2,852,840	2,352,439	1,931,054	1,598,164	1,421,408	1,300,886	1,191,287
Materials & Contracts	41,827,885	42,234,467	43,373,998	43,112,693	43,584,631	44,259,287	45,448,249	46,476,903	47,956,125	49,197,201
Depreciation & Amortisation	43,284,878	43,479,660	43,675,319	43,871,857	44,069,281	44,267,593	44,466,797	44,666,897	44,867,898	45,069,804
Other Expenses	13,337,349	13,409,351	13,845,542	14,270,095	14,919,666	15,155,581	15,586,763	16,072,854	16,839,201	17,099,992
<b>Total Expenses from Continuing Operations</b>	<b>151,994,280</b>	<b>153,773,688</b>	<b>156,139,018</b>	<b>157,515,529</b>	<b>159,395,606</b>	<b>161,666,134</b>	<b>164,783,870</b>	<b>168,003,693</b>	<b>172,101,982</b>	<b>175,465,908</b>
<b>Operating Result from Continuing Operations</b>	<b>(3,823,145)</b>	<b>(10,981,885)</b>	<b>(9,826,664)</b>	<b>(7,140,630)</b>	<b>(9,365,344)</b>	<b>(8,473,094)</b>	<b>(8,283,716)</b>	<b>(8,399,761)</b>	<b>(9,173,563)</b>	<b>(9,203,498)</b>
<b>Net Operating Result for the Year</b>	<b>(3,823,145)</b>	<b>(10,981,885)</b>	<b>(9,826,664)</b>	<b>(7,140,630)</b>	<b>(9,365,344)</b>	<b>(8,473,094)</b>	<b>(8,283,716)</b>	<b>(8,399,761)</b>	<b>(9,173,563)</b>	<b>(9,203,498)</b>
<b>Net Operating Result before Grants and Contributions provided for Capital Purposes</b>	<b>(16,804,898)</b>	<b>(16,078,235)</b>	<b>(15,122,274)</b>	<b>(14,640,257)</b>	<b>(15,113,702)</b>	<b>(14,026,298)</b>	<b>(14,144,150)</b>	<b>(14,209,872)</b>	<b>(15,065,851)</b>	<b>(15,200,525)</b>

Consolidated Income Statement - SRV scenario

Mid Coast Council										
10 Year Financial Plan for the Years ending 30 June 2026										
INCOME STATEMENT - CONSOLIDATED										
	Projected Years									
Scenario: Special Rate Variation	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Income from Continuing Operations</b>										
<b>Revenue:</b>										
Rates & Annual Charges	86,371,761	90,821,613	95,168,653	99,642,350	104,236,197	107,001,319	109,442,087	111,961,089	114,528,848	117,159,264
User Charges & Fees	12,975,425	13,250,120	13,591,495	13,931,122	14,288,864	14,663,722	15,041,213	15,431,313	15,829,168	16,222,045
Interest & Investment Revenue	3,295,358	3,399,753	3,502,801	3,619,632	3,730,376	3,845,171	3,969,160	4,092,488	4,215,307	4,352,775
Other Revenues	4,175,997	4,342,327	4,461,579	4,610,220	4,758,754	4,912,575	5,028,785	5,148,480	5,273,701	5,316,419
Grants & Contributions provided for Operating Purposes	28,370,841	28,368,910	28,609,832	28,851,184	29,093,982	29,338,975	29,583,449	29,896,051	30,243,096	30,595,219
Grants & Contributions provided for Capital Purposes	12,981,753	5,096,350	5,295,610	7,499,627	5,748,358	5,553,203	5,860,434	5,810,111	5,892,287	5,997,027
<b>Total Income from Continuing Operations</b>	<b>148,171,135</b>	<b>145,279,074</b>	<b>150,629,970</b>	<b>158,154,134</b>	<b>161,856,532</b>	<b>165,314,965</b>	<b>168,925,129</b>	<b>172,339,531</b>	<b>175,982,407</b>	<b>179,642,749</b>
<b>Expenses from Continuing Operations</b>										
Employee Benefits & On-Costs	49,651,082	50,978,988	51,998,575	53,467,839	54,944,797	56,540,895	58,185,602	59,881,132	61,667,549	63,450,725
Borrowing Costs	3,893,085	3,727,858	3,303,779	2,852,840	2,352,439	1,931,054	1,598,164	1,421,408	1,300,886	1,191,287
Materials & Contracts	41,827,885	42,834,304	44,005,731	44,965,821	46,390,328	47,130,705	48,385,136	49,483,050	51,034,356	52,349,465
Depreciation & Amortisation	43,284,878	43,479,660	43,675,319	43,871,857	44,069,281	44,267,593	44,466,797	44,666,897	44,867,898	45,069,804
Other Expenses	13,337,349	13,409,351	13,845,542	14,270,095	14,968,578	15,205,754	15,638,231	16,125,652	16,893,363	17,155,556
<b>Total Expenses from Continuing Operations</b>	<b>151,994,280</b>	<b>154,430,162</b>	<b>156,828,945</b>	<b>159,428,453</b>	<b>162,725,423</b>	<b>165,076,002</b>	<b>168,273,930</b>	<b>171,578,139</b>	<b>175,764,053</b>	<b>179,216,837</b>
<b>Operating Result from Continuing Operations</b>	<b>(3,823,145)</b>	<b>(9,151,089)</b>	<b>(6,198,975)</b>	<b>(1,274,318)</b>	<b>(868,891)</b>	<b>238,964</b>	<b>651,199</b>	<b>761,392</b>	<b>218,354</b>	<b>425,912</b>
<b>Net Operating Result for the Year</b>	<b>(3,823,145)</b>	<b>(9,151,089)</b>	<b>(6,198,975)</b>	<b>(1,274,318)</b>	<b>(868,891)</b>	<b>238,964</b>	<b>651,199</b>	<b>761,392</b>	<b>218,354</b>	<b>425,912</b>
<b>Net Operating Result before Grants and Contributions provided for Capital Purposes</b>	<b>(16,804,898)</b>	<b>(14,247,439)</b>	<b>(11,494,584)</b>	<b>(8,773,945)</b>	<b>(6,617,249)</b>	<b>(5,314,239)</b>	<b>(5,209,235)</b>	<b>(5,048,719)</b>	<b>(5,673,933)</b>	<b>(5,571,116)</b>

