



Independent Pricing and Regulatory Tribunal

## Special Variation Application Form – Part B

For applications for 2014/15

Issued October 2013

**Junee Shire Council**

Date Submitted to IPART: 24 February 2014

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# 1 Introduction

Each council must complete this application form (Part B) in order to apply for a special variation to general income. The same Part B form is to be used for applications made either under section 508A or under section 508(2) of the *Local Government Act 1993*.

IPART assesses each application against the criteria set out in the Division of Local Government (DLG) *Guidelines for the preparation of an application for a special variation to general income for 2014/2015* (the Guidelines). Councils should refer to these guidelines before completing this application form. They are available at [www.dlg.nsw.gov.au](http://www.dlg.nsw.gov.au).

We also publish Fact Sheets on our role in local government rate setting and special variations and on the nature of community engagement for special variation applications. The latest Fact Sheets on these topics are dated September 2013. They are available on our website at [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au).

Councils must complete this Part B form with a relevant Part A form, also posted on our website. The relevant Part A form is either:

- ▼ *Section 508(2) Special Variation Application Form 2014/15 – Part A* for a single percentage variation under section 508(2) or
- ▼ *Section 508A Special Variation Application Form 2014/15 – Part A* for more than one percentage variation under section 508A.

The amount of information to be provided is a matter for judgement, but it should be sufficient for us to make an evidence-based assessment of the council's application against each criterion. This form includes some questions that the application should address, and guidance on the information that we require. As a general rule, the higher the cumulative percentage increase requested, and the greater its complexity, the more detailed and extensive will be the information required.

## 1.1 Completing the application form

To complete this Part B form, insert the council's response in the boxes and the area which is highlighted, following each section or sub-section.

Councils may submit additional supporting documents as attachments to the application. The attachments should be clearly identified in Part B and cross-referenced. We prefer to receive relevant extracts rather than complete publications, unless the complete publication is relevant to the criteria. Please provide details of how we can access the complete publication should this be necessary.

We may ask for additional information to assist us in making our assessment. If this is necessary, we will contact the nominated council officer.

This application form consists of:

- ▼ Section 2 - Focus on Integrated Planning and Reporting
- ▼ Section 3 – Assessment criterion 1
- ▼ Section 4 – Assessment criterion 2
- ▼ Section 5 – Assessment criterion 3
- ▼ Section 6 – Assessment criterion 4
- ▼ Section 7 – Assessment criterion 5
- ▼ Section 8 - Other information
- ▼ Section 9 – Checklist of contents
- ▼ Section 10 – Certification.

## 1.2 Submitting the application

IPART asks that all councils intending to apply for a special variation use the Council Portal on our website to register as an applicant council and to submit their application.

The Portal is at [http://www.ipart.nsw.gov.au/Home/Industries/Local\\_Govt](http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt). A [User Guide](#) for the Portal will assist you with the registration and online submission process.

Councils intending to submit an application should notify us of their intention to apply by **cob Friday 13 December 2013**.

Councils should also submit their applications, both Part A and Part B and supporting documents, via the Portal. File size limits apply to each part of the application. For Part B the limit is 10MB. The limit for the supporting documents is 120MB in total, or 70MB for public documents and 50MB for confidential documents. These file limits should be sufficient for your application. Please contact us if they are not.

We also ask that councils also submit their application to us in hard copy (with a table of contents and appropriate cross referencing of attachments). Our address is:

Local Government Team  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVB Post Office NSW 1230

Level 17, 1 Market Street, Sydney NSW 2000.

We must receive your application via the Council Portal and in hard copy no later than **cob Monday 24 February 2014**.

We will post all applications (excluding confidential documents) on our website. Councils should also post their application on their own website for the community to read.

## 2 Focus on Integrated Planning and Reporting

How a council considers and consults and engages on a special variation as part of its Integrated Planning and Reporting (IP&R) processes is fundamental to our assessment of the application for a special rate variation. Such a focus is clear from DLG's September 2013 *Guidelines*.

The key relevant IP&R documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and, where applicable, Asset Management Plan.

A council's suite of IP&R documents may also include supplementary and/or background publications used within its IP&R processes. As appropriate, you should refer to these documents to support your application for a special variation.

Briefly outline how the council has incorporated the special variation into its IP&R processes. Include details of and dates for community consultation, key document revisions, exhibition period(s) and the date(s) that the council adopted the relevant IP&R documents.

### Purpose of SRV

The rationale for the proposed rate increases is to secure a financially sustainable position for the Council for both the short and medium term. This will enable Council to continue to fund operating services that otherwise would have to be reduced and at the same time improving Council ability to fund its road renewal work into future.

This Special Rates Variation application is for the three year period 2014/17 and is inclusive of actual and assumed rate pegging amounts.

- 2014/15 SRV – Increase from previous year 11.9%. Taking into account a 2.3% rate peg, the removal of the 2009 expiring SRV (\$257,249) from the rate base and reapplying the expiring 2009 SRV of 9.6% back to the rate base. The SRV Nett Increase for 2014/15 from the previous year is 2.6%.
- 2015/16 SRV - Increase from previous year 9.5%. Assumed rate peg of 3%
- 2016/17 SRV - Increase from previous year 9%. Assumed rate peg of 3%

Council's original budget 2013/14 for its own road works expenditure excluding the roads component of the Federal Assistance Grants (FAGs) was \$870K. At this level the Council is unable to meet its Roads to Recovery grant requirements. This is critical in maintaining our local road network.

If this SRV is successful Council own road works expenditure after deducting the roads component of the FAGs is budgeted to increase in the following years to:

- 2014/15 \$996K (excluding works funded by LIRS loan)
- 2015/16 \$1.18M
- 2016/17 \$1.35M

To enable this growth in expenditure on Council roads without a successful SRV application a range of other budget reductions needs to occur. (Refer to WK6 in Part A of the application)

## Background

Junee Shire Council's Integrated Planning and Reporting (IP&R) documents include numerous references to the proposed Special Rate Variation application.

The 2013/14 IP&R documentation exhibition occurred between the 28 May and 27 June 2013. Exhibition included newspaper, web and social media presence. There was also a focus on placing the documents at frequented places which the public use across the shire area.

The shire area is predominantly rural land use. While web based interaction is an efficient means of getting the message out, the rural community still appreciate more traditional means of communication. Junee is the central township in the Local Government Area (LGA), there are also villages and localities evenly distributed across that area. To ensure that the widest distribution of the IP&R documents was achieved, the documents were placed in public meeting places across the shire. A copy of the newspaper advertisement for public exhibition is set out below as well as a map showing the locality points where information could be sourced.



**JUNEE SHIRE COUNCIL**

**PUBLIC EXHIBITION OF  
DRAFT INTEGRATED PLANNING AND REPORTING PLANS**

Junee Shire Council has on public exhibition Draft Integrated Planning and Reporting Plans. The public, businesses and other stakeholders are invited to make submissions on the Draft Plans.

The Draft Plans on exhibition during normal office hours at:

- Council's Offices, Belmore Street, Junee
- Junee Library, 92 Lome Street, Junee
- Jail Brake Inn Cafe, Olympic Highway, Old Junee
- Wantabadgery Store, Jewnee Street, Wantabadgery
- Bethungra Village Store, Olympic Highway, Bethungra
- Illabo Hotel/Store, Olympic Highway, Illabo
- Council's website at [www.junee.nsw.gov.au](http://www.junee.nsw.gov.au)

Submissions may be made in writing to Council up until 4:00pm Thursday, 27 June 2013. Submissions may be delivered to Junee Shire Council or mailed to the General Manager, Junee Shire Council, PO Box 93, JUNEE NSW 2663.

These plans will be adopted after consideration of public comment at an Extraordinary meeting of Council to be held 4pm Thursday, 27 June 2013.

For further information, please contact the Council's Director of Corporate and Community Services on (02) 6924 8100.

James Davis  
General Manager

PO Box 93  
JUNEE NSW 2663



## ● IP&R Exhibition Locations



The Council did not receive any submissions throughout the IP&R exhibition, despite its best endeavours. This is consistent with previous years, despite different communication techniques being used. There was also a round of community engagement earlier in February 2013 to support the 2013/14 SRV application which may have contributed to this result. The Community were made aware of the proposed 2014/17 SRV application in the February 2013 round, as well as in the IP&R exhibition that additional consultation on the matter would be carried out in the latter part of 2013.

A Council meeting was held on the 27 June 2013 which adopted the following documents:

- Community Strategic Plan ( adopted 16 April 2013)
- Combined Delivery Program Operational Plan Inclusive of Financial estimate 2013/17
- Long Term Financial Plan 2013/23
- Workforce Plan

Updated Asset Management Plans have been adopted over the period September 2013 to January 2014.

### Community Strategic Plan

The Community Strategic Plan “Making Tracks 2025” (CSP) was revised in early 2013 and adopted on the 16 April 2013. The revision process invited individuals who participated in visioning workshops that helped develop the original Plan. Over 80 people were contacted and asked to complete a survey regarding the review of the CSP. While there was satisfaction from respondents to the CSP some additional initiatives were highlighted, including, provisioning of aged care accommodation, financial management strategies, roads and infrastructure services strategies. These were subsequently included in the adopted CSP. The results of the CSP stakeholder survey February 2013 were:

#### Survey Responses

Questions	Score
Overall, how satisfied are you that the Plan has been implemented appropriately? (1 being not satisfied, 5 being most satisfied)	3.25 average score
How satisfied are you that the work carried out since 2009 by the Council and other agencies match the Plan's actions and or the Community's expectations? (1 being not satisfied, 5 being most satisfied) -	3.5 average score
Are there areas in the Plan you are aware of that no longer meet the Community's needs and could be removed from the Plan?	No = 22% Yes = 78%  No verbatim responses supplied
Are there additional areas that should be included in the Plan to meet the Community's needs into the future?	No = 38% Yes = 62 %  The yes responses: Aged Care facilities. Closer attention to detail in areas perhaps not frequented regularly by "out of the area" visitors but noticeable to the natives. Areas involving the basic services such as roads, sewer, waste and recreation. Retirement villages, aged care, not enough child care.

Questions	Score
One specific area the Council would like your opinion on is in the area of Shire roads and assets maintenance. As it stands, the Plan does not include information on this area even though it is a vital part of the Council's operations. The Council is proposing to include more information on this section in the Plan. Do you agree or disagree with an introduction of this type?	Yes = 100%

A Councillor workshop was held on Tuesday, 26 March 2013 to consider suggestions and review the CSP. Information supporting the review included:

- Results from the CSP stakeholder survey 2013
- IRIS research Community Survey results 2006 and 2011
- SRV community survey results for the 2013/14 application

The review concluded that the current Plan's themes and strategies remain consistent with community expectations with the following exceptions: strategies that have been completed were removed; some strategies were combined with others for efficiency purposes while others were considered better placed as actions within the Delivery Program.

The adopted CSP includes a reference to the proposed SRV in strategy 3.8.

3.8	<b>Improve Council's overall long term financial position</b> - via applying for special rate variations to ensure financial sustainability
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### Combined Delivery Program Operational Plan (CDPOP)

The following extracts from the CDPOP helped the community understand the purpose and intention to apply for the proposed SRV:

*“... The Council intends to lodge a three year Special Rate Variation application in February 2014 and will commence that engagement process to support that application later this year. We encourage residents to participate in the ongoing process. (CDPOP p. 3)*

*...The Financial Estimate has been prepared in accordance with the requirements to apply for the three year Special Rates Variation (SRV). Two sets of Financial Estimates have been prepared, the first scenario includes revenues from anticipated SRV approvals, the second assumes no SRV approvals. (CDPOP p.4)”*

The following extracts are images copied from the CDPOP tables that highlight links back to the strategic initiative in the CSP. There was a significant effort to improve and link relationships across the Council's IP&R documents in 2013 to provide for better community awareness and understanding of the 2014/17 SRV application:

	<b>Strategic Initiative</b>		DES	
	Provide and maintain safe and serviceable public facilities and infrastructure including roads, footpaths and stormwater drains.			
	<b>Delivery Program 2013/17</b>			
	<b>Principle Activity</b>		DES	
	Public infrastructure is maintained within financial limits.			
<b>Operational Plan</b>		<b>Performance Measure</b>		
<b>Actions</b>				
Application for Special Rates Variation is lodged to ensure financial sustainability is maintained.		Lodge application/s in accordance with government policy.	GM	

Figure 1 CDPOP p. 43

	<b>Strategic Initiative</b>		Council	
	Improve Council's overall long term financial position.			
	<b>Delivery Program 2013/17</b>			
	<b>Principle Activity</b>		DCCS	
	Improve Council's overall long term financial position.			
<b>Operational Plan</b>		<b>Performance Measure</b>		
<b>Actions</b>				
Application for Special Rates Variation is lodged to ensure financial sustainability is maintained.		Lodge application/s in accordance with government policy.	GM	

Figure 2 CDPOP p. 50

### Financial Estimates Part 2 of CDPOP

The Financial Estimates were publicly advertised with the CDPOP and included the following financial scenarios:

- BASE Scenario Financial Estimates– no Special Rate Variations approved in the period 2013-17. The base line listed a range of areas where service levels would need to be reduced.
- SRV Scenario Financial Estimates – with Special Rate Variations approved in the period 2013-17.

On the 27 June 2013 the Council adopted the SRV Scenario in its CDPOP.

## Long Term Financial Plan (LTFP)

The Long Term Financial Plan (LTFP) is a decision-making and problem-solving tool. It is not intended that the LTFP is set in concrete – it is a guide for future action. The modelling that occurs as part of the plan will help Council to weather unexpected events. It will also provide an opportunity for Council to identify financial issues at an earlier stage and gauge the effect of these issues in the longer term.

The LTFP was publicly advertised with IP&R documentation from 28 May 2013 to 27 June 2013 and included the following financial scenarios:

- BASE Scenario Financial Estimates– no Special Rate Variations approved in the period 2013-17
- SRV Scenario Financial Estimates – with Special Rate Variations approved in the period 2013-17.

The Council adopted the SRV Scenario on the 27 June 2013.

The LTFP was revised and readopted in January 2014 to reset the Plan's baseline scenario. The revised LTFP was based on the public consultation that took place during 2013. It also included a fresh baseline scenario (DECLINE) to account for the approved SRV for 2013/14, the proposed SRV scenario (MAINTAIN) as well as a more ambitious scenario (IMPROVE) which was developed through the community engagement process.

Also included in the revised Plan was the introduction of a proposed Local Infrastructure Renewal Scheme loan in 2014/15 for \$1M. This loan will be used for road renewal to ensure that the Council can maintain Roads to Recovery Federal funding for the next few years while the proposed SRV application provides the necessary funds for road renewal and reseal expenditure into the future. Should the proposed SRV not be approved the baseline scenario (DECLINE) included dramatic reductions in service levels and programs across a range of Council services. The current LTFP provides additional information on the community engagement strategy and the community's capacity to absorb rate rises. This is covered off in other questions in this application.

The following extracts are from the LTFP of 27 June 2013. The extracts are consistent with the adopted LTFP January 2014. The inclusion of additional information in the January 2014 LTFP is explored in the remaining questions.

*... Two Long Term Financial Plans, the BASE Scenario and the SRV Scenario, were initially prepared and advertised for community comment during June 2013. Junee Shire Council has been informed in early June 2013 that it was successful in its application for a Special Rates Variation (SRV) in 2013-14. (LTFP p.2)*

*...The SRV Scenario in this plan addresses this need. The BASE Scenario that was advertised during June 2013 showed financial sustainability but did not fulfil the community's wishes to maintain existing levels of service. (LTFP p.3)*

*... In order to get a proper view of the Council's financial future two scenarios of the Long Term Financial Plan were modelled and advertised during June 2013. The primary difference between the BASE scenario and the SRV Scenario was the amount of General Rates to be levied. And then based on the available income, expenditure levels both Operating and Capital was determined for each scenario. (LTFP p.4)*

Two Scenarios were developed– BASE and SRV

### BASE Scenario

In order to achieve financial sustainability in the BASE Scenario a number of substantial cuts were made to the Council's budget over all ten years of the LTFP; and beyond. Service levels would have been drastically cut in a range of service areas. They were modelled to include the following measures:

- Reduce expenditure on maintaining and renewing roads infrastructure.
- Reduce its efforts in maintaining sporting fields and parks and gardens.
- Reduce its promotion of the shire.
- Reduce opening hours for its recreation centre and library.
- Hold onto plant and equipment for longer periods of time.
- Reduce its heavy plant numbers.
- Reduce its staff numbers through redundancies across different areas of operation.
- Negotiate to make some positions part-time rather than full-time.

The BASE Scenario, without substantial cuts in operating and capital expenditure, would have produced operating deficits and a quick depletion of cash. (LTFP p.4-5)

...The following table sets out the budget cuts under the BASE Scenario LTFP advertised through June 2013:

<b>\$ Budget Reductions by Dept</b>	<b>Budget 2013/14</b>	<b>Budget 2014/15</b>	<b>Budget 2015/16</b>	<b>Budget 2016/17</b>
Executive Services	\$ 10,000	\$ 20,000	\$ 30,000	\$ 40,000
Corporate & Community Services	\$ 0	\$ 25,000	\$ (0)	\$ 243,374
Development & Environmental Services	\$ 26,408	\$ 26,900	\$ 40,408	\$ 105,886
Engineering Services	\$ 108,382	\$ 283,970	\$ 680,174	\$ 838,919
<b>TOTAL</b>	<b>\$ 144,790</b>	<b>\$ 355,870</b>	<b>\$ 750,581</b>	<b>\$ 1,228,179</b>

### SRV Scenario

The SRV Scenario shows the revenue that a series of Special Rate Variations generates in the first four years of the LTFP. [This sentence is expressing - the four years representing 2013/17 inclusive of the 2013/14 application, which is since approved, and the proposed 2014/17 SRV application embedded across the life of the plan]. This revenue allows for the maintenance of the current range of services and with the current service delivery methods being largely unchanged. The SRV Scenario does have some budget cuts but they are very minor compared to the substantial cuts made under the BASE Scenario.

