



Independent Pricing and Regulatory Tribunal
New South Wales

Special Variation Application Form – Part B

For 2018-19

Insert Name of Council:

Date Submitted to IPART:

Council Contact Person:

Council Contact Phone:

Council Contact Email:

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The Independent Pricing and Regulatory Tribunal (IPART)

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Tribunal Members

The Tribunal members for this review are:

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Mr Ed Willett

Ms Deborah Cope

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1 Introduction

IPART will assess each application against the criteria set out in the Office of Local Government's (OLG) *Guidelines for the preparation of an application for a special variation to general income* (the [Guidelines](#)). Councils should refer to these Guidelines before completing this application form.

Each council must complete this Part B application form when applying for a special variation to general income either under section 508(2) or section 508A of the *Local Government Act 1993* (NSW).

In addition, councils must complete the Part B form with the Part A (spreadsheet) form for both section 508(2) or section 508A applications. The Guidelines also require the council to have resolved to apply for a special variation. You must attach a copy of the council's resolution. IPART's assessment of the application cannot commence without it.

If the proposed special variation includes increasing minimum rates above the statutory limit, or is to apply a higher rate of increase to an existing minimum rate than to its other rates, it is not necessary for the council to also complete the separate Minimum Rates application form. However, this must be clearly identified and addressed in the special variation application. In such circumstances, councils are encouraged to discuss their proposed application with IPART as soon as possible.

As outlined in the Guidelines, new councils created in 2016 (apart from Mid-Coast Council) will be ineligible for special variations for the 2018-19 rating year.

1.1 Completing the application form

This form is structured to provide guidance on the information we consider is necessary for us to assess a special variation application. To complete the form, the council will need to respond to questions and insert text in the boxed area following each section or sub-section.

The amount of information that a council provides will be a matter of judgement for the council, but it should be sufficient for us to make an evidence-based assessment of the application. Generally, the extent of the evidence should reflect the size of the variation sought. More complex applications or requests for a high cumulative percentage increase should be supported by stronger, more extensive evidence.

Councils may submit additional supporting documents as attachments to the application (refer to section 8). These attachments should be clearly cross-referenced in Part B. We prefer to receive relevant extracts rather than complete publications, unless the complete publication is relevant to the criteria. If you provide complete documents when only an extract is relevant, we may ask you to resubmit the extract only. (You should provide details of how we can access the complete publication should this be necessary.)

We publish videos and fact sheets on how IPART assesses special variations and on the nature of community engagement for special variation applications. These will assist in preparing the application. The latest videos and fact sheets on these topics are available on [IPART's website](#).

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 – Preliminaries
- ▼ 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 – List of attachments
- ▼ Section 9 – Certification.

1.2 Notification and submission of the special variation application

Notification of intention to apply


Councils intending to submit an application under either section 508(2) or section 508A should have notified us of their intention to apply, via the Council Portal, by Friday 15 December 2017.

Any councils that did not notify but intend to apply for a special variation for 2018-19 should contact us as soon as possible.

Online submission of applications

All councils intending to apply for a minimum rate increase must use the [Council Portal](#) on IPART's website to register as an applicant council and to submit an application.

You are required to submit the application, via the Council Portal, by **Monday 12 February 2018**.



The [User Guide](#) for the Portal will assist you with the registration and online submission process. If you experience difficulties please contact:

- ▼ Arsh Suri - Arsh_Suri@ipart.nsw.gov.au or 02 9113 7730

File size limits apply on the Council Portal to each part of the application. For this Part B application form the limit is 10MB. The limit for supporting documents is 70MB for public documents and 50MB for confidential documents. We generally request supporting documents of the same type to be combined and most supporting document categories have a maximum number of 5 documents allowed. These file limits should be sufficient for your application. Please contact us if they are not.

We will post all applications (excluding confidential content) on the IPART website. Confidential content may include part of a document that discloses the personal identity or other personal information pertaining to a member of the public or whole documents such as a council working document and/or a document that includes commercial-in-confidence content. Councils should ensure that documents provided to IPART are redacted so that they do not expose confidential content.

Councils should also post their application on their own website for the community to access.

2 Preliminaries

2.1 Focus on Integrated Planning and Reporting

Councils must identify the need for a proposed special variation to their General Fund's rates revenue as part of their Integrated Planning and Reporting (IP&R) process. The IP&R documents will need to be publicly exhibited and adopted by the council prior to it submitting its application to us. Also refer to section 6 for a more detailed explanation.

The key IP&R documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and, where applicable, the Asset Management Plan. A council's application may also include supplementary and/or background publications used within its IP&R processes. You should refer to these documents to support your application for a special variation where appropriate.