## 7 -STATEMENT OF IMPACT - PER REGION

### Overview

# SRV impact (including environmental rate)

All figures include the rate peg

### Key points

- The SRV proposal is for 4 years x 5% including the rate peg across the MidCoast area. You may have seen this messaged as a 20% increase, however, that is over a 4 year period. The impact varies due to the different status of environmental rates across the region
  - Manning currently pays a 5% environmental rate. With the proposal this will increase by 1% to 6%
  - Great Lakes currently pays a 6% environmental rate which will continue at 6%
  - Gloucester currently has no environmental rate. With the proposal Gloucester will pay 6% consistent with the rest of the MidCoast area
  - Gloucester currently has 1 year remaining of a 13% increase which will be dropped and replaced with this proposal
- The extra income from the SRV, combined with savings made and grant funding will allow Council to strategically address the significant asset (**roads & bridges**) funding issues it faces
- MidCoast has a **\$5M annual gap** in the budget to fund depreciation of its assets. The proposal will allow MidCoast to fund this gap which will stop assets from deteriorating. If they continue to deteriorate the backlog will increase.
- MidCoast has a **\$180M asset backlog**. With the extra funding from the SRV MidCoast will be able to address the backlog over a 25 year period. Without this increase, the backlog of works will not be addressed.

### Average increase per region

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

All former Councils had proposed rate increases to enable financial sustainability and address backlog and depreciation challenges.

Greater Taree and Great Lakes had completed IPART applications prior to the merger for the following increases:

**Greater Taree: 49.6% over 6 years**  
**Great Lakes: 20.8% over 4 years**

Gloucester had proposed a SRV as part of their Fit for the Future proposal.


**Gloucester: 39% over 3 years**

## Manning Region

**Note:** The following information was provided as part of Council's community engagement program in October - November 2016. The tables are based on a rate peg of 2.5%. This was the figure provided by IPART at that time. Since then, IPART announced a rate peg of 1.5%. The overall impact on your rates under the SRV scenario (option 2 below) will be the same. The SRV proposal is still for 4 years x 5% including the rate peg, the only difference is that the 5% component is now 1.5% rate peg plus 3.5% special variation. The proposed environmental levy does not change. The impact without the SRV (option 1 below) would now be 1.5%.

# Impact on residential rates

November 2016



Below you will find the impact on residential rates of a 508(A) special variation and an expiring special variation.

**Manning Region** based on average residential rate of \$1,068 pa

Option 1: Current rate path Rate peg only, expiring Environmental Levy	2016-17	2017-18	2018-19	2019-20	2020-21	Cumulative increase
Average residential rate with assumed rate peg of 2.5%	\$1,068*	\$1,094*	\$1,065 <small>(environmental levy removed)</small>	\$1,092	\$1,120	
Annual Increase		2.5%*	-2.65%	2.5%	2.5%	4.85%

Note: \* These figures include an existing 5% Environmental Levy which expires in 2018-19. Option 2 below proposes that this is harmonised at 6% across the MCC region.

Option 2: Special Rate Variation proposal 1 x 11% plus 3 x 5% (Inclusive of rate peg and Environmental Levy)	2016-17	2017-18	2018-19	2019-20	2020-21	Cumulative increase
Average residential rate with: • 5% environmental levy <i>dropping out</i> • 6% environmental levy <i>coming in</i> • 2.5% special rate variation <i>coming in</i> • 2.5% rate peg <i>coming in</i> Commencing in 2017-18	\$1,068	\$1,132	\$1,188	\$1,247	\$1,309	28.5% <small>[22.5% + environmental levy of 6%]</small>
Annual Increase	-	6%	5%	5%	5%	

Note: In 2017-18 the increase includes the 2.5% rate peg and 2.5% for roads and bridges. It includes replacing the existing 5% Environmental Levy with a 6% Environmental Levy. The 5% drops out and then comes back in at 6%. From 2018-19 the 5% represents the 2.5% rate peg and 2.5% for roads and bridges.