It is this Scenario that the Junee community has expressed a preference for and why the Junee Shire Council submitted a Special Rate Variation application for 2013-14 and proposes to submit a further SRV in the next few years. (LTFP p.5)

### SRV Scenario

2013-14 10.0%

2014-15 9.6% - applied after expiring SRV rate income deducted (\$241,813) [The figure of \$241,813 was the best available information at the time. Since revised by the DLG in November 2014] – net increase is 3.78%

2015-16 9.5%

2016-17 9.0%

Years beyond 3.0%

(LTFP p. 5-6)

## Summary IP&R Process

IP&R documentation was adopted on 27 June 2013 after public exhibition from 28 May 2013. There was a premeditated response in the IP&R documentation that the Council would re-engage with the community later in 2013 regarding the 2014/17 SRV application with an expanded range of information and feedback requests. The following table outlines the timeline of key events and consultation:

Item	Period	Summary of consultation or outcome.
2013/14 SRV Community Consultation	January to February 2013	Community Newsletter to every household and business. Public Meetings Community Survey of SRV acceptance Newspaper Adverts and articles Social media Website
CSP review	March to April 2013	Stakeholder and vision workshop participation review. Council workshop Public exhibition
2013/14 IP&R Public Exhibition	28 May to 27 June 2013	Newspaper advert and articles Placing documents in Town villages and localities Website
2014/17 SRV Community Consultation	September November 2013	Community Newsletter to every household and business. Public Meetings Newspaper Adverts and articles Social media Website
2014/17 SRV Independent survey	December 2013	IRIS research conducted community survey to establish community position on which future scenario they prefer, Baseline or SRVs
LTFP reviewed. To reset baseline scenario.	September to December 2013 public exhibition not required.	Council resolution January 2014
Roads and Bridges Asset Management Plans reviewed to align with SRV approach and community expectations for levels of service	Exhibition 22 August to 20 September 2013	Newspaper advert noting public exhibition. Adopted

Other major documentation that has helped inform the current IP&R framework methodology included:

- 2006 Community Survey IRIS Research
- 2011 Community Survey IRIS Research

- [2013 TCorp Financial Assessment, Sustainability and Benchmarking Report Junee LGA](#)
- [2013 Independent Local Government Review Panel 3rd Report](#)
- [2013 Junee Shire Council Asset Management Plans](#)
- [2014/17 SRV Survey IRIS Research](#)

Further details on how these documents assisted and informed the SRV 2014/17 process are provided later in this application.

### 3 Assessment criterion 1: Need for the variation

In the DLG Guidelines, criterion 1 is:

*The need for and purpose of a different revenue path (as requested through the special variation) is clearly articulated and identified through the council’s IP&R documents, including its Delivery Program and Long Term Financial Plan. Evidence for this criterion could include evidence of community need/desire for service levels/project and limited council resourcing alternatives and the Council’s financial sustainability conducted by the NSW Treasury Corporation. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan applying the following two scenarios:*

- *Baseline scenario – revenue and expenditure forecasts which reflects the business as usual model, and exclude the special variation, and*
- *Special variation scenario – the result of approving the special variation in full is shown and reflected in the revenue forecast with the additional expenditure levels intended to be funded by the special variation.*

The response in this section should summarise the council’s case for the proposed special variation. It is necessary to show how the council has identified and considered its community’s needs, alternative funding options and the state of its financial sustainability.

The criterion states that all these aspects must be identified and articulated in the council’s IP&R documents.

At the highest level, please indicate the key purpose(s) of the special variation by marking one or more of the boxes below with an “x”.

- |                                      |                                     |
|--------------------------------------|-------------------------------------|
| Maintain existing services           | <input checked="" type="checkbox"/> |
| Enhance financial sustainability     | <input checked="" type="checkbox"/> |
| Environmental works                  | <input type="checkbox"/>            |
| Infrastructure maintenance / renewal | <input checked="" type="checkbox"/> |
| Reduce infrastructure backlogs       | <input checked="" type="checkbox"/> |
| New infrastructure investment        | <input type="checkbox"/>            |
| Other (specify)                      | <input type="checkbox"/>            |



Summarise below the council's need for the special variation. Comment on how the need is captured in the IP&R documents, especially the Long Term Financial Plan (LTFP) and the Delivery Program, and, where appropriate, the Asset Management Plan (AMP). Note that the LTFP is to include both a 'baseline scenario' and an 'SV scenario' as defined in the *Guidelines*.

If the special variation seeks funding for contributions plan costs above the development contributions cap, refer to Box 3.1.<sup>1</sup>

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### **Box 3.1 Special variations for development contributions plan costs above the dev cap**

For costs above the cap in contributions plans, a council must provide:

- ▼ a copy of the council's section 94 contributions plan
- ▼ a copy of the Minister for Planning and Infrastructure's response to IPART's review and of how the council has subsequently amended the contributions plan
- ▼ details of any other funding sources that the council is proposing to seek to use
- ▼ any reference to the proposed contributions (which were previously to be fund developers) in the council's planning documents (eg, LTFP and Asset Management Plans
- ▼ any necessary revisions to financial projections contained in the LTFP and AMP to refl special variation.

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If the special variation seeks funding for contributions plan costs above the development contributions cap, set out below:

- ▼ details explaining how the council has established the need for a special variation to meet the shortfall in development contributions, and
- ▼ how this is reflected in the council's IP&R documents.

NOT APPLICABLE

## **3.1 Community needs**

Indicate how the council has identified and considered the community's needs and desires in relation to matters such as levels of service delivery and asset maintenance and provision in deciding to apply for a special variation. The application should include extracts from, or references to, the IP&R document(s) that demonstrate how the council meets this criterion.

Over the last several years, the Council has chosen to make a number of cuts in its service levels in order to maintain a barely satisfactory financial position over a long period (LTFP June 2013 p5). These cuts have been across the board but principally in the area of roads maintenance, road resealing and road renewal works. (CDPOP p5)

The cuts in roads budgets have impacted on the Council's ability to meet Roads to Recovery Program funding requirements. The Roads to Recovery Program currently provides over \$400K per year to Junee

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<sup>1</sup> See Planning Circular 10-025 dated 24 November 2010 at [www.planning.nsw.gov.au](http://www.planning.nsw.gov.au) and for the most recent Direction issued under section 94E of the *Environmental Planning and Assessment Act 1979*. See also Planning Circular PS 10-022 dated 16 September 2010.

Shire Council and it is vital that we remain eligible to gain this funding by meeting our obligation to maintain our own source expenditure on Council roads.

The roads maintenance and renewal budgets therefore need to be lifted again in order that these assets be kept in good order and to meet the requirements of the Roads to Recovery grant. This SRV application allows that to happen without an impact on a range of other Council services. Without the SRV approval, a range of other Council services will be reduced. (This is the DECLINE Scenario in the LTFP January 2014 that was developed after the community was consulted across 2013.)

*A regular program of renewing and resealing roads is important as it extends the useful life of a road and keeps it in a safe condition. Conversely, an infrequent program exposes the organisation to potential financial and public safety liability issues into the future.*

*If proposed SRV applications are rejected in full or in part, the Council would need to reduce services not only in the roads area but in other areas of its budget in order to remain financially sustainable. This is an unpalatable difficult task but a necessary one. Community input will be sought and information provided if this option needs to be taken. (CDPOP p5)*

Two financial scenarios were developed and publicly exhibited with the CDPOP and LTFP across May and June 2013. (LTFP June 2013 p.2)

*This Long Term Financial Plan shows that the Council will not achieve long term financial sustainability and still provide the current levels of service to its community without further increases in its revenue raising capacity; essentially it needs to seek further special variations in its general rates.*

*The SRV Scenario in this plan addresses this need. The BASE Scenario that was advertised during June 2013 showed financial sustainability but did not fulfil the community's wishes to maintain existing levels of service. (LTFP p3)*

An additional financial scenario (IMPROVE) was added as part of the engagement process for this application throughout 2013 to give the community another alternative that they may choose to take.

A healthy majority of the Community has been telling the Council since 2006 that it is prepared to pay a little more in rates to maintain current levels of service. This resolve has increased over the years even though the community has supported two SRV's in that time (one of which expires on the 30 June 2014).

While the conversation with the community has been persistent since 2006 the Council is obliged to meet the requirements of the SRV application process and in doing so retested the community's attitude towards this issue through an SRV community newsletter that included: [\(Appendix 1\)](#)

- why the additional revenue is needed
- how the additional revenue will be spent
- how it affects rateable property,
- efficiency gains the organisation has adopted, and
- a range of services that would need to be cut in order for services to match the reduction in revenue in the baseline scenario.

The SRV newsletter was sent to every household and business across the Shire. This, together with community and stakeholder meetings, with a media and web related campaign, provided improved coverage of the issues.

The Council also engaged an independent consultant, IRIS Research, to establish community preferences on which financial scenario they prefer. The key finding of the survey was the overwhelming majority (85.9%) of residents in the Junee Shire supported an SRV approach rather than the alternative of reducing the levels of services to other areas [\(IRIS report Appendix 2\)](#)

## 3.2 Alternative funding options

Explain how the decision to seek higher revenues was made after other options such as changing expenditure priorities or using alternative modes of service delivery were examined. Also explain the range of alternative revenue/financing options you considered and why the special variation is the most appropriate option. For example, typically these options would include introducing new or higher user charges and increase council borrowing, but may include private public partnerships or joint ventures.

Provide extracts from, or references to, the IP&R document(s) which show how the council considered the alternatives.

Junee Shire Council considered a number of other options when deciding to seek higher revenues through a Special Rate Variation.

### Annual Charges

The Council has resolved to hold domestic waste management and sewerage annual charges flat over the three year life of the SRV. This is to soften the impact of the SRV by limiting the overall increase on the rate account. Of course waste management and sewerage charges cannot be spent on purposes outside of waste management and sewerage in any case, so inherently this means that an increase in annual charges is not a viable option.

### User Charges and Fees

This is mainly made up of tipping fees and charges, cemetery fees, DA and Building fees, Family Day Care, Recreation Centre, private works, and State Roads maintenance. \$2m was raised in 2012/2013 from these fees with \$1.6m coming from State Road maintenance, so the opportunity to raise additional revenue through increases in user fees and charges is limited. It would place too great a burden on a small number of users.

### Other Revenue

In 2013/2014 Other Revenue totalled \$476K with commissions(\$102K), rental of property (\$136K), and sales at the recreation centre (\$80K) making up the majority of the revenue. Revenue has been increased gradually over the years and again there appears to be little scope for significant increases.

### Developer Contributions - Section 94A Charges

Typically the Council receives only around \$40K in developer contributions each year and these are spent progressively each year as they are collected.

### Grants

Junee Shire Council is very reliant on grants (as indeed are all rural Council's), particularly the Financial Assistance Grant and Roads to Recovery Grant. Operating grants as a proportion of Operating Revenues (with Capital Grants removed) in 2012/2013 was 39%.

Council remains interested in seeking other grants which may assist it, especially to fund infrastructure renewal. The trend of the past few years is that governments are reducing grant funding due to their own budget situations and that grants favour larger centres where cost benefit ratios can be better demonstrated. Also most grants these days require a matching contribution from the Council.

### Use of Increased Debt

Junee Shire Council has borrowed extensively over the past 10 years. It plans to borrow a further \$1M in 2014/2015 under the Local Infrastructure Renewal Scheme (LIRS) to finance road renewal works. We consider we have reached our maximum capacity to repay the debt (apart from borrowings in several years time to partly fund the upgrade to our Sewerage Treatment Works).

### Reduction in Service

Junee Shire Council has conducted three major community surveys since 2006 and the overriding view of the community is that it would rather pay more in rates than see a reduction in services. More details on the community surveys are provided elsewhere in this submission.

### Conclusion

For the reasons detailed above, and with a relatively small rural population, with only small growth, it was apparent that Junee Shire has limited avenues of increasing revenue, and that the alternate revenue sources are unsustainable. Consequently the LTFP has considered the SRV as the most equitable and sustainable method to address the ongoing financial sustainability challenges faced by Junee Shire Council

## **3.3 State of financial sustainability**

The special variation may be intended to improve the council's underlying financial position, or to fund specific projects or programs of expenditure, or a combination of the two. We will consider evidence about the council's current and future financial sustainability.

The application should set out the council's understanding of its current state of financial sustainability, as well as long-term projections based on alternative scenarios and assumptions about revenue and expenditure. Such evidence can be drawn from the LTFP and from any external assessment, eg by auditors or TCorp.

Explain the council's view of its financial sustainability as it relates to the application for a special variation.

### Financial Sustainability

The rationale for the proposed rate increases is to secure a financially sustainable position for the Council for both the short and medium term. For a number of years, the Council's operating budget has not generated the surpluses needed to fund its services and road renewal works to an acceptable level.

Without the rates increases provided by the SRVs our financial modelling shows that cash quickly depletes if current service levels were sought to be maintained. We recognise that we can't live beyond our means. Because our community has told us they wish to maintain current levels of service, additional revenue from a series of reasonable rate increases is being sought.

The levels of the SRV in this application are considered to be those that are affordable and acceptable increases to the community while at the same time providing the level of funding required to maintain existing services. This has been supported by the community's positive response to consultation and surveys.

The MAINTAIN Scenario of our LTFP shows that we can maintain services at current levels and maintain a satisfactory level of financial sustainability. It does not show large accumulations of cash over the 10 year period.

Explain how TCorp's recent Report on the council's financial sustainability is relevant in supporting the decision to apply for a special variation.

The TCorp report, in April 2013, provided the Council with an independent assessment of its financial capacity, sustainability and performance, measured against a peer group of councils.

The key areas focused on were:

- the financial capacity of the Council
- the long term sustainability of the Council, and
- the financial performance of the Council in comparison to a range of similar councils and measured against prudent benchmarks.

TCorp provided a definition of sustainability on page 5 of their report:

*"A local government will be financially sustainable over the long term when it is able to generate sufficient funds to provide the levels of service and infrastructure agreed by its community".*

This is exactly what the community said they wanted in the recent consultations across 2013. They like the current levels of service across the range of services that the Council provides and want to see these maintained. They strongly supported the MAINTAIN option and even the IMPROVE option with little support for the DECLINE option.

In respect of the TCorp review, they found that the Council has been well managed over the review period based on the following observations:

- *Council has achieved operating surpluses in three of the four review years. The prepayment of the Financial Assistance Grants has assisted this position in 2011 and 2012.*
- *The Unrestricted Current Ratio, Cash Expense Ratio and the level of cash and investments indicate that Council had sufficient liquidity but there is a downward trend.*
- *Council's Debt Service Coverage Ratio (DSCR) and Interest Cover Ratio demonstrate that it could repay its debt obligations and had capacity to manage further borrowings.*
- *Council has managed to keep employee expenses relatively static in the past three years. (TCorp p4)*

In respect of the long term sustainability of the Council, TCorp's key observations were:

- *Council's long term sustainability can be better assessed once the LTFP is calculated on a consistent nominal dollar basis. [Council's LTFP was changed in April 2013 to a nominal basis after we received comments from TCorp during the compilation of their report]*
- *The outcome of the proposed SRV applications is key to the future financial sustainability of Council as without the increases in rates revenue, expense growth is likely to outpace revenue growth with Council's position deteriorating in each year.*
- *Council is currently operating close to its efficiency limit and therefore there are limited opportunities to reduce the expense base.*
- *Council is heavily reliant on the provision of operating and capital grants from other areas of government and would not be sustainable without the continued provision of these grants.*

- *Council's LTFP includes sufficient levels of capital expenditure to maintain its assets but the funding for this investment is dependent on the approval of the SRV's. In the event that the SRV's are not approved, Council will need to amend its LTFP which may adversely impact its sustainability. (TCorp p.5)*

In respect of the Benchmarking analysis, TCorp has compared the Council's key ratios with other councils in DLG Group 10. The key observations were:

- *The Council has moderate financial flexibility with its Operating Ratio above benchmark and the group's average. Council is reliant on grants with its Own Source Operating Revenue Ratio below the benchmark level.*
- *The Council's liquidity position is trending downwards even though the Cash Expense Ratio and the Unrestricted Current Ratio are both above benchmark and can pose liquidity problems in the medium to long term should the trend continue.*
- *The Council should have debt capacity to service existing debts with both the DSCR and the Interest Cover Ratio remaining close to benchmark level.*
- *The Council's Capital Expenditure Ratio and its Building and Infrastructure Renewal Ratio are above the benchmark and average. However, renewals are trending downwards like asset maintenance and should this continue, Council's Infrastructure Backlog could rise higher above the benchmark level (TCorp p.5)*

TCorp's concluding recommendations were:

- *Council has managed its operational performance well over the historic review period, particularly controlling employee expenses and has proved that it has a strong awareness of its position and what is required to remain sustainable in the future.*
- *Council recognises that their LTFP can be further developed to include scenario analysis and performance monitoring and this will assist in the accuracy of the LTFP and ongoing performance analysis against the forecast. The 'base case' scenario should be developed from a 'current position' starting point and to forecast what will happen without an SRV application. This can then be built upon with additional scenarios to indicate the benefit that an SRV can provide the Council and its community. [A 'base case' scenario from a current position was developed as part of the last two adopted LTFPs; June 2013 and the January 2014. In the LTFP the base case scenario was called DECLINE]*
- *Each scenario should be completed using 10 years of nominal values to show the true forecast position throughout the forecast period. (TCorp p.30) [As previously said, Council's LTFP was changed in April 2013 to a nominal basis after we received comments from TCorp during the compilation of their report.]*

TCorp commented that Council has spent adequate amounts on asset renewal and capital expenditure over the review period but has not spent enough on asset maintenance. (TCorp p4) We see things a little differently when it comes to roads maintenance.