2.2 Key purpose of special variation

At the highest level, indicate the key purpose(s) of the proposed 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 services or 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"/>

You should summarise below the key aspects of the council's application, including the purpose and the steps undertaken in reaching a decision to make an application.

The purpose for this application is to alleviate the long term financial stress that Balranald Shire Council is under and thus establish a financially sustainable Council for the future. Under the current rating and income structure Council is unable to become financially sustainable. The fundamental bases of the proposed SV application centres around building capacity and capability for Council to effectively deliver current services, to meet regulatory and governance requirements and to manage, maintain and fund infrastructure assets at a sustainable level.

Council has been striving to improve its financial sustainability through a range of initiatives. Council has reviewed all operating expenditure to ensure that Council is spending every dollar it receives wisely, coupled with exploring all opportunities to

maximise non-rating income. After this process Council is left with two options to become sustainable:

- reviewing its rating structure
- applying for a Special Variation (SV) to increase its annual rates income above the rate peg.

Balranald Shire Council has a very low rate base to anchor the various services required of a modern council. Lack of finance is a major issue. As a consequence, there is the reality of Balranald Shire Council struggling with compliance and legislative obligations. Council's location and size significantly increases the cost of service delivery.

There have been a number of external assessments of Councils financial sustainability and its capacity to deliver services and manage, maintain and fund assets. These reports indicate that Council currently is in a weak financial position and lacks the capacity to effectively manage assets at a sustainable level.

Council has incorporated into its approved IP&R documents, namely the Community Strategic Plan, Delivery Program and Operational Plan strategies and actions that identify the need for a potential Special Variation and actions to prepare and submit a Special Variation application.

Council was issued with a Performance Improvement Order (PIO) in April 2017 and has acknowledged the criticality in dealing with the actions particularly those of a financial nature.

In responding to these challenges and the requirements of state government, Council undertook the following approach to explore and understand a range of options to generate a roadmap to financial sustainability. This included

1. Understanding issues and opportunities with current rating structure, including mineral sands mining rates - September 2017.
2. Develop a sustainable LTFP with 3 Scenarios - October 2017
3. Assess the extent of a proposed SRV - October 2017
4. Adopted an LTFP for community consultation, including a proposed SV - October 2017
5. Undertake Community Consultation and consider feedback report - November 2017
6. Notified IPART of Councils intention to submit an SV application - December 2017
7. Resolved to submit a Special Variation Application - January 2018

It is evident that Councils current low rate base is inadequate to sustain a financially viable council with the capacity to deliver services, assets and meet regulatory obligations to the satisfaction of the community and government.

2.3 Capital expenditure review

You should complete this section if the council intends to undertake major capital projects that are required to comply with the OLG's Capital Expenditure Guidelines, as outlined in OLG 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 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 council to do a capital expenditure review in accordance with OLG Circular to Councils, Circular No 10-34 dated 20 December 2010	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
If Yes, has a review been done and submitted to OLG?	Yes <input type="checkbox"/>	No <input type="checkbox"/>

3 Assessment Criterion 1: Need for the variation

Criterion 1 in the OLG Guidelines is:

The need for, and purpose of, a different revenue path for the council's General Fund (as requested through the special variation) is clearly articulated and identified in the council's IP&R documents, in particular its Delivery Program, Long Term Financial Plan and Asset Management Plan where appropriate. In establishing need for the special variation, the relevant IP&R documents should canvass alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan applying the following two scenarios:

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

Evidence to establish this criterion could include evidence of community need /desire for service levels/projects and limited council resourcing alternatives.

Evidence could also include the assessment of the council's financial sustainability conducted by Government agencies.

The response to this criterion 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, as well as alternative funding options (to a rates rise).

The criterion states that the need for the proposed special variation must be identified and clearly articulated in the council's IP&R documents especially the Long Term Financial Plan and the Delivery Program, and, where appropriate, the Asset Management Plan. The purpose of the proposed special variation should also be consistent with the priorities of the Community Strategic Plan.

3.1 Case for special variation – community need

Summarise and explain below:

- ▼ How the council identified and considered the community's needs and desires in relation to matters such as levels of service delivery and asset maintenance and provision.
- ▼ How the decision to seek higher revenues above the rate peg was made and which other options were examined, such as changing expenditure priorities or using alternative modes of service delivery.

- ▼ Why the proposed special variation is the most appropriate option: for example, typically other options would include introducing new or higher user charges and/or an increase in council loan borrowings, or private public partnerships or joint ventures.
- ▼ How the proposed special variation impacts the Long Term Financial Plan forecasts for the General Fund and how this relates to the need the council identified. Our assessment will also consider the assumptions which underpin the council's Long Term Financial Plan forecasts.