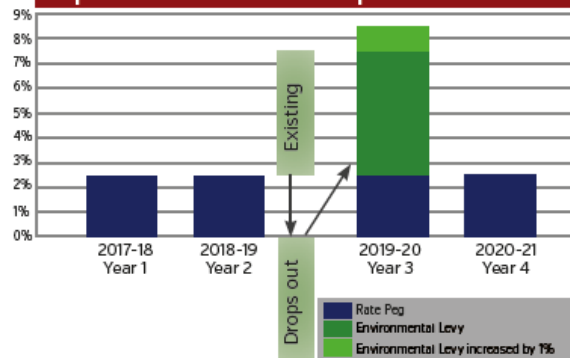
# Impact of a special rate variation on residential rates: Manning Region

The information overleaf has been prepared in accordance with IPART requirements. To help you interpret this information, we have summarised the impact of a SRV on residential rates into simpler language and included a graph that may help in explaining the two options - the current rate path, and the special variation proposal.

When applying for a SRV, IPART requires us to express the proposed variation as a total figure, inclusive of the rate peg and any other special variations and levies, for example, the environmental levy.

## Notes

### Option 1 - current rate path



#### Under the current rate path your rates:

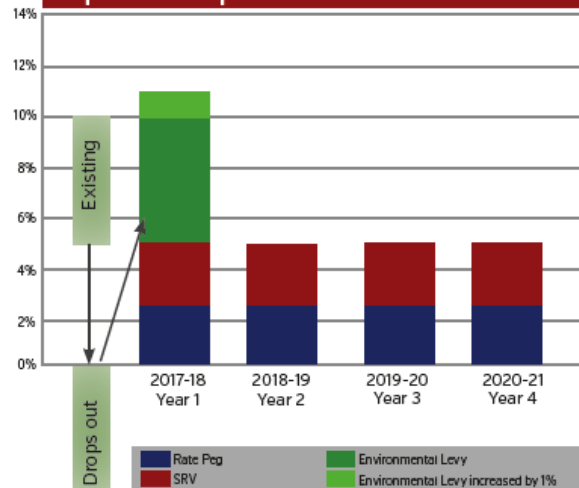
- Will increase by 2.5% per year [the assumed rate peg set by IPART]
- Include an existing 5% environmental levy which expires 30 June 2019

If this levy expires, the environmental program will no longer be funded. Under this option, MidCoast's plan would be to apply to renew the levy at a consistent level of 6% across the MidCoast region.

The graph shows the impact of this - with the environmental levy dropping out and then coming back in at 6% in 2019-20.

Other than that, the only increase would be the 2.5% rate peg, with no additional funds for roads and bridges.

### Option 2 - special rate variation



#### Under the special variation proposal your rates will increase a total of 11% in year 1 followed by 5% for 3 years.

- Year 1 - the 11% includes 2.5% rate peg, 2.5% SRV for roads and bridges and 6% environmental levy.
- Year 1 - the actual increase is 6% as you already have a 5% environmental levy in your rates. This drops out and is replaced by a 6% levy.
- Years 2, 3 & 4 - rates will increase 5% per year. This includes the 2.5% rate peg plus 2.5% SRV for roads and bridges.

We have provided information on the average residential rate as this impacts the broadest number of ratepayers. The percentage will be the same across the rating categories, however the average rate as shown overleaf will be different.

To calculate the impact on your rates, apply the percentages above to the total shown on your annual rates notice (not including the waste charges as the SRV does not impact that component of your rates).



## Great Lakes Region

**Note:** The following information was provided as part of Council's community engagement program in October - November 2016. The tables are based on a rate peg of 2.5%. This was the figure provided by IPART at that time. Since then, IPART announced a rate peg of 1.5%. The overall impact on your rates under the SRV scenario (option 2 below) will be the same. The SRV proposal is still for 4 years x 5% including the rate peg, the only difference is that the 5% component is now 1.5% rate peg plus 3.5% special variation. The proposed environmental levy does not change. The impact without the SRV (option 1 below) would now be 1.5%.

# Impact on residential rates

November 2016



Below you will find the impact on residential rates of a 508(A) special variation and an expiring special variation.

Great Lakes Region based on average residential rate of \$1,235 pa						
Option 1: Current rate path Rate peg only, expiring Environmental Levy	2016-17	2017-18	2018-19	2019-20	2020-21	Cumulative increase
Average residential rate with assumed rate peg of 2.5%	\$1,235*	\$1,266*	\$1,297	\$1,250 <small>(environmental levy removed)</small>	\$1,281	
Annual Increase		2.5%*	2.5%*	-3.62%	2.5%	3.88%
Note: * These figures include an existing 6% Environmental Levy which expires in 2019-20. Option 2 below proposes that this is continued across the MCC region.						