We believe that the 2014/17 SRV will generate the surplus needed to carry out reseals at a reasonable level. This will lower the average age of our current road resealing program across the shire. In doing so the maintenance cost for those roads will actually reduce. The cost in maintaining a road classified with a poor rating as opposed to a satisfactory rating is lower. This point is one that can be lost when taking a higher level view of the overall road network condition. The on-ground observations at the local level, in concert with an efficient engineering workforce with excellent local knowledge, is the difference here. TCorp acknowledge this point in other areas of their report; see the extract below.

Council has managed its operational performance well over the historic review period, particularly controlling employee expenses and has proved that it has a strong awareness of its position and what is required to remain sustainable in the future. (TCorp p.30)

To support the Council's position on this particular issue Council's Asset Management Plan (AMP) states:

"...Maintenance expenditure levels are considered to be adequate to meet projected service levels, which are equal to current service levels." (Roads and Bridges AMP p. 26) (Appendix 3)

TCorp have recognised the imperative for achieving financial sustainability is linked to the success of this application. Its financial model assumption review indicated that:

...Council has already publicly advertised the SRVs within the delivery program and has also conducted an independent survey in November 2011 that indicated the majority of those questioned were not averse to the proposed SRV increases. The proposed SRVs are to enable Council to continue existing service levels as opposed to provide new or additional services. (TCorp p.22)

In the same section TCorp's comment of Council was that:

...If the SRVs are not approved as sought then Council's ability to achieve a break even position will be impacted, resulting in Council having to revise the LTFP and review service levels.

The Council believes TCorp's report sends a strong message to all that its current financial position is satisfactory. But the Council is:

...unable to increase their revenue base (with one option the proposed SRV applications) then they will have to reduce service levels in the future. (TCorp p. 23)

TCorp goes on to say:

...Council will be able to spend sufficiently on capital expenditure throughout the review period only if the SRVs are approved (TCorp p. 4)

...When compared to other DLG Group 10 councils, Council is below the group average in nearly all categories, highlighting the limited resources that it operates with. Council has the third smallest workforce within the group and is below the average of both the mean residential and farmland rates revenue, which make up the majority of Council's rate base. (TCorp p.23)

...Council's long term Sustainability is highly dependent on the approval of the proposed SRVs within the LTFP, to retain the current levels of service and to meet the capital works program that has been input directly from the AMP. (TCorp p.23)

...Inability to reduce Infrastructure Backlog. While the nominal total of the Infrastructure Backlog has reduced to \$7.8m, Council still have limited ability to bring their asset base back to the required satisfactory standard. (TCorp p. 17)

Council believes TCorp's report indicated that the Council is doing what it can to manage its financial affairs satisfactorily and that it articulated the need for additional SRVs in the future to remain financially sustainable.

How will the special variation affect the council's key financial indicators over the 10-year planning period? Key indicators may include:

- ▼ Operating balance ratio excluding capital items (ie, net operating result before capital as percentage of operating revenue before capital grants and contributions)
- ▼ Unrestricted current ratio (the unrestricted current assets divided by unrestricted current liabilities)

- ▼ Rates and annual charges ratio (rates and annual charges divided by operating revenue)
- ▼ Debt service ratio (net debt service cost divided by revenue from continuing operations)
- ▼ Broad liabilities ratio (total debt plus cost to clear infrastructure backlogs (Special Schedule 7) divided by operating revenue)
- ▼ Asset renewal ratio (asset renewals expenditure divided by depreciation, amortisation and impairment expenses).

The following observations are made in relation to the Key Performance Indicators in the LTFP:

#### Operating Balance Ratio

As outlined throughout this application this SRV application is based on the MAINTAIN LTFP Scenario. This scenario shows positive Operating Results in all 10 years of the plan. Indeed the Operating Result grows. This in turn shows the Operating Balance Ratio growing from 1.18 in 2014/15 to 9.56 in 2023/24.

#### Unrestricted Current Ratio

The expected Unrestricted Current Ratio shows a result fluctuating between 1.41 and 0.92 over the 10 year period. Again, it is consistent with the approach that the additional revenue to be achieved through this SRV application is being spent to maintain existing levels of service; no accumulation of cash occurs. Our next version of the LTFP will seek to improve this ratio to an average of 1.5:1.

#### Rates & Annual Charges Ratio

The MAINTAIN LTFP Scenario shows a growth in this ratio from 35% in 2014/15 increasing slowly to 41% in 2023/24. This reflects the growth in rates revenue that is factored into this scenario.

#### Debt Service Ratio

The MAINTAIN LTFP Scenario shows a relatively steady result for all years of the LTFP. The ratio ranges between 6.62% and 8.53%. It mainly comprises the 30 year loan that the Council currently has that matures in 2037.

#### Broad Liabilities Ratio

The MAINTAIN Scenario in the LTFP January 2014 shows an improvement in this ratio from 1.12 in 2014/15 to 0.70 in 2023/24 reflecting both a reduction in debt and a reduction in backlog works as well as growth in operating revenue with a large factor being growth in rate revenue.

#### Asset Renewal Ratio

The MAINTAIN Scenario shows a strong Asset Renewal Ratio of between 1.3 and 1.6 across the 10 years of the LTFP showing the Council spending more on renewal works than the depreciation of these assets. This also shows a path to reducing the infrastructure backlog.

Please note that Depreciation in the current model is flat across the 10 year period. In the next iteration of the LTFP Depreciation will be modelled to take into account these renewal works and with some assessment of the effect of 5 year revaluations on Council assets. This is expected to show a small growth in Depreciation expenses over these years but with the current Asset Renewal Ratios relatively strong the expectation is that this ratio will remain better than 1:1.



### 3.4 Capital expenditure review

Councils undertaking major capital projects are required to comply with the DLG's Capital Expenditure Guidelines, as outlined in DLG Circular 10-34. A capital expenditure review is required for projects that are not exempt and cost in excess of 10% of council's annual ordinary rates revenue or \$1 million (GST exclusive), whichever is the greater. A capital expenditure review is a necessary part of a council's capital budgeting process and as such should have been undertaken as part of the Integrated Planning and Reporting requirements in the preparation of the Community Strategic Plan and Resourcing Strategy.

Does the proposed special variation require you to do a capital expenditure review in accordance with DLG Circular to Councils Circular No 10-34 dated 20 December 2010? Yes  No

If Yes, has a review been done and submitted to DLG? Yes  No

## 4 Assessment criterion 2: Community awareness and engagement

In the DLG Guidelines, criterion 2 is:

*Evidence that the community is aware of the need for and extent of a rate rise. This must be clearly spelt out in IP&R documentation and the council must demonstrate an appropriate variety of engagement methods to ensure opportunity for community awareness/input. The IP&R documentation should canvas alternatives to a rate rise, the impact of any rises upon the community and the council's consideration of the community's capacity and willingness to pay rates. The relevant IP&R documents must be approved and adopted by the council before the council seeks IPART's approval for a special variation to its general revenue.*

To meet this criterion, councils must provide evidence from the IP&R documents<sup>2</sup> that the council has:

- ▼ Consulted and engaged the community about the special variation using a variety of engagement methods and that the community is aware of the need for, and extent of, the requested rate increases
- ▼ considered and canvassed alternatives to the special variation
- ▼ provided opportunities for input and gathered input/feedback from the community about the proposal
- ▼ considered the impact of rate rises on the community
- ▼ considered the community's capacity and willingness to pay.

In assessing the evidence, we will consider how transparent the engagement with the community has been, especially in relation to explaining:

- ▼ the proposed cumulative rate increases including the rate peg (including in both percentage and dollar terms)
- ▼ the annual increase in rates that will result if the special variation is approved in full (and not just the increase in daily or weekly terms)
- ▼ the size of any expiring special variation (see Box 4.1 below)

<sup>2</sup> The relevant documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and, where applicable, Asset Management Plan

- ▼ alternative rate levels that would apply without the special variation
- ▼ proposed increases in any other council charges (eg, waste management, water and sewer), especially if these are likely to exceed the increase in the CPI.

---

#### **Box 4.1 Where a council is renewing or replacing an expiring special variation**

The council should have explained to its community:

- ▼ that there is a special variation due to expire at the end of this financial year or during the period covered by the proposed special variation
  - ▼ that, if the special variation were not approved so that only the rate peg applied, the year-on-year change in rates would be lower, or that rates may fall
  - ▼ if applicable, that the expiring special variation is being continued (in full or in part), in the sense that it is being replaced with another that may be either temporary or permanent, or that the value is included in the percentage increase being requested in the following year.
- 

More information about how community engagement might best be approached may be found in the DLG *Guidelines*, the IP&R manual, and our Fact Sheet *Community Awareness and Engagement*, September 2013.

### **4.1 The consultation strategy**

Provide details of the consultation strategy undertaken, including the range of methods used to inform the community about the proposed special variation and to engage with the community and obtain community input and feedback on it. The range of engagement activities could include media releases, mail outs, focus groups, random or opt-in surveys, online discussions, public meetings, newspaper advertisements and public exhibition of documents.

Please provide relevant extracts of the IP&R documents that explain the council's engagement strategy and attach relevant samples of the council's consultation material.

The methodology used by the organisation is set out in its [Community Engagement Strategy April 2013](#). [\(Appendix 4\)](#)

There were a number of consultation elements used to engage with the community, including:

- IP&R inclusions
- Media releases
- Public Notice in newspaper
- Social and web based media
- Community Newsletters delivered to every household and business across the LGA
- Public meetings
- Independent Community Satisfaction Survey
- Independent Community SRV Survey

## IP&R Inclusions

The development of the CSP in 2009 identified that the community wanted to be kept more informed and consulted about the future of the LGA.

*An informed community – participants signaled a need for strategies to improve the flow of information to and between members of the community. (CSP p.3)*

The development of quarterly community newsletters (2250 print run) to every home and business was the response. That print run was expanded in 2013 to 2600 to enable the copies of the newsletter to be distributed to our largest employers so that their employees who may or may not live in the local area are kept informed of local issues.

In 2011, Council enlisted the services of IRIS Research to conduct a community survey of 500 randomly chosen residents. The survey sample represents 9% of the Junee LGA population or 26% of the occupied households (ABS 2012 census data). The aim of the survey was to measure people's satisfaction with various Council services and views on priorities for future spending.

The CDPOP lists how Council has and would consult on SRV issues. It highlighted the results of the March 2013 consultation round and proposed a further consultation in November 2013 which would draw into even sharper focus the importance of the community's preferences regarding options put before the community in the CDPOP.

*The community will recall from information and workshops this year that an additional SRV application will be submitted in February 2014 for a three year period 2014/2017. In order for this process to comply with the State Government's guidelines to lodge a multi-year SRV application there are two sets of financial estimates attached to this plan - one that reflect proposed SRV approval and one that doesn't. Clearly, in the financial estimates that reflect no SRV increase the levels of service provided by this organisation are cut back across numerous functional areas. A single page listing proposed cuts is provided to summarise this information for the public. A more detailed explanation will be deployed in September this year during the community consultation phase. (CDPOP p. 3)*

*The Council intends to lodge a three year Special Rate Variation application in February 2014 and will commence that engagement process to support that application later this year. We encourage residents to participate in the ongoing process. (CDPOP p. 3)*

*If proposed SRV applications are rejected in full or in part, the Council would need to reduce services not only in the roads area but in other areas of its budget in order to remain financially sustainable. This is an unpalatable difficult task but a necessary one. Community input will be sought and information provided if this option needs to be taken. (CDPOP p.5)*

The community engagement process is more clearly defined in Councils LTFP January 2014, inclusive of:

## Community Engagement

The Council is committed to an engagement process with its community regarding proposed Special Rate Variations.

Over the last ten years the Council has been consulting with the community in various ways about the assets, infrastructure and services it values most and more importantly about the Council's capacity to fund these things.

This process is ongoing. In February 2014 the Council will consider applying for an additional Special Rate Variation (SRV) above the annual rate pegging figure set by the State Government each year.

In 2007, a Long Term Financial Plan was prepared and identified a revenue or income gap of around 39%. Subsequent Financial Plans, and Management Plans (budgets) have made it very clear that Council has to do what we do better and at the same time seek future Special Rate Variations to provide services and maintain assets and infrastructure for the residents of Junee Shire.

You, the residents, tell us that the following is considered very important, indeed crucial, for the future of our Shire:-

- maintenance of roads and sporting fields;
- town and village appearance, parks and gardens, public buildings and facilities; and
- economic development, town pride and promotion, and jobs growth.

Like you, and everyone else, the Council has been experiencing increasing costs for some time now. We now face a significant challenge. We need to either raise rates or reduce what we do. Rate increases of any kind are never welcome! We understand that. However we believe a sustainable and affordable increase in rates is the only means by which we can continue to meet the community's needs and expectations.

Three scenario options have been prepared; two with the Special Rates Variation increases (MAINTAIN and IMPROVE Scenarios) and one (DECLINE Scenario) with the NSW Government limited rate increases. The latter includes reducing rate revenue by approximately \$257k because a previously approved Special Rate variation expires. The first two options will include asking for the \$257k to be reinstated.

The MAINTAIN option sees a rate increase to a level that will see the existing services the Council provides maintained at current levels.

A slightly more optimistic option called the IMPROVE option, will form part of the consultation phase to see if the community would like to see other public buildings maintain good condition.

We have made ongoing efficiency improvements over the last decade and while we will continue to find ways to be more efficient and productive those efforts will not close the financial gap we are faced with. If the majority view from the community doesn't support Special Rate rises then service reductions will have to occur.

As a result of a review into the engagement process used for the 2013 SRV application the 2014 Special Rates Variation Application engagement process has been refined and strengthened, including:

- New provisions in the Council Rate and Hardship Policy to account for residents expiring genuine hardship resulting from rate rises.
  
- Community surveys regarding Special Rate Variations will be undertaken by independent research company.
  
- Consultation period will be lengthen to provide additional opportunity for community comments to be received.

- Detailed information regarding the types of service level reduction being proposed will be included in community a newsletter to be sent out to every house and business across the shire.

The MAINTAIN option that includes the proposed average Special Rates Variation with rate pegging is summarized in the follow table. It is this option that is recommended for Council to use as a basis of its Section 508A SRV application. Additional Information is available on the website.

Rating sub categories	2013/14 Average General Land Rate	2014/15 SRV Increase from previous year 13.2% *	2015/16 SRV Increase from previous year 9.5%	2016/17 SRV Increase from previous year 9%	2014-17 SRV Gross Total including rate peg
Village	\$ 416	\$ 16	\$ 41	\$ 43	\$ 99
Residential	\$ 705	\$ 27	\$ 70	\$ 72	\$ 168
Farmland	\$ 2,092	\$ 79	\$ 206	\$ 214	\$ 499
Business	\$ 1,935	\$ 73	\$ 191	\$ 198	\$ 462

\*The increase of 13.2% in 2014/15 is the gross increase after the value of the expiring special rate variation from 2009 is removed. In net terms the average increase for Junee ratepayers in 2014/15 is only 3.78%.

The rationale for the proposed Special Rate Variation increases in line with the MAINTAIN Scenario, is to secure a financially sustainable financial position which will be used to support funding work on shire roads. Special Rate Variation approvals in the MAINTAIN Scenario above the annual rate cap will be solely dedicated to road work expenditure.

A series of consultation measures have been held to provide a variety of opportunities for people to engage in this process. They were:

- A detailed Special Rates Variation newsletter was sent to every house and business across the shire. The newsletter explained the financial position the

Council is in, the three Special Rate Variation scenarios, what services may be cut or reduced if the Special Rates Variation does not go ahead, the efficiency and productivity improvements that have occurred over the last decade and how people can make alternative payment arrangement in cases of financial hardship.

- Town Hall style public meetings across the shire with Councillor and staff in attendance.
  - Monday, 25 November 2013  
Junee Library - 5.30pm-6.30pm  
Junee Library - 7.00pm to 8.00pm
  - Wednesday, 27 November 2013  
Junee Ex-Services Club – Function Room – 7.00pm to 8.00pm
  - Monday, 2 December 2013  
Illabo Uniting Church Hall – 7.00pm to 8.00pm.
  - Tuesday, 3 December 2013  
Old Junee Hall – 7.00pm
  - Wednesday, 4 December 2013  
Bethungra- Hotel Shirley
- Stakeholder group meetings including service clubs, senior citizens, chamber of commerce and village progress associations.
- Social media, webpage information and newspaper articles informing the public of events and information.
- Invitation for individuals to meet with staff for clarification on issues relating at their premises if a rural constituent or otherwise at the civic chambers.

- Independent survey company to conduct a random telephone survey across the shire to ask people how they feel about the proposed increases or reducing service levels and nominate one of the options available in the newsletter.
- Invite individual submissions on the matter.

A final report to Council on the result of engagement process will be submitted prior to the Special Rates Variation application.

#### Media Release Public Notices in Local Paper

While the Council places public notices in the local paper regularly, editorial comment is somewhat more difficult, it is rather small paper of eight pages in length, published once a week and has a print run of around 800 copies. For these reasons the Council has taken the step to publish its own newsletter to ensure important information is circulated to every household. We have provided editorial content to the local paper in the past, not all ends up being published. By way of example we have included a press release we issued to the local paper which was not published [\(Appendix 5\)](#)

#### Social Media Activity

We have approximately 390 followers across our twitter accounts. We made a number of twitter posts regarding the SRV and IP&R process. [\(Appendix 5\)](#)

#### Webpage

Public information regarding SRVs and IP&R, TCorp report and community survey result documents are all published on the website. All IP&R documents are available for downloading and the use of social media to direct traffic to the website is deployed.

Council's website devotes a section for the SRV process. SRV topics occupied the home page for most of 2013. Information including, community information session times, dates and venues, links to the online survey all form part of this strategy.



**Junee Shire Council**  
December 2, 2013

The General Manager James Davis had a wonderful meeting with Junee Senior Citizens today to assist them in providing feedback to the Council on the proposed Special Rate Variation planned for 2014.



Like · Comment · Share 7

76 people saw this post Boost Post

### Community Newsletters

There were six community newsletters in 2013. Two were dedicated specially to SRV content and three others made reference to the SRV or the IP&R process.