In addressing this criterion, you should include extracts from, or references to, the IP&R document(s) that demonstrate how the council meets this criterion.

Council has been striving to improve its financial sustainability through a range of initiatives. Council has reviewed all operating expenditure to ensure that Council is spending every dollar it receives wisely, coupled with exploring all opportunities to maximise non-rating income. The key outcome of this process was a reduction in depreciation costs as a result of undertaking a revaluation of council assets. This is currently saving ratepayers \$2million per year. Despite this saving, there are not sufficient funds to meet the costs of providing ongoing services at the current levels and to maintain and invest in assets to make them sustainable

Councils then considered and had prepared a range reports and government directions that assisted Council in evaluating the fundamental need for a Special Variation, detailed as follows.

Firstly the 2013 NSW Treasury Corporation (TCorp) assessment of Balranald Shire Council, reported that the FSR was weak and the Outlook negative. "TCorp believes Council is currently in a weak financial position. Without an improvement in their operating result and an increased capacity to provide funding for its asset renewal and capital expenditure Council's future financial position and Sustainability will be under increasing pressure. In respect of the long term Sustainability of the Council our key observations are:

- > Council's operating result, excluding capital grants and contributions, has shown a deficit position in three of the past four years
- > Council's current LTFP forecasts operating deficits, excluding capital grants and contributions, for the entire forecast period
- > Council has maintained conservative levels of borrowings which is reflected in their DSCR and Interest Cover Ratio
- > Council is reliant on external funding sources as indicated by an Own Source Revenue Ratio that is below benchmark in both the past years and in the forecast. Council has forecast operating grants at 70.0% of Council's overall revenue for the forecast period. Any changes in the level of grant funding could adversely impact the Council's financial Sustainability" page 5 - refer **Attachment 1**

Further the 2013 Local Government Infrastructure Audit (Premier & Cabinet - Division of Local Government) report (**Attachment 2**) found that the results of the regional analysis [of trends in infrastructure needs] were consistent with the sustainability findings from the

TCorp report. Further it would appear larger Councils are more capable of managing their infrastructure from both a management and financial standpoint. – page 66 **Attachment 2**

The report also found that councils were considered to have the capacity to adequately manage its infrastructure assets going forward, if there is evidence of funding in its LTFP to adequately address the goals and strategies outlined in its CSP and DP to manage infrastructure assets, as well as identifying specific staff requirements for asset management over the four years of the plan – page 68 **Attachment 2**. Even though Balranald was not one of the Councils that participated in an onsite audit the report indicates that Council was weak in terms of infrastructure management and was not able to provide complete data for bringing assets to a satisfactory standard (BTS) per capita assessment.

Council was issued with a Performance Improvement Order (PIO) in April 2017 (**Attachment 3**) which included the appointment of a temporary advisor. Council had submitted a Performance Improvement Implementation Plan, which was further extended following the advisor's report to the Office of Local Government. Part of the reasoning for the PIO was that 1. A failure of Council to meet its legislative responsibilities in respect of its financial and governance obligations. 2. Council has budgeted for and subsequently run large operating deficits over a number of years. At the same time, Council has not had a reliable Long Term Financial Plan (LTFP) to provide a path to achieve a break-even result or an ongoing surplus in the future.

A part of Councils' response to the PIO was to engage Morrison Low to review its rating structure (**Attachment 4**), undertake a financial assessment and assess the need for a potential SV, develop a revised LTFP including SV options (**Attachment 5**), develop a Community Engagement Plan and Program (**Attachment 6**) and work with them to undertake elements of the community engagement program and prepare a Community Engagement Report (**Attachment 7**).

In addition, Council had given consideration to a potential SV application and identified this possible option in its Community Strategic Plan (CSP) under Strategic Objective 3.3; Strategy 3.4 d. Seek Special Rate variation for Business Mining Rate and General Rates increase and Strategic Objective 5.3; Strategy 5.3.5 b. Fund improvements from Special Rate Variation – refer to **Extract 1**

Councils current Delivery Program (**Attachment 8**) has incorporated, at page 21, an action to "Apply to IPART for Special Rate Variation and mining rate introduction to improve Council revenue base". Following Councils' decision to consider and make an application for a SV, the subsequent community consultation process and the consideration of the Community Engagement Report Council has resolved to amend its current Delivery Program (DP) to incorporate updated Special Variation information. Council adopted the revised DP on 8th February 2018 for public exhibition commencing on 9th February 2018 for 28 days. Refer to **Attachment 9** for a copy of the revised DP.

The Special Variation proposal was further highlighted in Councils Operation Plan (OP) including the Forward by the Mayor page 3 OP and an action to prepare a special variation application page 15 – **Extract 2**.