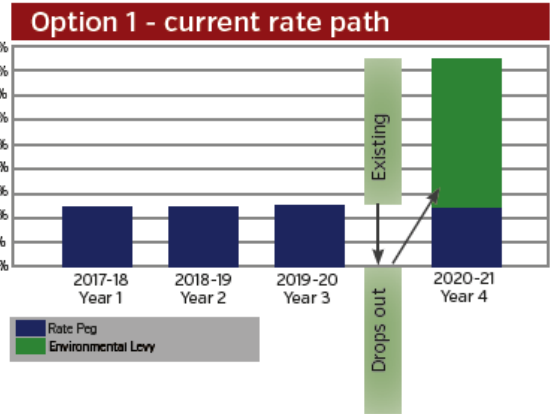
Option 2: Special Rate Variation proposal 1 x 11% plus 3 x 5% (Inclusive of rate peg and Environmental Levy)	2016-17	2017-18	2018-19	2019-20	2020-21	Cumulative increase
Average residential rate with: • 6% environmental levy <i>dropping out</i> • 6% environmental levy <i>coming in</i> • 2.5% special rate variation <i>coming in</i> • 2.5% rate peg <i>coming in</i> Commencing in 2017-18	\$1,235	\$1,296	\$1,360	\$1,428	\$1,499	27.5% <small>[21.5% + environmental levy of 6%]</small>
Annual Increase	-	5%	5%	5%	5%	
Note: In 2017-18 the increase includes the 2.5% rate peg and 2.5% for roads and bridges. It includes replacing the existing 6% Environmental Levy with a new 6% Environmental Levy. The 6% drops out and then comes back in at the same level. From 2018-19 the 5% represents the 2.5% rate peg and 2.5% for roads and bridges.						

# Impact of a special rate variation on residential rates: Great Lakes Region

The information overleaf has been prepared in accordance with IPART requirements. To help you interpret this information, we have summarised the impact of a SRV on residential rates into simpler language and included a graph that may help in explaining the two options - the current rate path, and the special variation proposal.

When applying for a SRV, IPART requires us to express the proposed variation as a total figure, inclusive of the rate peg and any other special variations and levies, for example, the environmental levy.

## Notes



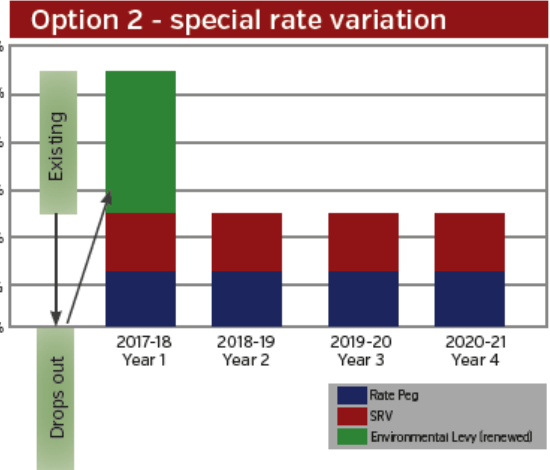
**Under the current rate path your rates:**

- Will increase by 2.5% per year (the assumed rate peg set by IPART)
- Include an existing 6% environmental levy which expires 30 June 2020

If this levy expires, the environmental program will no longer be funded. Under this option, MidCoast’s plan would be to apply to renew the levy at a consistent level of 6% across the MidCoast region.

The graph shows the impact of this - with the environmental levy dropping out and then coming back in at 6% in 2020-21.

Other than that, the only increase would be the 2.5% rate peg, with no additional funds for roads and bridges.



**Under the special variation proposal your rates:**

- Will increase a total of 11% in year 1 followed by 5% for 3 years.
- Year 1 - the 11% includes 2.5% rate peg, 2.5% SRV for roads and bridges and 6% environmental levy.
- Year 1 - the actual increase is 5% as you already have a 6% environmental levy in your rates. This drops out and is replaced by a 6% levy.
- Years 2, 3 & 4 - rates will increase 5% per year. This includes the 2.5% rate peg plus 2.5% SRV for roads and bridges.

We have provided information on the average residential rate as this impacts the broadest number of ratepayers. The percentage will be the same across the rating categories, however the average rate as shown overleaf will be different.

To calculate the impact on your rates, apply the percentages above to the total shown on your annual rates notice [not including the waste charges as the SRV does not impact that component of your rates].

## Gloucester Region

**Note:** The following information was provided as part of Council's community engagement program in October - November 2016. The tables are based on a rate peg of 2.5%. This was the figure provided by IPART at that time. Since then, IPART announced a rate peg of 1.5%. The overall impact on your rates under the SRV scenario (option 2 below) will be the same. The SRV proposal is still for 4 years x 5% including the rate peg, the only difference is that the 5% component is now 1.5% rate peg plus 3.5% special variation. The proposed environmental levy does not change. The impact without the SRV (option 1 below) would now be 1.5%.

# Impact on residential rates

November 2016



Below you will find the impact on residential rates of a 508(A) special variation and an expiring special variation.