This was the organisation's strongest communication platform other than the importance of public meetings. The following are images extracted from those newsletters.

# Junee Shire Council

## Proposed Rate Increases through a Special Rate Variation Application (SRV)

### EXECUTIVE SUMMARY

Junee Shire Council is proposing to seek a Special Rate Variation in the 2013-2014 financial year. The total rate increase proposed is 10% which includes the announced rate peg limit of 3.4% in 2013-2014. Therefore an additional 6.6% in rates is being sought so that the Council can continue its road resealing and road renewal program.

A series of Community Consultation Workshops are ongoing to inform interested community members, there is also a survey to gauge community support or otherwise for the 10% increase in rates for 2013-2014.

The Council's Long Term Financial Plan has established the need for further rate increases over the next few years. This will be the subject of a subsequent Special Rate Variation application in future years. This will be explained in the next four year Delivery Program being prepared now and will be available for public comment in May this year.

Junee Shire Council originally proposed to increase rates over a three year period and this was the premise of the Long Term Financial Plan. The increase in rates has now been extended to four years to soften the impact of this increase to its ratepayers. The overall percentage increases proposed remain the same as originally agreed to by the Council, just spread out over an extra year. Further details are available below in the "What is being proposed?" section. Please visit Council's website for more details regarding the SRV.

### THE BACKGROUND

Junee Shire Council has a Long Term Financial Plan (LTFP) that shows the Council cannot maintain the levels of service it currently delivers to the Junee community without an increase in its revenue base. This financial sustainability problem was identified up to seven years ago and over that time the Council has looked at many ways to operate more efficiently and has sought alternative revenue streams.

Historically, Junee Shire has a low rate base. In 2011-2012 its revenue from Rates and Annual Charges only made up 27% of its Income from Continuing Operations. The Council is heavily dependent on government grants to fund many of its activities.

There are many other factors that have all contributed in some way to the need for a special variation in rates. Costs for materials, fuel and labour have all increased at levels well above the increases allowed by rate pegging legislation. Also, the State Government has required Councils to provide services in a number of areas without a suitable revenue source to fund them. These are given the terms 'cost-shifting' or 'unfunded

mandates'. They have driven efficiency in Council's operations but there are limits to efficiency before service levels to the community are cut.

The Council has conducted two extensive community surveys (in 2006 and in 2011) that both posed the question about whether the Junee community would rather pay more in rates in order to maintain the quality and extent of the services it currently receives or would rather not see an increase in their rates and see a lowering of services.

The community clearly supported paying more in rates and supported the Council in the services it provides. The results of the IRIS Surveys of 2006 and 2011 are available on the Council's website; [www.junee.nsw.gov.au](http://www.junee.nsw.gov.au); look under Your Community -> Community News -> Latest News -> Community Survey Results.

These surveys posed three questions in relation to rating levels. The results are shown below:

IRIS Community Survey Questions	2011 Percentage level of agreement with question				Compare Surveys	
	Can't Say	Low	Medium	High	Mean 2011	Mean 2006
I would be happy to pay a little more Council rates to fund essential improvements in services and facilities	0.6	19.8	27.2	52.4	3.40	3.48
I would rather see Council rates rise than see cuts in local services	1.8	25.4	34.6	38.2	3.14	3.43
Council rate rises should be kept to a minimum even if it means that local services are cut	1.9	44.8	28.0	25.3	2.74	2.75

The surveys revealed over 50% of residents rated a high agreement to the statement "I would be happy to pay a little more Council rates to fund essential improvements in services and facilities in 2006 and 2011". Twenty percent opposed the idea, with 27% providing a moderate rating in 2011 which was also consistent with the result in 2006.

More importantly though, is the survey results to the question "I would rather see Council rates rise than see cuts in local services" indicating as high as 72% of residents would support such a proposal.

The final question "Council rate rises should be kept to a minimum even if it means that local services are cut" was not supported. The community surveys revealed that more than 2 in 5 residents were not willing to trade-off reductions in service provision by local government, even if it means the level of rate rises are kept to a minimum. Around 1 in 3 residents have a moderate level of agreement with the question whilst only 1 in 5 strongly supported the question.

Figure 3: February 2013 Community Newsletter - Reference to future SRV application.

## SPECIAL RATE VARIATION APPLICATION

The Special Rate Variation (SRV) Application for the 2013/14 financial year was lodged with the Independent Pricing and Regulatory Tribunal (IPART) on 11 March 2013.

The Junee SRV Community Survey was well supported by the community, particularly the Illabo residents.

202 surveys were received which equates to one completed survey for every ten homes across the Junee Shire Council area. The number of community responses to the survey was excellent - congratulations! - and thank you for participating.

In the main, the results from this survey were consistent with the IRIS Research Community Surveys in 2006 and 2011. That is, the community is prepared to pay more in rates to ensure service levels are not reduced.

The SRV application will be determined by IPART around the 30 June 2013. The application is a public document and available for inspection on the IPART

website. There are also additional details available on the Council's website.

While the majority of people surveyed support the proposed 10% rate increase in 2013/14 the following general comments from respondents help form an impression of what people generally think about rate rises.

**"If at all possible, it would be a good idea to see a work roster of the areas that surround the Junee Shire of where the Council is working"**

The Council's outdoor workforce numbers about 20 people. They manage and maintain a road network in excess of 900km. That's almost equivalent to driving to Sydney and back. It is understandable that people living in the southern area of the Shire will not always notice roadwork being carried out in the northern parts. A new addition to the Community Newsletter is a map that shows where roadworks have been taking place. This will be a regular edition to the Newsletter.



**"While we agree the town looks great these days and more visitors and tourists are coming to town, it doesn't seem to have assisted a lot of our shops and small business who are either struggling or shutting down"**

Yes, we all need to encourage people to shop locally. The Community's plan (Community Strategic Plan 2012-22) includes a number of actions to support local business initiatives. They are progressively being implemented, including support for the Junee Business and Trades Association. Nobody wants to see vacant shops in our town. We will try and provide some more information in upcoming newsletters on programs that are designed to help businesses.

**"To run your own survey is a joke. No one believes the results. Not to increase sewer and waste means rural people subsidise town dwellers: this is not acceptable. I am sick of subsidising a pool I never use, parks I never use and now sewerage and town garbage collection."**

IRIS Research conducted independent community surveys in 2006 and 2011 for the Council. The guidelines for the SRV application required up-to-date community consultation. An independent survey would have involved spending additional money and engaging IRIS again to conduct another survey. Due to budget restrictions this option was not supported.

The proposal not to increase waste and sewerage rates if the SRV application is successful is there to offset the burden of increasing the general land rates. Waste and sewerage funds are in separately held accounts to the general fund. NSW Councils are not permitted to cross subsidise funds from waste or sewer accounts to other activity areas within the organisation.

The pool, library, parks and gardens are assets that enjoy high levels of community support. This is evident through people using them and the information collected in community surveys. The facilities are available to everybody in the Shire. People's circumstances change over time. Facilities that may have been overlooked in the past may become appealing or vital to individuals in future years. While it is acknowledged that some rural and town people may not use these facilities, it would be rare where friends, children, grandchildren or extended family haven't enjoyed using these facilities.

Figure 4: Community Newsletter on 2013/14 SRV application process

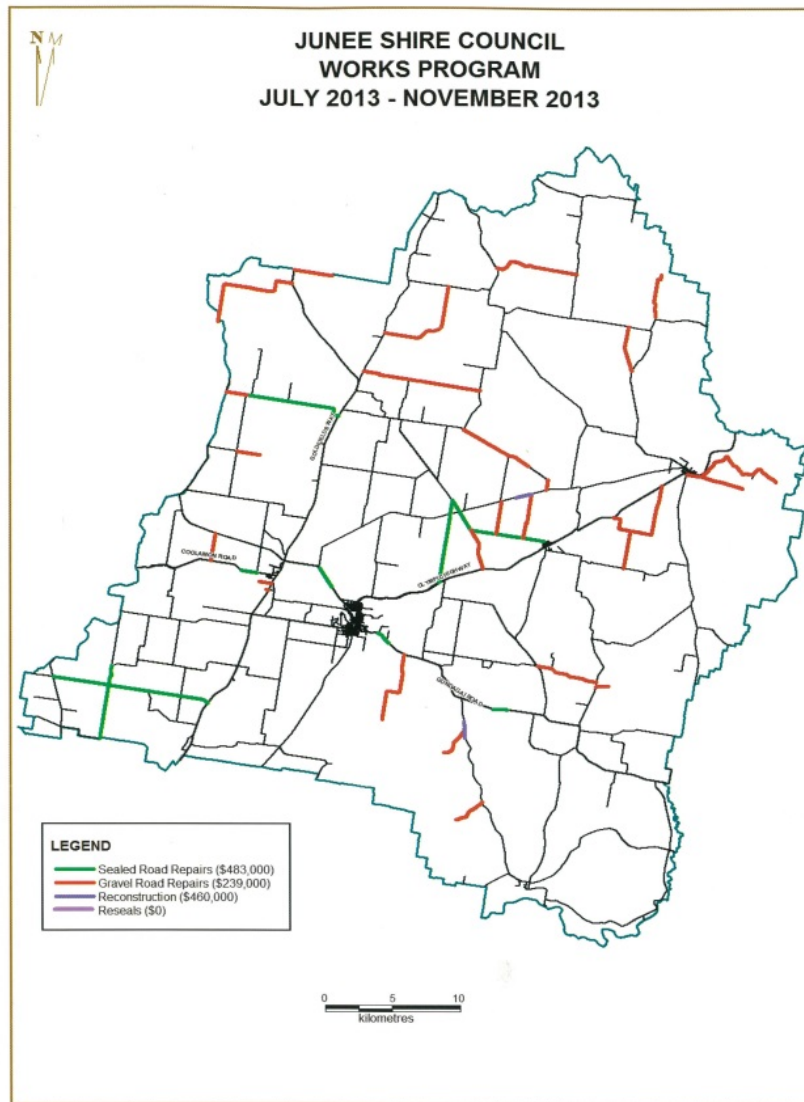


Figure 5: The quarterly newsletter indicates where road works are being done and what they cost

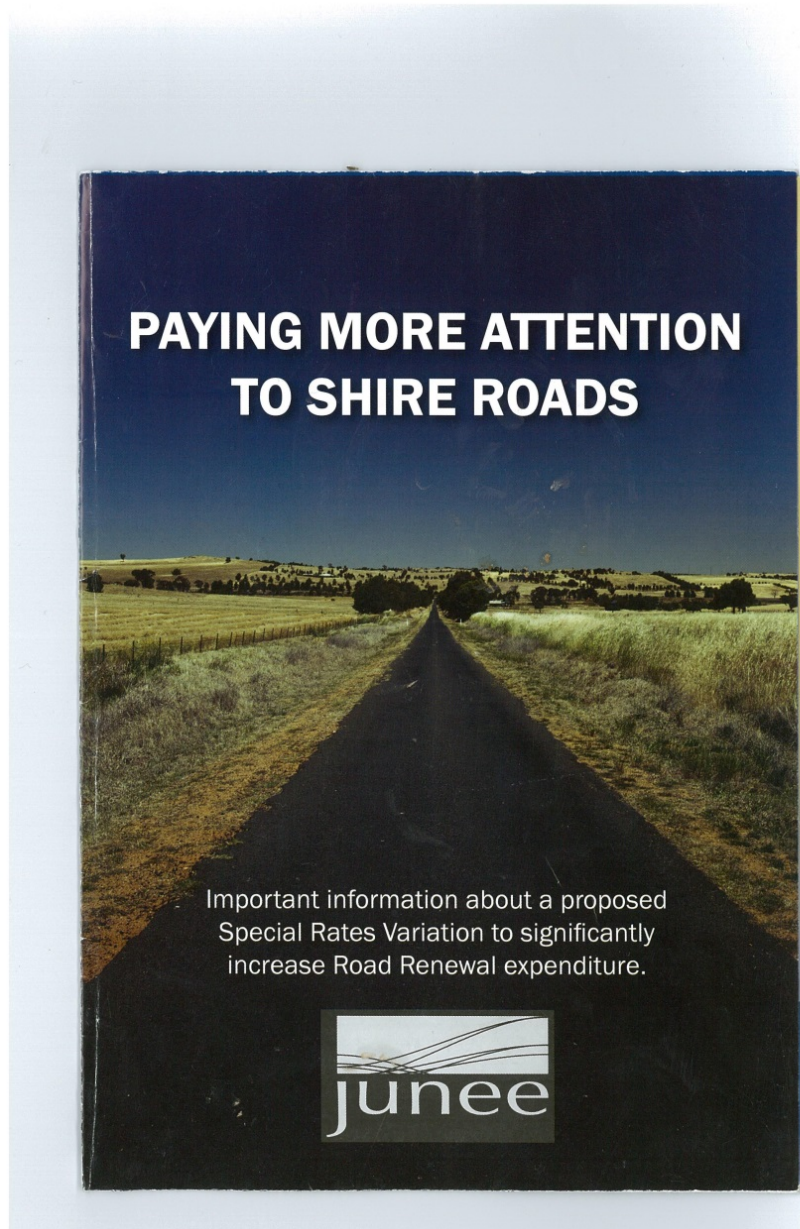


Figure 6: November 2013 major SRV community newsletter for 2013/17 SRV application.

#### [Public meetings](#)

Two rounds of public meetings were conducted in 2013. The first round in February was to discuss the 2013/2014 SRV application and highlight the intention for a subsequent multi-year application for 2014/17.

The second round in November/December was dedicated to the multi-year 2014/17 SRV and provided for six public meetings and four stakeholder group meetings. These meetings were synchronised to commence 14 days after the SRV community newsletter was sent out.

- Monday, 25 November 2013
  - Junee Library - 5.30 to 6.30pm
  - Junee Library - 7.00 to 8.00pm

- Wednesday, 27 November 2013
  - Junee Ex-Services Memorial Club Function Room - 7.00 to 8.00pm
- Monday, 2 December 2013
  - Illabo – 6.00 to 8.00
- Tuesday, 3 December 2013
  - Old Junee - 7.00 to 9.00pm
- Wednesday, 4 December 2013
  - Bethungra - 6.30pm to 8.30pm

In addition, Stakeholder meetings were also held with:

- Junee Senior Citizens
- Junee Business and Trades Association
- Junee Rotary Club, and
- Junee District Historical Society.

Attendance rates were excellent in rural localities and somewhat disappointing when held in Junee. A total of 132 people attended. Attendees were encouraged to make submissions to the Council regarding the SRV proposals.

#### IRIS Community Satisfaction Survey

Community surveys in 2006 and 2011 were conducted by IRIS Research, an independent organisation that specialises in economic, community and industry research for government, business and academic institutions. The survey randomly selected 500 residents from across the LGA to ensure representative geographic sampling was achieved.

In 2011 the survey asked a question specifically about the community's preparedness to accept a series of SRVs.

#### Key Results

In all, three out of four (74.9%) Junee Shire residents are not opposed to the idea of moderately increasing rates to maintain services and facilities in the LGA.

Results showed that one in four Junee Shire residents (24.1%) is opposed to the idea of a special rates variation.

The 2011 IRIS survey provided a rigorous approach in identifying the community's perception on service delivery. The community were asked to rank the importance and satisfaction levels in 24 service areas. IRIS then applied quadrant, gap and regression analysis to map a series of community priorities that the Council could consider in the development of its 2012 IP&R documentation.

The IRIS survey included over 40 questions, three of which have specific relevance to this SRV application. They relate to maintaining and /or improving services and whether the community is prepared to pay for them.

The 2011 surveys revealed 72% of residents reported that they would rather see rates rise than see cuts in local services. The 2006 survey results achieved a higher percentage level of agreement than 2011.

While outside the context of the SRV application a majority of respondents, over 79%, revealed they would pay more for improved services.

Conversely, when asked if rates should be kept to a minimum even if services are cut, 53% of residents were in agreement and 44% disagreed with the question.

IRIS Community Survey questions	2011 Percentage level of agreement with question			
	Can't Say	Low	Medium	High
I would be happy to pay a little more Council rates to fund essential improvements in services and facilities	0.6	19.8	27.2	52.4
I would rather see Council rates rise than see cuts in local services	1.8	25.4	34.6	38.2
Council rate rises should be kept to a minimum even if it means that local services are cut	1.9	44.8	28.0	25.3

IRIS research 2006 and 2011 form part of the attachment to this application. (Appendix 6 & 7)

### IRIS SRV Survey December 2013

IRIS Research was commissioned by Council to conduct a comprehensive telephone-based survey among the area's residents. This survey was deliberately timed to occur two weeks after the distribution of the SRV community newsletter and public meetings. The survey sought to gauge community support and reaction to the proposed SRV options.

The main objectives of this survey were:

- To determine what the community viewed as important community assets.
- Assess the level of support for SRVs to cover the gap in funding for renewal reseals of local roads.
- Measure the level of support amongst ratepayers of specific various rating options being considered by Council including the DECLINE or baseline scenario.

The key finding of the survey was the overwhelming majority (85.9%) of residents in the Junee Shire supported an SRV to cover the gap in funding for renewal and reseals of roads,( the MAINTAIN and IMPROVE Scenarios) rather than the alternative of reducing the levels of services to other areas (the DECLINE Scenario). (IRIS report Appendix 2)

Interviews were conducted during the week commencing 9th December 2013 between 4.00pm and 8.30pm. A final sample of 405 adult decision makers was achieved. The maximum error on proportion for the total sample is +/- 4.9%.

## 4.2 Alternatives to the special variation

Indicate the range of alternatives to the requested special variation that the council considered and how you engaged your community about the various options.

The alternative to the requested SRV is effectively the DECLINE scenario that was communicated to the community through all the processes, ways and means outlined above. The alternatives represent a range of cuts to Council services. The LTFP January 2014 listed these services and assigned dollar values to these cuts. An extract from this LTFP is below:

## **DECLINE Scenario**

The DECLINE Scenario has at its core, no renewal of an expiring SRV approved in 2009 and no SRV approvals in future years. (Just rate revenue increasing by an estimated 3% rate peg limits) It shows a massive downgrading of Council services across a range of functional areas.