**Gloucester Region** based on average residential rate of \$1,081 pa

Option 1: Current rate path Existing approved rate increase and rate peg	2016-17	2017-18	2018-19	2019-20	2020-21	Cumulative increase
Average residential rate with assumed rate peg of 2.5%	\$1,081	\$1,222*	\$1,252	\$1,284	\$1,316	
Annual Increase		13%*	2.5%	2.5%	2.5%	21.7%

Note: \* These figures include an existing overall approved rate increase of 13%, approved by IPART before the merger

Option 2: Special Rate Variation proposal 1 x 11% plus 3 x 5% (Inclusive of rate peg and Environmental Levy)	2016-17	2017-18	2018-19	2019-20	2020-21	Cumulative increase
Average residential rate with: • 13% special rate variation <i>dropping out</i> • 6% environmental levy <i>coming in</i> • 2.5% SRV and 2.5% rate peg <i>coming in</i> Commencing in 2017-18	\$1,081	\$1,200	\$1,260	\$1,323	\$1,389	28.5%
Annual Increase	-	11%	5%	5%	5%	

Note: In 2017-18 the increase includes the 2.5% rate peg and 2.5% for roads and bridges. It takes into account the existing 13% special rate variation approval dropping out, and includes the introduction a 6% Environmental Levy. From 2018-19 the 5% represents the 2.5% rate peg and 2.5% for roads and bridges.

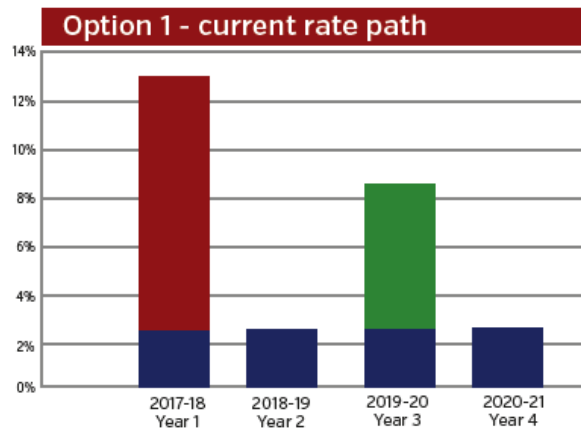
# Impact of a special rate variation on residential rates: Gloucester Region

The information overleaf has been prepared in accordance with IPART requirements. To help you interpret this information, we have summarised the impact of a SRV on residential rates into simpler language and included a graph that may help in explaining the two options - the current rate path, and the special variation proposal.

When applying for a SRV, IPART requires us to express the proposed variation as a total figure, inclusive of the rate peg and any other special variations and levies, for example, the environmental levy.

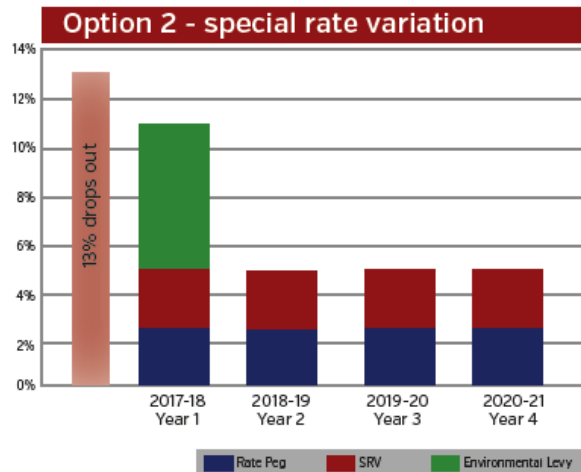
## Notes

Notes area (yellow background)



### Under the current rate path your rates:

- Year 1 - will increase by 13% in year 1. (the assumed rate peg set by IPART plus an existing special rate variation)
- Year 2, 3, 4 - will increase by 2.5% per year. (the assumed rate peg set by IPART)
- Year 3 - may include a 6% environmental levy. Under this option, MidCoast's plan would be to apply for an environmental levy at a consistent level of 6% across the MidCoast region [the Great Lakes and Manning regions have existing environmental levies].



### Under the special variation proposal your rates:

- Will increase a total of 11% in year 1 followed by 5% for 3 years.
- Year 1 - this is 2% less than the already approved 13% SRV increase. The 13% drops out and is replaced by the 11%.
- Year 1 - the 11% includes 2.5% rate peg, 2.5% SRV for roads and bridges and 6% environmental levy.
- Years 2, 3 & 4 - rates will increase 5% per year. This includes the 2.5% rate peg plus 2.5% SRV for roads and bridges.

We have provided information on the average residential rate as this impacts the broadest number of ratepayers. The percentage will be the same across the rating categories, however the average rate as shown overleaf will be different.

To calculate the impact on your rates, apply the percentages above to the total shown on your annual rates notice (not including the waste charges as the SRV does not impact that component of your rates).