The following sets out the areas where services could be reduced if this scenario became a reality. It is based on the newsletter sent to Junee residents in November 2013.

### **Overview - Key Features**

- Maintenance Program reduced
- Services reduced to fund infrastructure renewal
- Conditions of our assets would decline with average moving from satisfactory to poor
- Average residential rate increase by 3% rate peg, set by IPART

### *Rates*

- Rate maintained at rate pegging

### *Infrastructure & Services*

- Reduced

### **Options & impacts considered in the DECLINE scenario**

#### Rural sealed & Unsealed Road Network

- Reduction in expenditure over 10 years – gradual deterioration to poor condition
- Some rural bitumen roads return to gravel

*LTFP budget implications – low to major reductions in operational and capital budgets – but still designed to meet Roads to Recovery reference rate obligations.*

#### Town Roads

- Reduction in expenditure over 10 years gradual deterioration to poor condition
- LTFP budget implications – 20% reduction in street cleaning expenditure from 2014-15*



#### Public Toilets

- The frequency of cleaning would be reduced
- Maintenance of conveniences would decline

*LTFP budget implications – 20% reduction in public toilet expenditure from 2014-15*

#### Community Buildings, eg. Athenium & Broadway Museum

- Reduction in level of service and maintenance.

*LTFP budget implications – no capital expenditure.*

#### Sporting Fields

- The frequency of mowing would need to be reduced.
- Reduced over-sowing & fertilizer application.

*LTFP budget implications – 20% reduction in sporting fields expenditure from 2014-15; no capital expenditure.*

#### Parks & Playgrounds

- Less frequent mowing & the condition of playground equipment would deteriorate with some likely to be removed due to safety concerns.

*LTFP budget implications – 20% reduction in parks & playgrounds expenditure from 2014-15; no capital expenditure.*

#### Recreation Centre

- The condition of the existing facility would deteriorate
- Possible pool closure in winter

*LTFP budget implications – \$50K reduction in operational expenditure from 2014-15 to 2017-18; then jumps to a \$200K reduction in operational expenditure thereafter.*

#### Library

- Possibility of reducing opening hours

*LTFP budget implications – 20% reduction in salaries operational expenditure from 2014-15 to 2017-18; then jumps to a 50% in salaries operational expenditure thereafter. No Riverina Regional Library membership (contribution) from 2017-18.*

Donations

- Removing donation to not for profit organisations & charities

*LTFP budget implications – removal of \$5000 donations budget.*

Town Promotion & Economic Development

- Removed Entirely from Council's operation budget

*LTFP budget implications – removal of \$70K budget.*

Organisational Staffing Levels

- Deliberate reduction with reduced service

***Other reductions in expenditure and revenue measures – not included in community newsletter***

- Cemetery expenditure

*LTFP budget implications – 20% reduction in cemeteries operational expenditure from 2014-15*

- Sale of 33 John Potts Drive in 2015-16

*LTFP budget implications – cash injection to temporarily offset operational cuts*

- Sale of 3 Pike Place in 2016-17

*LTFP budget implications – cash injection to temporarily offset operational cuts*

- Employees Leave Entitlement Reserve

*LTFP budget implications – no reserve to fund employees leave entitlements. Not a recommended position but reserve used to offset operational expenditure*

- Gravel Pits Reserve

*LTFP budget implications – no reserve to fund gravel pits restorations. Not a recommended position but reserve used to offset operational expenditure*

The DECLINE Scenario, without substantial cuts in operating and capital expenditure would have produced operating deficits and a quick depletion of cash.

## OPERATING INCOME

### Rates and Annual Charges

#### General Rate Revenue

The DECLINE Scenario assumes the rate peg limits set by IPART will be the basis of rate revenue.

So even though Junee Shire Council proposes to submit further SRV application in the next few years, this scenario allows for no approval of these applications. Still further it allows for the cessation of the 2009-10 SRV when it expires on 30 June 2014. This involves the “winding back” of \$257,249 in rate revenue in 2014-15.

This BASE scenario allows for rate incomes as set out in the table below:

2014-15	3.0% - applied after expiring SRV rate income deducted (\$257,249) Effectively reduces rate income in 2014-15 and all years beyond.
2015-16	3.0%
2016-17	3.0%
Years beyond	3.0%

#### Waste Management Charges

Waste Management Charges have been increased by 3.0%. This models revenue increases of the same order as the General Rate Revenues above.

### 4.3 Feedback from the community consultations

Summarise the outcomes of, and feedback from, your community engagement activities. Such outcomes could include the number of attendees at events and participants in online forums, as well as evidence of media reports and other indicators of public awareness of the council’s intentions. Where applicable, provide evidence of responses to surveys, particularly the level of support for specific

programs or projects, levels and types of services, investment in assets, as well as the options proposed for funding them by rate increases.

Where the council has received submissions from the community relevant to the special variation during the engagement process, the application should set out the views expressed in those submissions. It should also identify and document any action the council has taken, or will take, to address issues of common concern.

The IRIS SRV survey in December 2013 provides the most compelling case for the SRV application to proceed. It reinforces existing consultation results which commenced in 2006. It not only reinforced the community view about accepting SRV as part of the community's future, it demonstrated increased acceptance of accepting SVRs as the preferred option.

The key finding of the survey was the overwhelming majority (85.9%) of residents in the Junee Shire supported an SRV to cover the gap in funding for renewal and reseals of roads,( the MAINTAIN and IMPROVE Scenarios) rather than the alternative of reducing the levels of services to other areas (the DECLINE Scenario). (IRIS report attached)

One of the pleasing results to come from the survey was the uniform response across the Shire. There were over 110 rural residents surveyed, in excess of 260 Junee town residents and about 30 residents surveyed from our villages. Junee townspeople demonstrated a real appreciation for the need to keep the condition of all roads across the Shire to acceptable levels, even those in rural areas.

The 57 residents (14.1%) who supported the DECLINE option were asked to identify what services and infrastructure they would like to see reduced as a result. 32 of the 57 respondents did not identify any specific service or infrastructure they would like to see reduced.

The following responses were provided:

- Parks and gardens in town (6 mentions)
- Town roads (4 mentions)
- Council administration (5 mentions)
- Athenium Theatre (4 mentions)
- Christmas tree (2 mentions)
- Aquatic Centre (1 mention)
- Sporting fields (1 mention)
- Footpaths (1 mention)
- All services (1 mention)

While the survey was being undertaken, the questions regarding attitude to rate rises and service delivery that were asked in 2006 and 2011 in the IRIS Community Survey, were repeated. The results to those questions are provided as follows:

	% Agreement						
	Can't Say	Low (1 & 2)	Medium (3)	High (4 & 5)	Mean 2013	Mean 2011	Mean 2006
I would be happy to pay a little more Council rates to fund essential improvements in services and facilities.	1.2	12.1	17.8	68.9	3.97	3.40	3.48
I would rather see Council rates rise than see cuts in local services.	2.2	11.6	21.5	64.7	3.94	3.14	3.43
Council rate rises should be kept to a minimum even if it means that local services are cut.	2.2	59.0	20.0	18.7	2.29	2.74	2.75

The degree of support for rate rises as opposed to service cuts was significantly higher in this survey, compared to the community's responses in 2011 and 2006.

#### Public Meetings

Attendance rates were excellent in rural localities and somewhat disappointing when held in June. A total of 132 people attended. Attendees were encouraged to make a submission to the Council regarding the SRV proposals. The Council received three submissions. One in favour of the IMPROVE scenario, one in favour of the MAINTAIN scenario and one that suggested the Council had failed to support rural ratepayers and criticised productivity and efficiency levels of the Council. With respect to the later submission, the SVR newsletter included a list of efficiency improvements the organisation has implemented.

#### Social Media Traffic

There has been little to no adverse remarks posted on Council social media sites regarding SRVs.

#### View of the Respondent to the Engagement Process

Views expressed were consistent with the need to keep the Community well informed on where and which roads would be maintained if the SRV is approved. In response to that, the Council has placed a list of roads on our web site that are in the most need of work. The community newsletter also has a full page devoted to where road works have been performed and their cost. The Council explained that it is required to report on SRV expenditure in its annual report and had been doing this for some time. However we believe we can improve on the process to ensure the community remains confident that the expenditure will be in line with our application.

### **4.4 Considering the impact on ratepayers**

Indicate how the council assessed the impact of the special variation on ratepayers, and where this was addressed within the community awareness and engagement processes. Where the impact will vary across different categories and/or sub-categories of ratepayers, the council should consider the circumstances of the various different groups.

Council's primary goal through this exercise has been to maintain current levels of service and provide some additional funds for roads maintenance and renewals but being mindful of the impact of achieving these things would have on the June ratepayers. It looked at achieving the right balance; gaining additional revenue over a period of time that would maintain Council's financial sustainability but at levels that ratepayers could afford. Spreading out rate increases over a four year period – including the Section 508(2) approval in 2013/2014 – was the balance that Council arrived at.

Increases of 10%, 11.9% (including an expiring SRV of 9.6%), 9.5% and 9% in the four years 2013/2014 to 2016/2017 were seen as affordable to ratepayers. This is borne out by the response that the Council has received to its community consultation in May / June 2013 and again in November / December 2013 where the community has strongly supported increases in rates of these magnitudes in order to maintain current levels of service.

The community consultation processes outlined in a number of different ways what the dollar and percentage effect of these changes were to ratepayers. Attachments to this application show this.

At the time of community consultation Council's calculations for 2014/15 were based on an estimated 3.0% rate peg increase less a reduction in dollar terms for the expiring SRV of \$241K plus the renewal of an expiring SRV of 9.6%. This all grossed to a 13.2% increase; nett 3.78% if not removing the expiring SRV.

Our application is for a gross increase of 11.9%; net increase of 2.6% now that the actual value of the rate peg for 2014/15 is known as is the actual value of the expiring SRV.

The point we wish to make here is that the percentages and dollars that were communicated to the ratepayers in November / December 2013 were higher than those now being sought in this application.

Part A of this SRV application in WK5a and WK5b shows the financial impact on ratepayers. It shows the effect of the rate increases by rating sub-category and by varying land values within each rate category. Changes in other annual charges have also been included in this section of Part A.

The Council modelled its ability to hold sewerage charges and waste management charges flat over the period of this SRV. It found it could do this in order to soften the effect of the SRV general income rises to ratepayers on their rate account.

The burden of the SRV increases is distributed evenly across all rate sub-categories.

#### **4.5 Considering the community's capacity and willingness to pay**

Indicate how the council has assessed the community's capacity to pay for the rate increases being proposed, and also assessed its willingness to pay.

Evidence on capacity to pay could include a discussion of such indicators as SEIFA rankings, land values, average rates, disposable incomes, the outstanding rates ratio and rates as a proportion of household/business/farmland income and expenditure, and how these measures relate to those in comparable council areas. As many of these measures are highly aggregated, it may also be useful to discuss other factors that could better explain the impact on ratepayers affected by the proposed rate increases, particularly if the impact varies across different categories of ratepayers.

##### Willingness to Pay

The community's willingness to pay for the proposed SRV has been very well received and detailed in the independent research by IRIS in December 2013. (Appendix 2)

IRIS Research was commissioned by Council to conduct a comprehensive telephone-based survey among the area's residents. The survey sought to gauge community support and reaction to the proposed SRV options.

The main objectives of this survey were:

- To determine what the community viewed as important community assets.
- Assess the level of support for SRVs to cover the gap in funding for renewal and reseals of local roads.
- Measure the level of support amongst ratepayers of specific various rating options being considered by Council including the DECLINE or baseline scenario.

The key finding of the survey was the overwhelming majority (85.9%) of residents in the Junee Shire supported an SRV to cover the gap in funding for renewal and reseals of roads, ( the MAINTAIN and IMPROVE Scenarios) rather than the alternative of reducing the levels of services to other areas (the DECLINE Scenario). (Appendix 2)

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Council rate rises should be kept to a minimum even if it means that local services are cut.	2.2	59.0	20.0	18.7	2.29	2.74	2.75

The degree of support for rate rises as opposed to service cuts was significantly higher in this survey, compared to the community's responses in 2011 and 2006.

#### Capacity to Pay

The Council commissioned independent research to evaluate the community's capacity to absorb additional rate increases. That report is still being compiled and IPART have agreed to Council's request to accept that report up to the 28 February 2014.

Preliminary research has been carried out and has now been included in the LTFP January 2014. The assessment involved comparative data with similar sized councils. The data is released by the Division of Local Government each year; the most recent data is for 2011/12 year. NSW councils have been put into 11 groups or categories; each group is representative of Council's with similar characteristics. Junee Shire Council is a group 10 Council. The following graphs are provided to assist the community in their assessment of relativity with other Councils within group 10.

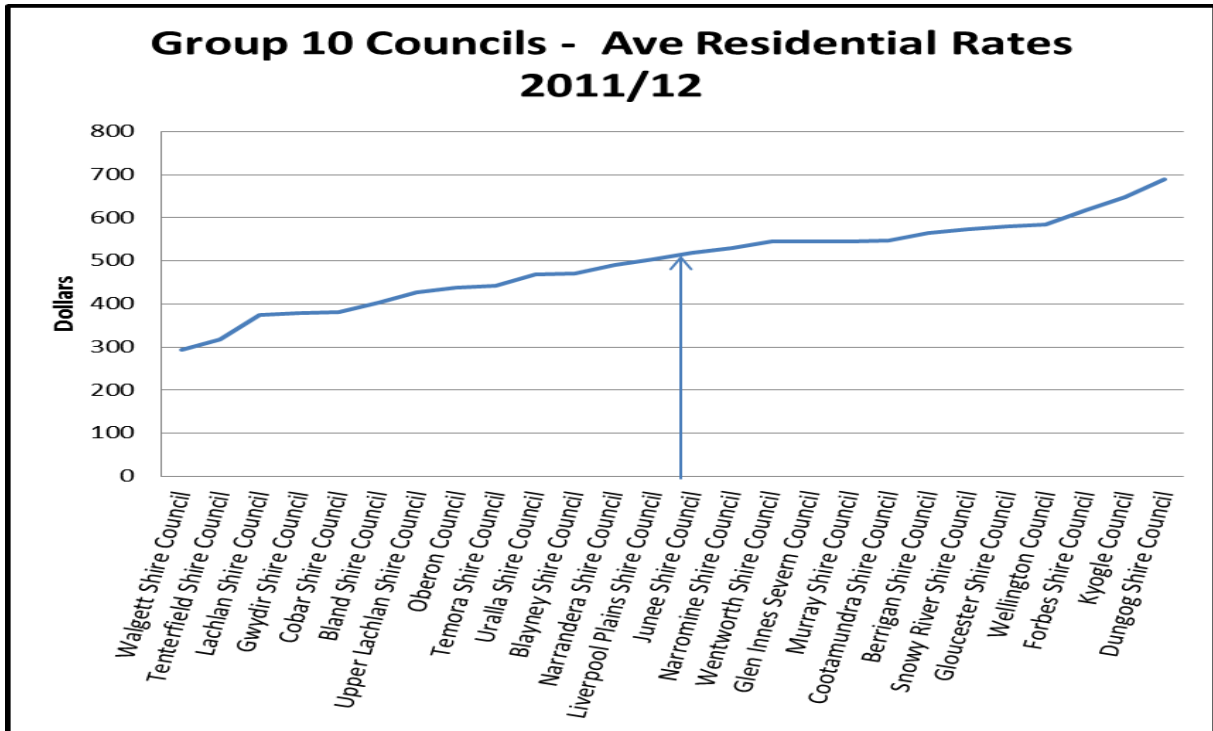


Figure 7 - DLG Comparative Local Government timeline series data.  
[http://www.dlg.nsw.gov.au/dlg/dlghome/dlg\\_InformationIndex.asp?areaindex=COMP&index=601&mi=3&ml=2](http://www.dlg.nsw.gov.au/dlg/dlghome/dlg_InformationIndex.asp?areaindex=COMP&index=601&mi=3&ml=2)  
 The Council's average residential rate is within the middle range for like Councils.