## ANNEXURES

### 1 Local Government Amendment (Rates - Merged Council Areas) Bill 2017

Second print



New South Wales

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

### Contents

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	Page
1 Name of Act	2
2 Commencement	2
Schedule 1 Amendment of Local Government Act 1993 No 30	3

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

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

<b>Schedule 1</b>	<b>Amendment of Local Government Act 1993 No 30</b>	1
Section 218CB		2
Insert after section 218CA:		3
<b>218CB</b>	<b>Transitional provision for maintenance of pre-amalgamation rate paths</b>	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 28
(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:	39
	<i>former council</i> , in relation to a new council, means a council of a former area.	40
	<i>new area</i> means the area constituted by the amalgamation of areas ( <i>former areas</i> ) by the relevant proclamation.	41 42

Local Government Amendment (Rates—Merged Council Areas) Bill 2017 [NSW]  
Schedule 1 Amendment of Local Government Act 1993 No 30

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



## 2 Addendum Guidelines to the *Guidelines for the Preparation of and Application for a Special Variation to General Income for 2017/18*



# 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

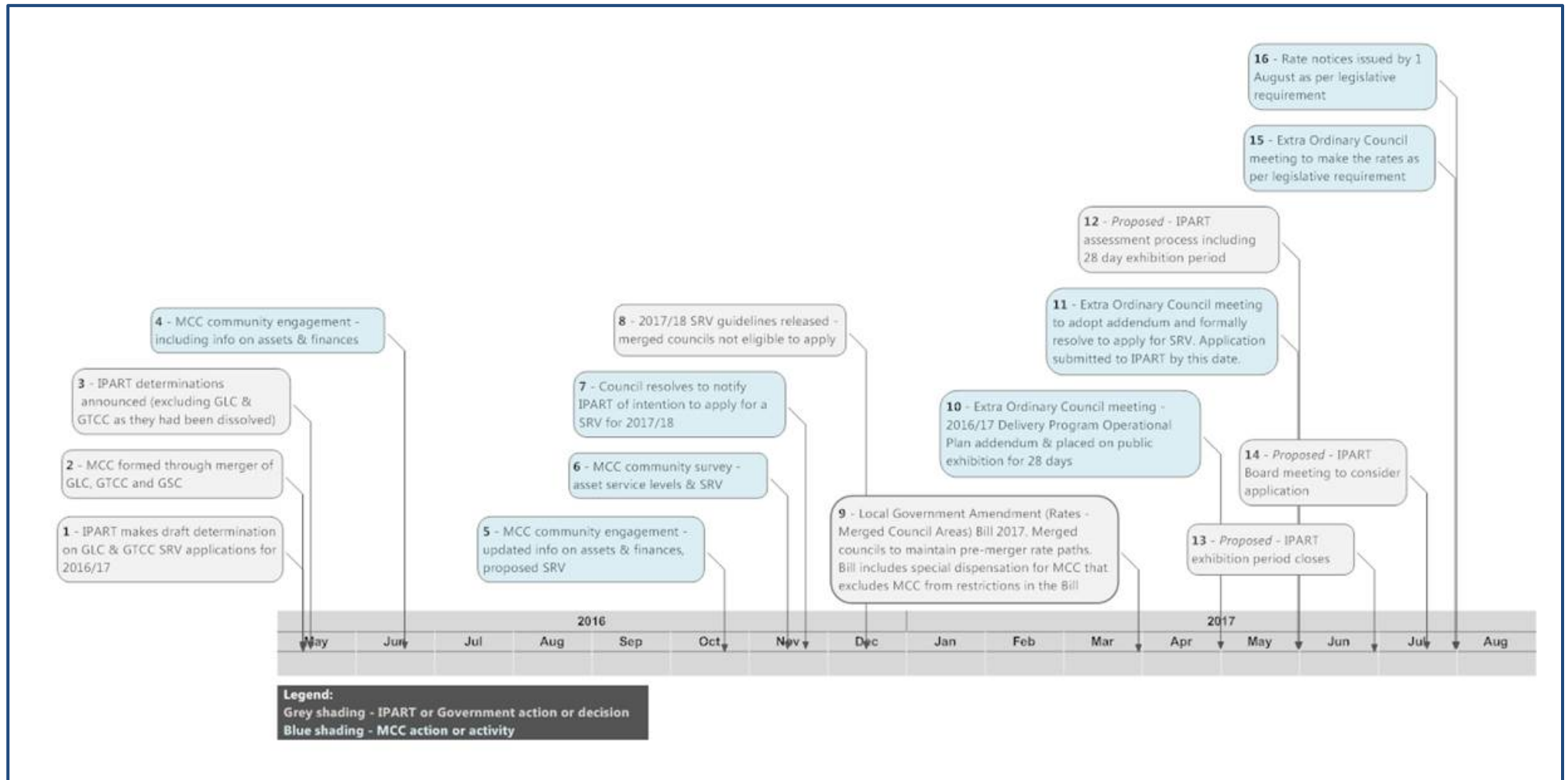
- 1.1 This instrument is issued by the Chief Executive of the Office of Local Government (Chief Executive) pursuant to the *Local Government Act 1993* as Addendum Guidelines to the *Guidelines for the Preparation of an Application for a Special Variation to General Income for 2017/2018* issued by the 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

3 Timeline of actions & decisions



## 4 Community survey information package

# Community survey information

November 2016

MidCoast  
Council

**Learn about** the new MidCoast region, the condition of the sealed road network, gaps in funding for sealed roads and bridges, and our environmental program.

**Help us understand** your current levels of satisfaction with sealed roads and bridges, your views about funding maintenance and renewal of sealed roads and bridges, and your awareness of the Great Lakes and Manning regions' environmental levies and their purpose.