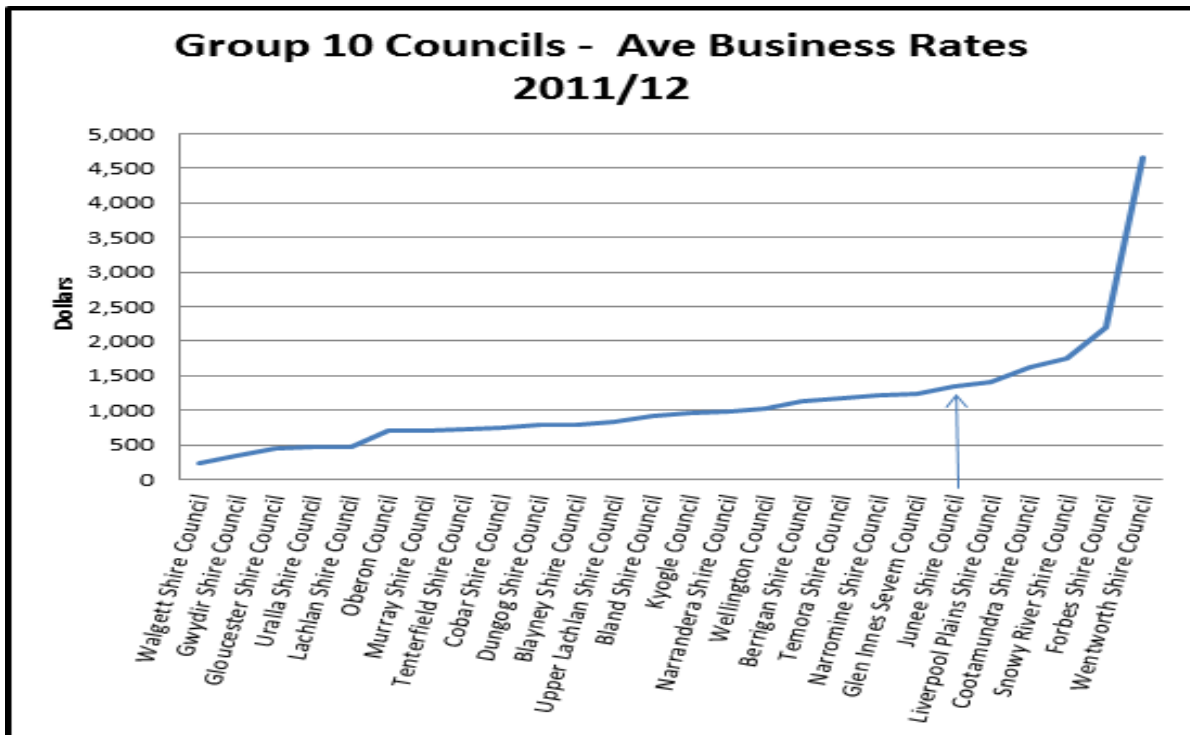


Figure 8 - DLG Comparative Local Government time line series data.  
[http://www.dlg.nsw.gov.au/dlg/dlghome/dlg\\_InformationIndex.asp?areaindex=COMP&index=601&mi=3&ml=2](http://www.dlg.nsw.gov.au/dlg/dlghome/dlg_InformationIndex.asp?areaindex=COMP&index=601&mi=3&ml=2)  
 The Council's average business rate is towards the higher end for like Councils. Noting the Council has less than 130 rateable properties in this category



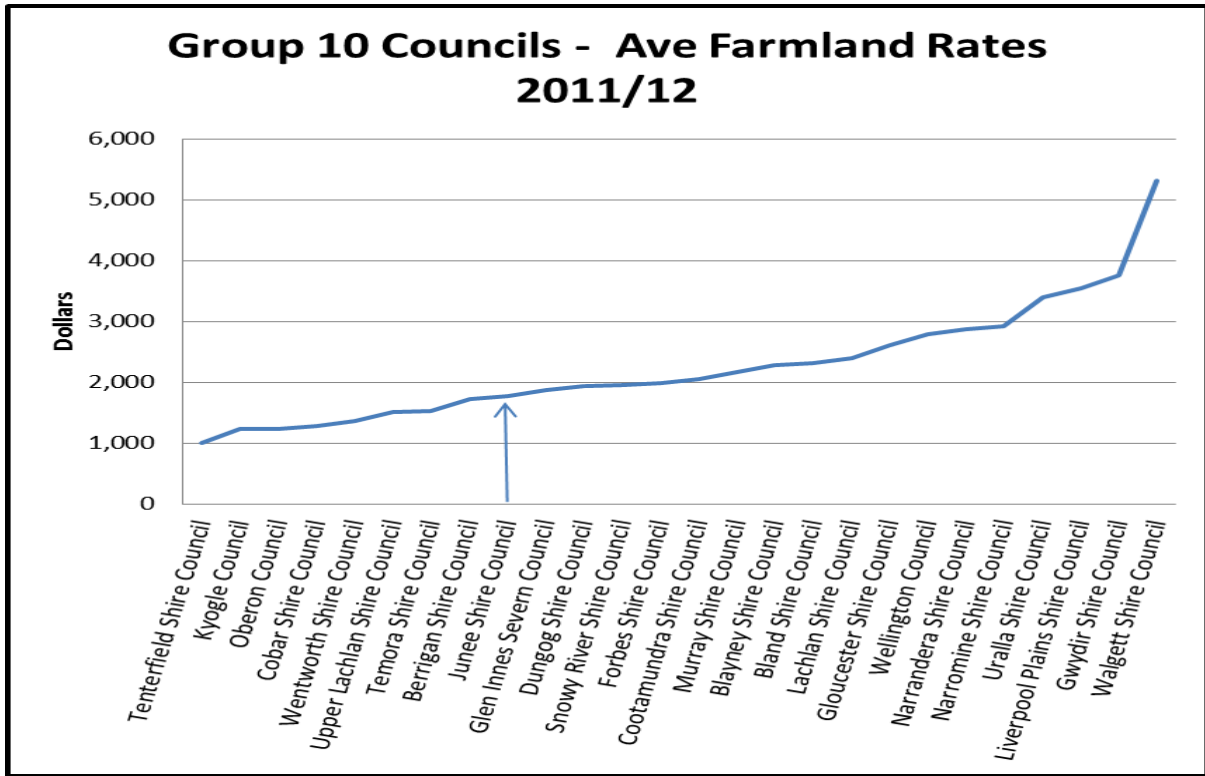


Figure 9 - DLG Comparative Local Government time line series data.  
[http://www.dlg.nsw.gov.au/dlg/dlghome/dlg\\_InformationIndex.asp?areaindex=COMP&index=601&mi=3&ml=2](http://www.dlg.nsw.gov.au/dlg/dlghome/dlg_InformationIndex.asp?areaindex=COMP&index=601&mi=3&ml=2)  
 The Council's average farmland rate is lower than the majority of like Councils.

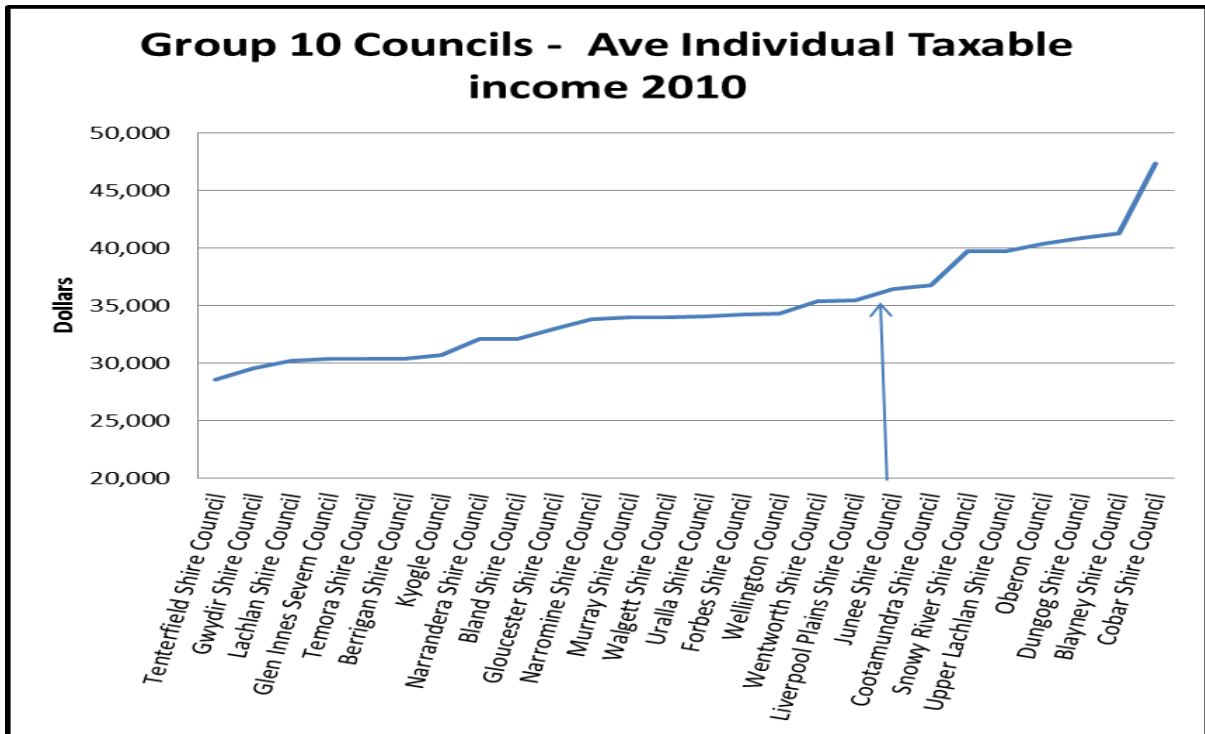


Figure 10 - DLG Comparative Local Government time line series data.  
[http://www.dlg.nsw.gov.au/dlg/dlghome/dlg\\_InformationIndex.asp?areaindex=COMP&index=601&mi=3&ml=2](http://www.dlg.nsw.gov.au/dlg/dlghome/dlg_InformationIndex.asp?areaindex=COMP&index=601&mi=3&ml=2)  
 The average taxable income is relatively higher than other like Councils which suggest there may be capacity to absorb some increases to household expenditure.

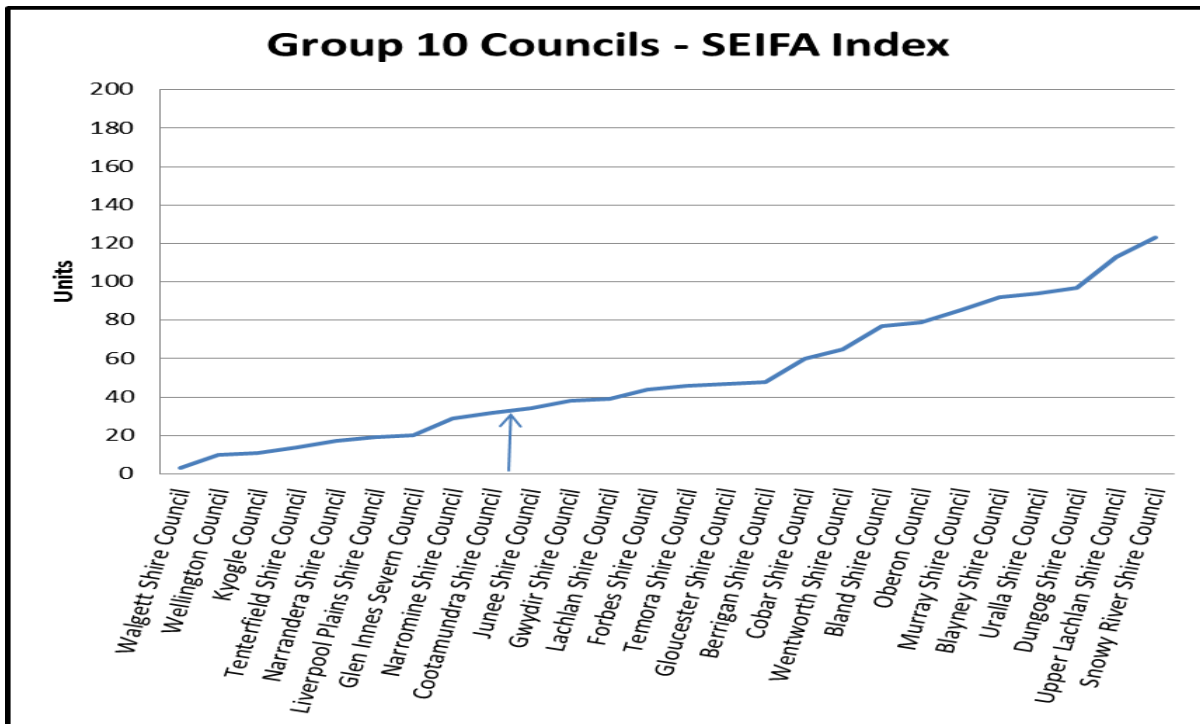


Figure 11 - DLG Comparative Local Government time line series data.  
[http://www.dlg.nsw.gov.au/dlg/dlghome/dlg\\_InformationIndex.asp?areaindex=COMP&index=601&mi=3&ml=2](http://www.dlg.nsw.gov.au/dlg/dlghome/dlg_InformationIndex.asp?areaindex=COMP&index=601&mi=3&ml=2)

Socio-Economic Indexes for Areas (SEIFA) is a product developed by the ABS that ranks areas in Australia according to relative socio-economic advantage and disadvantage. Junee ranks one third along the scale for group 10 Councils.

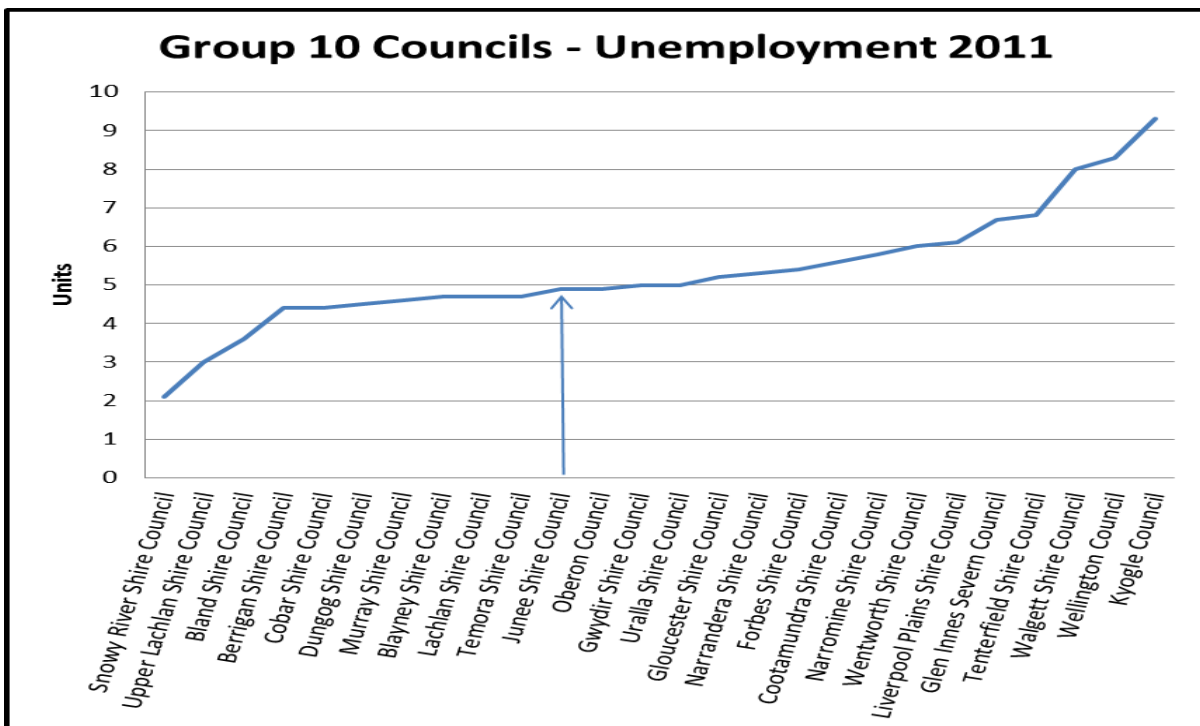


Figure 12- DLG Comparative Local Government time line series data.  
[http://www.dlg.nsw.gov.au/dlg/dlghome/dlg\\_InformationIndex.asp?areaindex=COMP&index=601&mi=3&ml=2](http://www.dlg.nsw.gov.au/dlg/dlghome/dlg_InformationIndex.asp?areaindex=COMP&index=601&mi=3&ml=2)

The unemployment rate is relatively low compared to like Councils.

## Conclusion

The graphs clearly show Residential and Farmland rating categories below its peers. And it should be noted that while this table shows the Junee Business category above the average, there is only 125 assessments in this category. The low number of rateable businesses in this category in the Junee LGA is likely to affect the results.

The capacity for ratepayers to pay rate increases has the greatest impact on those with limited capacity to increase their household income. Typically, this group is represented by single income families, people who are unemployed and pensioners. Without diminishing or trivialising business and farmland proposed rate increases, these groups have a greater capacity to absorb and offset rate increases through business related activity.

On the whole the preliminary assessment suggests there is capacity to absorb rate increases. Although it should be pointed out that the impact of the 2013/14 SRV approval is not reflected in these figures. That is why the Council has commissioned additional research on the matter so that the issue can be taken into account as well.

## **5 Assessment criterion 3: Impact on ratepayers**

In the DLG Guidelines, criterion 3 is:

*The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. Council's IP&R process should also establish that the proposed rate increases are affordable having regard to the local community's capacity to pay.*

We are required to assess whether the impact on ratepayers of the council's proposed special variation is reasonable. To do this, we are required to take into account current rate levels, the existing ratepayer base and the purpose of the special variation. We must also assess whether the council's IP&R process established that the community could afford the proposed rate rises.

### **5.1 Impact on rates**

Much of the quantitative information we need on the impact of the special variation on rate levels will already be contained in Worksheet 5 of Part A of the application.

To assist us further, the application should set out the rating structure under the proposed special variation, and how this differs from the current rating structure, which would apply if the special variation is not approved.

We recognise that a council may choose to apply an increase differentially among categories of ratepayers. However, you should explain the rationale for applying the increase differentially among different categories and/or subcategories of ratepayers, particularly in light of the purpose of the special variation. This will be relevant to our assessment of the reasonableness of the impact on ratepayers.

Rating Structure for 2014-15 if 11.9% SRV approved

Rate	No. of Assess. Feb-14	Land Value Feb-14	Notional Income 2013/2014 with reduction for expiring SRV \$257,249	Base Rate %	Base Rate \$	Ad Valorem Rate (c in the \$)	Total Income
Farmland	757	522,867,300	1,434,805	11.76%	249.40	0.270958	1,605,547
Residential - Town	1,525	67,894,025	914,464	37.19%	249.40	0.946300	1,022,816
Residential - Rural & Village	445	25,087,970	199,970	49.60%	249.40	0.449550	223,766
Residential - Kinvara	30	4,373,000	23,324	28.67%	249.40	0.425749	26,100
Business - Town	126	7,574,050	223,962	12.54%	249.40	2.893947	250,613
Business	67	2,138,885	46,235	32.30%	249.40	1.637629	51,737
<b>Total</b>	<b>2,950</b>	<b>629,935,230</b>	<b>2,842,760</b>				<b>3,180,579</b>

Rating Structure for 2014-15 if 11.9% SRV NOT approved – Based on 2.3% Rate Peg Limit

Rate / Charge	No. of Assess. Feb-14	Land Value Feb-14	Notional Income 2013/2014 with reduction for expiring SRV \$257,249	Base Rate %	Base Rate \$	Ad Valorem Rate (c in the \$)	Total Income
Farmland	757	522,867,300	1,434,805	11.69%	226.70	0.247901	1,467,805
Residential - Town	1,525	67,894,025	914,464	36.97%	226.70	0.867985	935,028
Residential - Rural & Village	445	25,087,970	199,970	49.31%	226.70	0.413294	204,569
Residential - Kinvara	30	4,373,000	23,324	28.50%	226.70	0.390098	23,860
Business - Town	126	7,574,050	223,962	12.47%	226.70	2.647844	229,113
Business	67	2,138,885	46,235	32.11%	226.70	1.501203	47,298
<b>Total</b>	<b>2,950</b>	<b>629,935,230</b>	<b>2,842,760</b>				<b>2,907,673</b>

As said in Section 4.4 above, the burden of the rate increases in this SRV application will be uniformly distributed across all categories.

### 5.1.1 Minimum Rates

The special variation may affect ordinary rates, special rates and minimum rates.

Does the council have minimum rates? Yes  No

If Yes, explain how the proposed special variation will apply to the minimum rate of any ordinary and special rate, and any change to the proportion of ratepayers on the minimum rate for all relevant categories that will occur as a result.

So that we can assess the reasonableness of the impact on minimum ratepayers, briefly explain the types of ratepayers that are on minimum rates, and the rationale for the proposed impact of the special variation on minimum rate levels.

## 5.2 Affordability and community capacity to pay

Show how your IP&R processes have established that the proposed rate rises are affordable for your community, and that affected ratepayers have the capacity to pay the higher rate levels. (Indicators considered in this context may be similar to those cited under criterion 2.)

This question is indifferent to question 4.5 in respect to capacity to pay. In the answer to question 4.5 criterion 2 you will also find extracts from Council's IP&R processes in relation to comparative data with group 10 Councils.

The Council has commissioned an independent research to evaluate the community's capacity to absorb additional rate increases. That report is still being compiled and IPART have agreed to Council's request to accept that report up to the 28 February 2014.

The establishment of IP&R processes that the rate rises are affordable and ratepayers have the capacity to pay the higher levels included:

- the community awareness that a decision needs to be made on whether to support an SRV or the baseline scenario for 2014/17 through Council's IP&R documentation. Evidence of that information is provided throughout this application.
- Providing detailed financial scenarios in the public exhibition draft CDPOP in May- June 2013 and LTFP to support the community's selection of a preferred option.
- That the Council had engaged with its community about those matters and committed to further consultation being provided later in 2013. (LTFP January 2014 p4-7; CDPOP p3)
- The Community's resolve for this application was put to them in February 2013 throughout the 2013/14 SRV community engagement process. The engagement process did not only confer with the Community about the SRV 2013/14 it also detailed the need for a subsequent 2014/17 SRV application.
- The extent of previous community consultation from independent work undertaken by IRIS Research.

While the DLG guidelines differentiate between the community's willingness and capacity to pay it is important to recognise that these two items are interrelated. The results of IRIS's survey indicated the overwhelming majority (85.9%) of residents in the Junee Shire supported an SRV to cover the gap in funding for renewal and reseals of roads. The community, if well informed, have the capacity to understand the extent of local issues and how to respond. The community's support of the proposed SRV demonstrates a clear nexus between willingness and capacity to pay.

As previously mentioned, Waste Management Charges and Sewerage Charges are being held flat over the three year life of this SRV in order to improve the affordability of the rate increase to the ratepayer.

## 5.3 Other factors in considering reasonable impact

In assessing whether the overall impact of the rate increases is reasonable we may use some of the same indicators that you cite in section 5.2 above. In general, we will consider indicators such as the local government area's SEIFA index rankings, average income, and current rate levels as they relate to those in comparable councils. We may also consider how the council's hardship policy might reduce the impact on ratepayers.

### 5.3.1 Addressing hardship

In addition to the statutory requirement for pensioner rebates, most councils have a policy, formal or otherwise.

Does the council have a Hardship Policy? Yes  No

If Yes, is it identified in the council's IP&R documents? Yes  No

Please attach a copy of the Policy and explain who the potential beneficiaries are and how they are addressed.

Does the council propose to introduce any measures to limit the impact of the proposed special variation on various groups? Yes  No

Provide details of the measures to be adopted, or alternatively, explain why no measures are proposed.

Junee Shire Council's Rates and Charges Hardship policy is contained in the attachments. [\(Appendix 8\)](#)

The policy has been accessed infrequently since its adoption. A review of the policy was carried out in August 2013. The policy was advertised and no submissions were received. The Council adopted the policy with the following amendment in September 2013:

- Any ratepayer who incurs a rate increase resulting from the implementation of a special rates variation can apply to Council for rate relief if the increase in the amount of rates payable would cause them substantial hardship.

The policy was highlighted and made available at public meetings held for this SRV and highlighted in the SRV community newsletter.

In order to soften the impact for residential and business ratepayers in Junee, the Council's LTFP allows for Waste Management Charges and Sewer Charges to remain flat for the next three years. This represents a reduction in potential charges of up to \$8/year or \$24 over the three year period.

## 6 Assessment criterion 4: Assumptions in Delivery Program and LTFP

The DLG Guidelines state this criterion as follows:

*The proposed Delivery Program and Long Term Financial Plan must show evidence of realistic assumptions.*

Summarise below the key assumptions adopted by the council and indicate where they are set out in your Delivery Plan and LTFP. We will need to assess whether the assumptions are realistic. For your information, we will consider such matters as:

- ▼ the proposed scope and level of service delivery given the council's financial outlook and the community's priorities
- ▼ estimates of specific program or project costs
- ▼ projections of the various revenue and cost components.

To also assist us, identify any in-house feasibility work, industry benchmarks or independent reviews that have been used to develop assumptions in the Delivery Program and LTFP if these are not stated in those documents.

The Long Term Financial Plan adopted by the Council in January 2014 had three scenarios: DECLINE, MAINTAIN and IMPROVE. This LTFP was based on the community consultation that took place during 2013. It updated the earlier LTFP June 2013 in a number of areas.

1. It used actual results as at 30 June 2013 as its base.
2. It also uses as its base the announced 10% SRV for 2013/2014.
3. It took into account a decision of council to borrow \$1M in 2014/2015 under the Local Infrastructure Renewal Scheme in order boost its local roads expenditure to meet Roads to Recovery requirements. Reductions in a variety of operating services, but not including road works services, have been made to enable the repayment of this loan. These are in addition to the reductions in Council services that would need to be made if this SRV application is not successful. That is, these reductions also exist in the MAINTAIN scenario of the LTFP January 2014 which is the scenario on which this SRV is based.
4. It took into account Quarterly Budget Review Statement figures at 30 September 2013. The relevant pages of the LTFP January 2014 are:
  - DECLINE Scenario – pages 11 to 17
  - MAINTAIN Scenario – pages 18 to 23
  - IMPROVE Scenario – pages 24 to 29

The Long Term Financial Plan adopted by the Council in June 2013 had a Base Scenario and a SRV Scenario. The SRV Scenario reflected the successful application to IPART for a 10% increase in rates for 2013/2014.

The Delivery Program financial estimates adopted at the same time as the LTFP is the first four years of the LTFP. So they use exactly the same set of assumptions over that four years.

The key assumptions for the LTFP June 2013 are as set out in the extracts from that report below:



# Long Term Financial Plan Scenario Modelling

## Background

In order to get a proper view of the Council's financial future two scenarios of the Long Term Financial Plan were modelled and advertised during June 2013. The primary difference between the BASE scenario and the SRV Scenario was the amount of General Rates to be levied. And then based on the available income, expenditure levels both Operating and Capital was determined for each scenario.

The BASE Scenario LTFP was not adopted by Junee Shire Council as it doesn't reflect the 10% rate increase approved by IPART for the 2013-14 year. Of this 10% increase approved, the 6.6% Special Rates Variation component represents a permanent lifting of Council's rates base in 2013-14 and all years beyond. Therefore the BASE Scenario LTFP doesn't appear in this document.

However, for the record, a brief outline of the BASE Scenario LTFP's assumptions is set out in the next section.

## Two Scenarios were developed– BASE and SRV

### I. BASE Scenario

In order to achieve financial sustainability in the BASE Scenario a number of substantial cuts were made to the Council's budget over all ten years of the LTFP; and beyond. Service levels would have been drastically cut in a range of service areas. They were modelled to include the following measures:

- Reduce expenditure on maintaining and renewing roads infrastructure.
- Reduce its efforts in maintaining sporting fields and parks and gardens.
- Reduce its promotion of the shire.
- Reduce opening hours for its recreation centre and library.
- Hold onto plant and equipment for longer periods of time.

- Reduce its heavy plant numbers.
- Reduce its staff numbers through redundancies across different areas of operation.
- Negotiate to make some positions part-time rather than full-time.

The BASE Scenario, without substantial cuts in operating and capital expenditure would have produced operating deficits and a quick depletion of cash.

The key differences between the BASE Scenario and SRV Scenario in the revenue assumptions were in General Rates, Waste Services and Sewerage Services. In point form they were:

- The BASE Scenario assumed only the application of the rate peg limits set by IPART will be the basis of rate revenue. Rate incomes were modelled as set out in the table below:

2013-14	3.4%
2014-15	3.0% - applied after expiring SRV rate income deducted (\$241,813) – net <b>decrease</b> is 5.58%
2015-16	3.0%
2016-17	3.0%
Years beyond	3.0%

- Waste Management Charges were increased by 3.4% in 2013-2014. Thereafter a 3.0% increase was allowed for.
- Sewerage charges were increased by 3.4% in 2013-2014. Thereafter a 3.0% increase was allowed for.

Based on the lower level of General Rates, cuts were made to both Operational Expenditure and Capital Expenditure so that a financially sustainable result would be achieved albeit at lower levels of service across a raft of service areas. The following table sets out the budget cuts under the BASE Scenario LTFP advertised through June 2013.

<b>\$ Budget Reductions by Dept</b>	<b>Budget 2013/14</b>	<b>Budget 2014/15</b>	<b>Budget 2015/16</b>	<b>Budget 2016/17</b>
Executive Services	\$ 10,000	\$ 20,000	\$ 30,000	\$ 40,000
Corporate & Community Services	\$ 0	\$ 25,000	\$ (0)	\$ 243,374
Development & Environmental Services	\$ 26,408	\$ 26,900	\$ 40,408	\$ 105,886
Engineering Services	\$ 108,382	\$ 283,970	\$ 680,174	\$ 838,919
<b>TOTAL</b>	<b>\$ 144,790</b>	<b>\$ 355,870</b>	<b>\$ 750,581</b>	<b>\$ 1,228,179</b>

As already mentioned in this plan, the BASE Scenario LTFP has now been removed as it doesn't reflect the 10% rate increase approved for the 2013-14 year; the first year of a 10 year LTFP.

## 2. SRV Scenario

The SRV Scenario shows the revenue that a series of Special Rate Variations generates in the first four years of the LTFP. This revenue allows for the maintenance of the current range of services and with the current service delivery methods being largely unchanged. The SRV Scenario does have some budget cuts but they are very minor compared to the substantial cuts made under the BASE Scenario.

It is this Scenario that the Junee community has expressed a preference for and why the Junee Shire Council submitted a Special Rate Variation application for 2013-14 and proposes to submit a further SRV in the next few years.

### OPERATING INCOME

#### Rates and Annual Charges

##### General Rate Revenue

The SRV Scenario is based on Special Rate Variations being approved as set out in the table below:

2013-14	10.0%
2014-15	9.6% - applied after expiring SRV rate income deducted (\$241,813) – net <b>increase</b> is 3.78%
2015-16	9.5%
2016-17	9.0%
Years beyond	3.0%

Waste Management Charges

No increase is modelled in the years 2013-2014, 2014-2015, 2015-2016 and 2016-17 in order to soften the financial impact on residential and business ratepayers due to the proposed increase in general rates. In the years, 2017-18, 2018-19 and 2019-20 a 5% increase has been made. Thereafter a 3.0% increase has been allowed for.

The LTFP models the Waste Management service area separately and shows it is financially sustainable under this SRV Scenario.

Sewer Charges

No increase is modelled in the years 2013-2014, 2014-2015, 2015-2016 and 2016-17 in order to soften the financial impact on residential and business ratepayers due to the proposed increase in general rates. Thereafter a 3.0% increase has been allowed for.

This scenario will be reflected in the next iteration of the Sewerage Asset Management Plan. The LTFP models the Sewerage Fund separately and shows it is financially sustainable under this SRV Scenario.

**User Charges and Fees**

Generally the majority of Council's fees and charges have been indexed by 3% in each of the next ten financial years.

**Financial Assistance Grants**

Grant revenue from the Financial Assistance Grants Scheme has been increased by 3% in each of the next ten financial years.

#### **Operating Grants**

Generally, operating grants have been indexed by 3%. In some cases they have been kept at 2012-2013 levels either because of current information or because of a lack of information about expected increases.

#### **Interest Revenues**

Interest on investments attributed to the General Fund are estimated to be \$45K in 2013-14 and then they have been fixed at \$50K per year over the remaining years of the LTFP with the view that available funds for investment will be relatively similar over those years.

#### **Other Revenue**

Other revenue sources have been individually modelled in the LTFP.

### **OPERATING EXPENDITURE**

#### **Employee Costs**

Employee costs include salaries, wages and employee leave entitlements. A worksheet is used to determine 2013-2014 employee costs. It allows for a 3.25% increase for most staff with an allowance for a step adjustment of 3% for some employees.

For the next nine financial years an increase of 3.2% has been allowed. No increase or decrease in staff numbers has been factored in.

#### **Materials and Contractor Costs**

Generally, budget items identified as Materials and Contracts have been indexed by 3.2% for the ten years of the LTFP.

#### **Depreciation**

Depreciation expenses have been based on the 2011-2012 levels.

#### **Other Expenses**

The model makes allowance of 3.0% increase for insurances in the LTFF.

#### **Borrowing Costs**

Specific modelling for the repayment of Interest on Loans has occurred. For loans associated with Land Development, this is based on the estimated amount of the borrowing, the year in which it occurred and at an interest rate of 7%.

Council's other major loan is an Indexed Annuity Bond with a 30 year life. The interest rate used for this form of borrowing is based on CPI movements each quarter. The annual CPI rate assumed in this calculation is 2.5%.

### **CAPITAL EXPENDITURE AND INCOME**

A Capital Works Program has been determined with decisions made as to what are the priority assets to renew. There are no new assets planned for construction during the ten year life of this LTFF. This SRV Scenario asset renewal plan has been integrated with the Council's Asset Management Plans. The AMP's show the renewal gap that exists with renewals at the levels that this SRV Scenario revenue provide.

A summary of Capital Works by Department and Service Area is provided in the Delivery Program which effectively makes up the first four years of this LTFF.

### **SUMMARY**

The SRV Scenario shows a financially sustainable result achieved.

There are no new major Capital Works projects. It focuses on maintaining current service levels and renewing and maintaining existing assets. The LTFF will be reviewed annually as part of the review and update of Council's Operational Plan.

## 7 Assessment criterion 5: Productivity improvements and cost containment strategies

The DLG Guidelines state this criterion as follows:

*An explanation of the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation period.*

In this section, provide details of any productivity improvements and cost containment strategies that you have implemented in the last 2 years (or longer) and any plans for productivity improvements and cost containment during the period of the special variation. These plans, capital or recurrent in nature, must be aimed at reducing costs. Please also indicate any initiatives to increase revenue eg, user charges. Identify how and where the proposed initiatives have been factored into the council's resourcing strategy (eg, LTFP and AMP).

Where possible, quantify in dollar terms the past and future productivity improvements and savings.

You may also use indicators of efficiency, either over time or in comparison to other relevant councils. We will make similar comparisons using various indicators and the DLG Group data provided to us.

Productivity improvements have formed part of Council operations for well over a decade and will need to continue into the future.

Junee Shire Council has introduced a number of cost saving initiatives to improve the efficiency of Council, including:

### 2013/14 cost saving initiative

Reduction in opening hours at the Junee Junction Recreation and Aquatic Centre across the winter period. On the order of 6 hours per week.

Policy framework developed at Junee Junction Recreation and Aquatic Centre for low patronage pool use triggering staff hour reduction in the order of \$62,000 per annum.

Enterprise Risk management plan developed to access reimbursement in insurance premiums. Annual saving \$15,000

Energy Efficiency working party established to identify utility services consumption saving. July to December resulted in a saving of \$10,000 compared to the same period the year prior.

A decision not to replace two recent indoor staff resignations. Their roles and responsibilities have been redistributed into other areas of the organisation.

### Future initiatives

Negotiating to work in partnership with Warringah Council to explore using their back office IT and software solutions in an effort to reduce the operation cost of providing the current service locally. Savings yet to be determined.

Considering removing membership to Riverina Regional Tourism Inc - annual saving of \$3,600.

### Initiative prior to 2013/14

- Council has reduced its graders from six, 20 years ago; to three, 15 years ago and down to two graders 6 years ago. Both graders are high performance machines capable of work outputs equal to 4 older graders.
- Council has reduced its gravel haulage truck fleet from seven trucks 20 years ago to three trucks today. With modern specifications two trucks can carry 30 tonne of material each and one truck 12 tonnes. With 440hp the productivity of the 3 trucks far outweighs the 7 trucks previously.
- Council has established several gravel pits which means all of Councils roads can be gravelled with a maximum haul of 8km. Hauls in the past were as high as 30kms. With more gravel delivered to a job, maximum efficiency from graders, rollers, water trucks is achieved.
- Council today does not own any heavy plant that does not have maximum utilisation – all surplus plant has been sold.
- Contractors and short term hire are used to fill the gaps with heavy plant requirements.
- Council now leases all of its major plant fleet to free up cash reserves to carry out essential work.
- Council cars are used to achieve best turnover results for Council. Some cars are handed down from one staff member to another to minimise cost of renewal. Several cars are 5 years old and travelled well over 100,000kms.
- Bitumen patching has been let out to competitive tender as a more efficient way of delivering road maintenance.
- Staff numbers have been reduced by 25% because of the initiatives listed above.
- With the reduced number of staff, Council has trained and multi-tasked its workforce so that they are able to carry out many of the functions required on a day to day basis.
- Engineering office has reduced its staff from 4 qualified engineers 15 years ago to 2 qualified engineers today.
- Council has set up trailer mounted pumps and a standpipe on a stormwater harvesting project to eliminate the use of potable water for roadwork. This has saved Council \$25,000 on one roadwork project alone.
- Council has eliminated the use of potable water for irrigating on sports fields, the Golf Course and the High School oval by utilising recycled effluent and harvesting stormwater. This has a major saving not only of potable water but also the cost of that water from reticulated utility provider.
- Council actively seeks out private works, profits from which are channelled into Councils roadworks program.
- Fuel purchase – Council has found significant savings on fuel costs by obtaining quotes per delivery rather than relying on Government contract pricing.