**Have your say** on a proposed special rate variation (SRV) to fund improvements to roads and bridges, whether you support the environmental levy, and your willingness and capacity to pay for a proposed SRV.

## Thank you for agreeing to participate in our survey on assets and a proposed special rate variation.

Jetty Research will contact you in the next week or so to undertake the survey, and their questions will be based on the information in this brochure. We anticipate the phone survey will take around 15 minutes to complete.

Please review the enclosed information carefully, discuss your views with others, and consider the questions highlighted in the red panels under each section.

Since the merger we have integrated and reviewed asset data for sealed roads and bridges from the 3 former councils, with assistance of asset experts Morrison Low. This has helped us develop a proposed way forward which will be the focus of our survey.

With roads and bridges representing 76% of the total value of our \$3.3 billion asset base, they are our greatest challenge. As a road user we want your perspective on how the MidCoast roads and bridges are being maintained, renewed and funded.

Our communities have also highlighted the environment as another key priority for the MidCoast region. Through the survey we'll also ask for your perspective on continued support for an environmental levy to fund programs that are currently in place in both Great Lakes and Manning regions. We'll also explore your views on including the Gloucester region in this environmental work, to support a healthy catchment across the entire region.

The information in this brochure provides a snapshot of our current position and a proposed way forward. Your views will be sought in the survey, which will help guide our future planning for the MidCoast area.

*MidCoast Council was formed in May 2016 through the merger of the former Great Lakes, Greater Taree City and Gloucester Shire Councils.*

Our new region has a population of over 90,000, covers more than 10,000 km<sup>2</sup>, and includes 190 kms of coastline, 3,574 kms of roads and 542 bridges, 195 of which are timber.



### Before you get started...

Become familiar with the following terms that will be used throughout the brochure and in the survey

**Assets:** Things like public buildings, roads, footpaths and bridges that are managed and maintained by Council on behalf of the community.

**Renewals:** Replacing a failed structure with a new structure that serves the same purpose - but not upgrading it. For example, taking a poor road back to a new condition, or placing a new surface over a worn surface to preserve the underlying pavement.

**Maintenance:** A temporary measure to prolong use. For example, filling potholes, or light patching of a road.

**Enhancements:** Replacing a structure with a new upgraded one. For example, replacing a single lane bridge with dual lanes. Enhancements are not backlog.

**Backlog:** The total amount of renewal works to bring a group of assets (eg. sealed roads) to an acceptable standard.



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

Sealed roads and bridges

Road conditions

We assess sealed roads on a scale of 1 (very good) to 5 (very poor).

The condition ratings of our region's sealed road network are shown in the graph (see right), which indicates almost 50% are currently categorised as condition 3 (fair) to condition 5 (very poor).

Once roads slip into condition 4 and 5, the cost to bring them back to standard increases significantly. They become a renewal issue, as regular maintenance such as filling potholes becomes inadequate. If funding is not available for these renewal works, the backlog of works and community dissatisfaction with the road network increases.

Previous community research undertaken by the former councils indicates general satisfaction with condition 3 roads, and condition 4 for lesser used roads.

MidCoast Council road condition



Around half of our 3,500km of roads are sealed. The graph above shows the proportion of our sealed road network by condition, indicating the length (km), percentage of total network, and value of roads in the current condition (\$M).

**Q: Do you agree with our aim to maintain the majority of roads at condition 3?**

Renewal and backlog



**Our roads:**

Recent assessment by asset experts Morrison Low found we currently have an annual shortfall in renewal funding for roads of \$5 million. We need an additional \$5 million per year to allow us to stop the decline of our road network by preventing roads falling from condition 3 to 4, and condition 4 to 5.



**Our bridges:**

At the time of the merger, the combined bridge backlog was estimated to be about \$4 million, however further assessment now indicates this will be significantly higher. Investigations continue and are expected to impact the total asset backlog figure.



**Our total backlog:**

The current asset backlog for roads and bridges is expected to be between \$150 million and \$180 million. We recognise that addressing the backlog is a generational issue, and funding this fully in the short term is not possible. However, if we can fund our required renewal works the backlog will not increase, and with efficiencies and savings, over time we will start to address the backlog.



**Our strategy to address renewals and backlog**

**Our immediate goal is to increase funding to:**

- Maximise the asset life of our roads, through an increase in our renewal program of \$5 million per year
- Prevent condition 3 roads slipping into condition 4, and condition 4 to 5, which is unacceptable from an asset management perspective
- Start to reduce the backlog

*Without an increase in funding the condition of sealed roads will continue to deteriorate and our backlog of works will continue to increase.*



**Q: Do you support the above strategy?**



The environment

Protecting our environment

A critical component of the community strategic plans of each former Council region is the protection of our natural environment. This was reinforced recently when we engaged the community in defining our new region's identity. The unique natural assets that make up our area - the natural landscapes, bushland, rivers, lakes and coastline - were highlighted as key to setting MidCoast apart.

A significant environmental program aimed at protecting and improving our natural assets has been well-supported in both the Great Lakes and Manning regions. The program is funded through a long-standing environmental levy of 6% in Great Lakes, and more recently a 5% levy in the Manning region.