- Junee Shire Council cooperates with its neighbouring councils in many ways. These include noxious weeds control, bush fire management, information technology and Family Day Care services. Junee Shire Council is a member of REROC (Riverina Eastern Regional Organisation of Councils), one of the best performing ROC's in NSW. Savings have been generated through such activities as joint tenders for bitumen emulsion, asset management planning, waste services and street lighting to name a few activities.

In general terms, the increases in Council's costs over the years have out-stripped its revenue raising capacity and has driven the Council to become more efficient across all its operational areas.

## 8 Other information

### 8.1 Previous Instruments of Approval

If you have a special variation which is due to expire at the end of this financial year or during the period of the proposed special variation, when was it approved and what was its purpose?

Please attach a copy of the Instrument of Approval that has been signed by the Minister or IPART Chairman.

The DLG approved a five year SRV in 2009 as well as another Section 508(2) approval in 2013. Those instruments are reproduced below:

Our reference: 12/642  
Your reference:

12 June 2013  
Mr James Davis  
General Manager  
Junee Shire Council  
PO Box 93  
JUNEE NSW 2663

Date Received	20 JUN 2013
GDA 10	12.9.2
Disposal Date	2021
Document ID	
Old File No	
Officer	GM

PO Box Q290, QVB Post Office NSW 1230  
Level 8, 1 Market Street Sydney NSW 2000  
T (02) 9290 8400 F (02) 9290 2061  
ABN 49 202 260 878

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

Contact Alison Milne  
T (02) 9290 8443

E [alison\\_milne@ipart.nsw.gov.au](mailto:alison_milne@ipart.nsw.gov.au)

Dear Mr Davis

**INSTRUMENT OF APPROVAL AND FULL REPORT FOR SPECIAL RATE VARIATION APPLICATION 2013/14**

I refer to IPART's determination on Junee Shire Council's application for a special rate variation in 2013/14 which was issued on 11 June 2013.

I am writing to advise you that copies of the final reports on our special variation determinations are now available on the IPART website. I have attached a hard copy of the final report and the Instrument of Approval for Junee Shire Council for your records.

If you have any queries, please contact Alison Milne on 02 9290 8443 or Tony Camenzuli on 02 9113 7706.

Yours sincerely

James Cox PSM  
Chief Executive Officer  
and Full Time Member

**LOCAL GOVERNMENT ACT 1993**  
**INSTRUMENT UNDER SECTION 508(2)**  
**JUNEE SHIRE COUNCIL**

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The Independent Pricing and Regulatory Tribunal (IPART), delegate of the Minister for Local Government, pursuant to the delegation dated 6 September 2010, determines:

1. under section 508(2) of the *Local Government Act 1993* (the Act), that the percentage by which Junee Shire Council may increase its general income for the year 2013/2014 is 10.0%.
2. the percentage increase set out in clause 1 above (special variation) is subject to the following conditions:
  - I. The council uses the Additional Income for the purposes of funding its program of road renewal works. This program of expenditure is listed in Appendix A of IPART's determination dated June 2013 of the council's application under section 508(2) of the Act (IPART's Determination).

Additional Income means:

    - a) the additional general income raised in accordance with clause 1 of this instrument, less
    - b) the additional general income that would otherwise be available to the council under section 506 of the Act.
  - II. The council reports in its annual report for each rating year over the period from 2013/2014 to 2022/2023 on:
    - a) the program of expenditure that was actually funded by the special variation and the reasons for any significant differences from the program listed in Appendix A of IPART's Determination; and
    - b) the outcomes achieved as a result of the special variation.
  - III. The council reports to the Division of Local Government, Department of Premier and Cabinet, by 30 November each year on its compliance with these conditions for each rating year over the period from 2013/2014 to 2022/2023.

Dated this

12<sup>th</sup>

day of

June

, 2013



**Dr Peter J. Boxall, AO**  
**Chairman, Independent Pricing and Regulatory Tribunal**



Department of Local Government  
5 O'Keefe Avenue NOWRA NSW 2541  
Locked Bag 3015 NOWRA NSW 2541

FILE No.	RA.01
DATE REC.	13 JUL 2009
OFFICER	CM
ACKNOWL.	OUR REFERENCE YOUR REFERENCE
RESUBMIT	CONTACT
FILE	(E)w.

A177333

Mark Hely  
02 4428 4176

Mr Greg Campbell  
Junee Shire Council  
PO Box 93  
JUNEE NSW 2663

E-MAILED  
27.09.09

Dear Mr Campbell

I refer to Junee Shire Council's application of 11 April 2009 seeking Ministerial approval for an increase in general income of 13.50% for 2009/2010 to assist with funding costs associated with an annual resealing program as defined by Council.

The Minister has approved of Council increasing its general income by 13.50% in 2009/2010, for a period of five years. The approved increase comprises:

	\$	%
2008/2009 Notional General Income	2,229,107	
Expiring Special Variation	-	-
2008/2009 Adjusted Notional General Income	2,229,107	
2009/2010 General Variation	78,019	3.50
Catch up/(Excess)	8,887	0.40
Valuation Objections	-	-
Special Variation	214,023	9.60
<b>Total</b>	<b>2,530,036</b>	<b>13.50</b>

This approval is on the basis that Council will reduce its general income for the 2014/2015 rating year by \$214,023 plus the equivalent cumulative proportion of this increase from any general variation increases or any special variation increases approved for the 2010/2011 to 2013/2014 rating years inclusive.

In addition, the approval is on the understanding that Council makes and levies its rates according to the provisions of the *Local Government Act 1993*. It should be noted that this approval is not an endorsement of Council's rating structure.

Council should continue to review its operations to identify where further efficiencies and tangible savings can be achieved. By applying this special variation, any prior period shortfall or excess is eliminated.

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✉ dl@dlg.nsw.gov.au W www.dlg.nsw.gov.au ABN 99 567 863 195



A copy of the instrument of approval is attached. It is important to appreciate that Council must comply with the conditions of approval set out in the instrument. Failure to comply with these conditions may impact on any future special variation applications made by Council.

Yours sincerely



**Ross Woodward**  
Acting Director General

**LOCAL GOVERNMENT ACT 1993**  
**INSTRUMENT UNDER SECTION 508(2)**

I, **BARBARA PERRY MP**, Minister for Local Government, in pursuance of section 508(2) of the *Local Government Act 1993* determine that the percentage by which Junee Shire Council may increase its general income for 2009/2010 is 13.50% above that for 2008/2009 subject to the following conditions:

- (i) Council will raise \$214,023 of the increase by additional rates for the costs associated with an annual resealing program, as defined by Council in its special variation five year works program, for a period of five years; and
- (ii) Council will reduce its general income for the 2014/2015 rating year by \$214,023 plus the equivalent cumulative proportion of this increase from any general variation increases or any special variation increases approved for the 2010/2011 to 2013/2014 rating years inclusive; and
- (iii) Council clearly reports in its annual report for the period 2009/2010 to 2013/2014 information on the total income received, expenditure per project/program and outcomes achieved.

This approval is on the understanding that Junee Shire Council makes and levies its rates according to the provisions of the *Local Government Act 1993*.

Dated this 3<sup>rd</sup> day of July, 2009.



**The Hon Barbara Perry MP**  
Minister for Local Government

## 8.2 Reporting to your community

The *Guidelines* set out reporting mechanisms that show your accountability to your community. Please tell us how you will go about transparently reporting to the community on the proposed special variation, should it be approved. Also indicate the performance measures you will use to demonstrate how you have used the additional funds (above the rate peg) generated by the special variation.

Each quarter: Through Council, the Quarterly Budget Review will be tabled.

- Every six months: Through Council, the progress of the Operational Plan and Delivery Program will be provided.
- Annually: The Annual Report will be tabled and promoted as well as forwarded to the Division of Local Government. This will specifically outline financial reporting on the SRV funds.
- Mid-Term Council Reporting August 2015: To the community, by way of a comprehensive newsletter on the progress of the implementation of the delivery program. Council feels this will be an appropriate timing and means of ensuring the community gains assurance regarding funding from the SRV is being spent appropriately and provides opportunity for more feedback.
- End of Term Reporting May 2016: There will be community facilitated workshops which will review the Community Strategic Plan and priorities of the Delivery Program. This will enable the incoming Council to have an understanding of the community's preferred future and what it needs to do to help deliver it. There will also be an End of Term Report published on the objectives of the Community Strategic Plan.

Council will also report to IPART and/or the DLG as required under any legislative or regulatory requirements if any SRV was to be granted.

## 8.3 Council resolution to apply to IPART

The Guidelines require the council to have resolved to apply for a special variation. Please attach a copy of the council's resolution to make a special variation application. Our assessment of the application cannot commence without it.

### **Resolution carried November 2013**

#### **25[GM] SPECIAL RATES VARIATION 2014-17**

**27.11.13** **RESOLVED** on the motion of Cr A Clinton seconded Cr P Halliburton that Council notify IPART to advise of Council's intention to apply for a special rate variation in 2014 for a three year period.

### **Resolution carried January 2014**

#### **1[GM] PROPOSED RATE INCREASES THROUGH A SPECIAL RATE VARIATION APPLICATION (SRV)**

**08.02.14** **RESOLVED** on the motion of Cr R Callow seconded Cr N Smith that:

1. The Council endorse an application to IPART for a three year Special Rates Variation in General Rates under Section 508(A) of the Local Government Act 1993 for the 2014-2017 financial years with the following percentage increases.

2014-2015 A continuation of a 9.6% Special Rate Variation that was granted to the Council in 2009 for a five year period. This makes the gross increase in rate revenue 11.9% which includes the 2.3 % 2014/15 rate peg limit now announced. Because this existing SRV is part of the existing rate base the nett effect to ratepayers this year is a 2.6% increase noting that if the existing SRV is not continued ratepayers will have a reduction in rates.

2015-2016 A rate increase of 9.5% which includes an assumed 3% rate peg limit.

2016-2017 A rate increase of 9% which includes an assumed 3% rate peg limit.

**Resolution carried 27 June 2013**

**I [GM] COMBINED OPERATIONAL PLAN / DELIVERY PROGRAM**

**21.06.13** **RESOLVED** on the motion of Cr P Halliburton seconded Cr J Ward that:

1. The Combined Delivery Program Operational Plan for 2013-17 as presented be adopted with the following amendments:
  - a) That the Economic Development & Tourism Development budgets be changed from \$20,000 and \$50,000 respectively to equal amounts of \$35,000 each as presented in Item 1.3 of the Operational Plan 2013/2014.
2. The Revenue Policy 2013-2014, as advertised, and after taking into consideration all submissions made to the Plan and the amendments listed in the above report to Council, be adopted;
3. Pursuant to the provisions of the Local Government (Financial Management) Regulation 1993 expenditure required to finance works, service and activities of the Council for the financial year 2013-2014 and as detailed in the Financial Estimates section of the Council's Combined Delivery Program Operational Plan 2013-2014 be approved and voted accordingly;
4. Whereas public notice has been given by advertisement published in the Wagga Daily Advertiser of the preparation of the Draft Combined Delivery Program Operational Plan 2013-2017 in relation to the Council's activities for the 2013-2017 period and the Council's Revenue Policy for the 2013-2014 financial year and whereas such Draft Combined Delivery Program Operational Plan 2013-2017 and Revenue Policy have been publicly exhibited for not less than 28 days and whereas Council has considered any matters concerning the Draft Combined Delivery Program Operational Plan 2013-2017 and Revenue Policy and whereas such Draft Combined Delivery Program Operational Plan 2013-2017 and Revenue Policy was amended as necessary, and adopted at a meeting held on 27 June 2013 and whereas the ordinary rates do not exceed in the aggregate the permitted increase the ordinary rates and the special rates and the charges detailed hereafter be and hereby are made for the financial year commencing 1 July 2013:-

- i) a FARMLAND rate of zero point two six five zero three one (0.265031) cents in the dollar on the land value of all rateable land in the area which has been categorised by the Council as Farmland pursuant to Section 515 of the Local Government Act subject to a base amount of two hundred and thirty six dollars and thirty cents (\$236.30) in respect of each separate parcel with the base amount producing eleven point four five percent (11.45%) of the total amount of the rate levy of the Farmland rate category, and
- ii) a RESIDENTIAL - TOWN rate of zero point nine three eight zero two five (0.938025) cents in the dollar on the land value of all rateable land in the area which has been sub-categorised by the Council as Residential - Town pursuant to Section 516 and 529 of the Local Government Act 1993 subject to a base amount of two hundred and thirty six dollars and thirty cents (\$236.30) in respect of each separate parcel with the base amount producing thirty six point one zero percent (36.10%) of the total amount of the rate levy of the Residential - Town rate sub-category, and
- iii) a RESIDENTIAL – RURAL & VILLAGE rate of zero point four five zero zero two two (0.450022) cents in the dollar on the land value of all rateable land which has been sub-categorised by the Council as Residential – Rural & Village pursuant to Sections 516 and 529 of the Local Government Act, 1993 subject to a base amount of two hundred and thirty six dollars and thirty cents (\$236.30) in respect of each separate parcel with the base amount producing forty eight point two two percent (48.22%) of the total amount of the rate levy of the Residential – Rural & Village rate sub-category, and
- iv) a RESIDENTIAL – KINVARA rate of zero point four one nine four nine four (0.419494) cents in dollar on the land value of all rateable land in the area which has been sub-categorised by the Council as Residential - Kinvara pursuant to Section 516 and 529 of the Local Government Act 1993 subject to a base amount of two hundred and thirty six dollars and thirty cents (\$236.30) in respect of each separate parcel with the base amount producing twenty seven point six eight percent (27.68%) of the total amount of the rate levy of the Residential - Kinvara rate sub-category, and
- v) a BUSINESS – TOWN rate of two point eight three one four nine seven (2.831497) cents in dollar on the land value of all rateable land in the area which has been sub-categorised by the Council as Business – Town pursuant to Section 518 and 529 of the Local Government Act 1993 subject to a base amount of two hundred and thirty six dollars and thirty cents (\$236.30) in respect of each separate parcel with the base amount producing twelve point one nine percent (12.19%) of the total amount of the rate levy of the Business - Town rate sub-category, and
- vi) a BUSINESS rate of one point six one seven four seven eight (1.617478) cents in dollar on the land value of all rateable land in the



area which has been categorised by the Council as Business pursuant to Section 518 of the Local Government Act 1993 subject to a base amount of two hundred and thirty six dollars and thirty cents (\$236.30) in respect of each separate parcel with the base amount producing thirty one point four zero percent (31.40%) of the total amount of the rate levy of the Business rate category, and

5. Pursuant to Section 558 of the Local Government Act, 1993 such lands belonging to a public hospital, public benevolent institution or public charity and public reserves as are non rateable to an ordinary rate pursuant to Section 556/557 of the said Act be similarly exempted from sewerage charges for the financial year 2013-2014;
6. The schedule of fees and charges for 2013-2014 as outlined in the Draft Combined Delivery Program Operational Plan 2013-2017 with the alterations as described in the report above be adopted;
7. The General Manager cause preparation and service of rate notices for the financial year 2013-2014.

## 9 Checklist of contents

The following is a checklist of the supporting documents to include with your Part B application:

Item	Included?
Relevant extracts from the Community Strategic Plan	<input checked="" type="checkbox"/>
Delivery Program Appendix 9	<input checked="" type="checkbox"/>
Long Term Financial Plan Appendix 10	<input checked="" type="checkbox"/>
Relevant extracts from the Asset Management Plan Appendix 3	<input checked="" type="checkbox"/>
TCorp report on financial sustainability Appendix 11	<input checked="" type="checkbox"/>
Contributions Plan documents (if applicable)	NA
Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and special variation Appendix 5	<input checked="" type="checkbox"/>
Community feedback (including surveys and results if applicable)	<input checked="" type="checkbox"/>
Hardship Policy Appendix 8	<input checked="" type="checkbox"/>
Past Instruments of Approval (if applicable) Embedded in application	<input checked="" type="checkbox"/>

Resolution to apply for the special variation Embedded in application	<input checked="" type="checkbox"/>
Resolution to adopt the Delivery Program Embedded in application	<input checked="" type="checkbox"/>

## 10 Appendices

<b>APPENDICES</b>	<b>APPENDIX NO:</b>
Special Rates Variation Newsletter	1
IRIS Research – Special Rating Options Survey – December 2013	2
Roads and Bridges Asset Management Plan	3
Community Engagement Strategy – April 2013	4
Extracts of Media	5
IRIS Research – Community Survey – October 2006	6
IRIS Research – Community Survey – September 2011	7
Rates and Charges Hardship Policy	8
Combined Delivery Program Operational Plan 2013-2017	9
Long Term Financial Plan 2013-14 to 2023-24	10
TCorp Report – April 2013	11

## 11 Certification

### APPLICATION FOR A SPECIAL RATE VARIATION

**To be completed by General Manager and Responsible Accounting Officer**

Name of council: JUNEE SHIRE COUNCIL

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

General Manager (name): Mr James Davis

Signature and Date: 24 February 2014

Responsible Accounting Officer (name): Mr John Whitfield

Signature and Date: 24 February 2014

Once completed, please scan the signed certification and attach it to the Part B form before submitting your application online via the Council Portal on our website.