MidCoast Council is now seeking to continue the levy in the Great Lakes and Manning regions, and extend it to the Gloucester region at a consistent level of 6% across the entire local government area.

The levy funds a program of initiatives that benefits us all, as residents and business-owners, and to visitors to the area. The viability of many of our industries and the lifestyle we enjoy is impacted directly by the health of our natural environment. Our oysters need clean water, our farmlands benefit from a healthy catchment and sustainable farming practices, and our tourism industry thrives on our pristine water, coastline and valleys.



Aligning the environmental levy across the MidCoast region will:

- Deliver on community priorities of a healthy environment
- Allow for integration of strategic environmental protection across the region
- Attract additional environmental grant funding to deliver community outcomes

Examples of the types of projects that might be funded through the environmental levy include:

- Wallis Lake, Karuah and Manning catchment water quality improvement works
- Wallis Lake, Karuah and Manning estuary health assessment and reporting
- Biodiversity corridors, from tops to lakes
- Erosion management such as sealing creek crossings on gravel roads
- River management including weed control and bank stabilisation
- Fish passage (barrier removal)
- Urban stormwater improvement

If the existing environmental levies are allowed to expire and a new levy is not introduced in their place, the programs and services they provide may no longer be delivered. The alternative is that the funding for these programs would have to be taken from the general revenue of Council and away from other key priority areas like roads and bridges.

*Without an environmental levy our proposal for extra renewal works on our roads would be impacted.*

**Q: Do you think maintaining our natural environment should remain a priority for the MidCoast region?**

Case Study: Riverbank Restoration

A severely eroded section of riverbank along the foreshore at Harrington was targeted for restoration in February this year.

Through a NSW Department of Primary Industries Recreational Fishing Trust Habitat Action Grant, combined with the Manning region's environmental levy, rock fillets were installed, along with 1.2km of cattle exclusion fencing and planting of 1,000 trees.

The recolonisation of mangroves in spring is an early indication of success, and will assist in protecting the riverbank from further erosion.

Over time the rock fillets will also contribute to improved water quality and a healthier habitat for local fish and marine life.



Funding success

One of the benefits of the environmental levy is that it enables us to attract additional funding from the State and Federal Governments, as most grant programs require matching funding.

## Special Rate Variation (SRV) proposal

We believe that by working in partnership we can find a constructive and fair way to deliver community priorities and a strong regional Council. Since May we've been working at achieving savings and efficiencies, and have already identified \$18 million in savings over 4 years, a great result that can be put towards community priorities like roads. Our proposal includes investment from Council through these savings, from the State Government, and from our community through a proposed special rate variation.

All three former Councils highlighted the need for a SRV to address asset renewal and backlog issues. As MidCoast Council, the need remains and we are proposing a modest SRV which encompasses:

- 5% each year for roads and bridges (including the 2.5% rate peg) for four years; and
- a 6% environmental levy across all three regions

This equates to a total SRV of 11% in year 1, then 5% (inclusive of the rate peg) for the following three years. The 11% includes the 2.5% rate peg, 2.5% for roads and bridges and a 6% environmental levy for the region. The 6% environmental levy would impact rates as follows:

- Great Lakes - replace the existing levy (no net increase in rates from environmental levy)
- Manning - replace the existing levy (1% net increase in rates from environmental levy)
- Gloucester - introduce the levy at 6%

### What the SRV will fund

The income available from a successful SRV application would be used to address the condition of our roads and bridges. Specifically it will:

- Fund the \$5 million annual renewal gap
- Prevent the backlog of works on the sealed road and bridge network from increasing
- Assist in beginning to reduce our backlog
- Improve community satisfaction with the road network
- Continue/extend our environmental program

In addition to SRV funding, savings made through efficiencies we're already seeing will be captured and applied to areas of high community priority, the immediate need being for roads and bridges.

### How your rates will be impacted

The rating structure in the 3 former Council areas varies. This means average rates for various categories (eg. residential, business, and farmland) are different depending on where your property is located.

Once a new Council is elected, they will review the rating structure for the MidCoast area and adopt a new harmonised model. Until that occurs, the rates between the 3 former areas will reflect the pre-merger structure.

The current variance between areas means the impact of a SRV on rates will also vary by area.

**Refer to the attachment to see how the average residential rate will be impacted in your region.**

## Q: Do you support the special rate variation proposal?

### *Affordability and impact on our ratepayers is key to our proposal*

We've worked hard to balance the impact on our ratepayers while also responsibly addressing our key challenges.

To assist with this, we are proposing to freeze the waste charge for 3 years, providing rate-payers with a cumulative saving of \$120 over 3 years.

We have also worked hard to ensure the cumulative impact of the proposed SRV is similar to, or in some cases, significantly less than what was planned by each of the three former councils.



## Thanks again for agreeing to take part in our survey.

A representative from Jetty Research will call you approximately one week from the day you received this brochure. If you're not home or the time they call doesn't suit you, they will be happy to phone back later.

If you have any questions about this information or the proposed SRV in the meantime, please contact us by emailing [council@midcoast.nsw.gov.au](mailto:council@midcoast.nsw.gov.au) or calling 6591 7222.