Another strategy and associated actions contained in the CSP, DP and OP (CSP 5.3.5: Provide community infrastructure) were the development and adoption of all Asset

Management Plans and incorporation into the LTFP – **Extract 3**. In response to this Council had prepared an Overarching Asset Management Plan (July 2107) **Attachment 10**

The Asset Management Plan included a strategic asset management gap analysis. The audit results for Balranald indicate a low level of compliance with asset management practices within the organisation. This is a reflection of Councils limited capacity to manage and fund its infrastructure assets. It also established that Council was under investing in its infrastructure assets in terms of asset renewal and maintenance of assets.

Morrison Low was engaged to assess Council’s current financial position, as detailed in the Long Term Financial Plan (LTFP) document (**Attachment 5**), with Council currently in an unsustainable financial position. One of the immediate challenges is to reinstate Councils unrestricted cash position of \$91k (year end 2016/17) to a position where Council can operate with a level of certainty on a day-to day basis.

In responding to these challenges and the requirements of state government, Council undertook the following approach to explore and understand a range of options to generate a roadmap to financial sustainability. This included

1. Understanding issues and opportunities with current rating structure, including mineral sands mining rates – September 2017 – Rating Review report – **Attachment 4**
2. Develop a sustainable LTFP with 3 Scenarios – October 2017 – **Attachment 5**
3. Assess the extent of a proposed SRV – October 2017 – **Attachment 5**
4. Adopted an LTFP for community consultation, including a proposed SRV - October 2017 Council meeting – **Attachment 5**
5. Undertake Community Consultation and consider feedback report – November 2017 – **Attachments 6**
6. Notified IPART of Councils intention to submit a SV application
7. Resolved to submit a Special Variation Application on 9th February 2018 – refer **Attachment 11** for a copy of Councils resolution.

Council commissioned and considered a Rating Review Report in September 2017 (**Attachment 4**) and decided to undertake a detailed review of its rating structure during 2018/19 with any implementation commencing 2019/20. It also decided to introduce new business sub-categories for Mineral Sand mine operations and solar farming activities commencing 1st July 2108. It is highly unlikely mineral sand mine operations will commence within the foreseeable future.

It is evident that Council is currently financially unsustainable. Council was mindful in establishing the quantum of a proposed SV to generate the financial capacity to commence addressing the infrastructure asset issues, to deliver current service levels into the future while creating an operating result that would build its unrestricted cash position. To achieve this, the initial objective was to maintain a small operating surplus for each of the ten years.

In considering these limitations and the objective to have operating surpluses Council developed and exhibited three LTFP Scenarios namely,

- Scenario 1 – Base case

This is the base case and represents the continuation of 'as is' using the approved 2017/18 budget, which includes depreciation savings of \$2 million for general fund, with no other improvement strategies and without the addition of extra asset renewal expenditure to ensure the Fit For the Future (FFTF) asset ratios are achieved.

The resulting forecasts are that Balranald Shire City Council meets only one of the FFTF performance measure benchmarks over the 10 year period. Operating surpluses steadily decrease with deficits from 2023/24 onwards – page 27 **Attachment 5**

- Scenario 2 – Base Case with SV

This takes the base case and adjusts the financial projections to include rating for solar farm activities and a proposed permanent SV of 10% per year (including rate capping) each year for 7 years commencing in 2018/19. Productivity improvements from the service review program and review of the aged care facility operations have also been considered along with the 39 actions to address the PIO have been considered. Based on the premise that the SV is approved and the new solar farm activities commence in 2018/19 additional expenditure has been included for asset maintenance (\$150k pa indexed) and renewal (\$300k pa indexed) to address the FFTF asset ratios.

The outcome forecasts are that Balranald Shire Council generates small operating surpluses and achieves the Operating Performance Ratio. The backlog ratio is largely achieved but is starting to trend upwards in year 10. The asset maintenance ratio is trending positively, however the real operating expenditure per capita is trending upwards – page 30 **Attachment 5**. The challenge for Council is to deliver on the improvement actions to further enhance its operational and financial management capabilities and hence improve its real operating costs per capita.

- Scenario 3 – Base case with SV and Mines

This option takes scenario 2 and adjusts the financial projections to include rating for mineral sand mining activities from 2018/19, with a proposed permanent SV of 10% per year (including rate capping) each year for 6 years commencing in 2019/20. These are significant new activities where Council has to determine the impact on its operation and the level of rates these activities should contribute. As a result, for expenditure to meet the demand of extra service provisions, infrastructure operation and maintenance has been included. In addition each of the mines has agreed to a road contribution which has been deducted from the gross rate amount.

The forecast results are that Balranald Shire Council is able to meet all of the performance measure benchmarks under this scenario, except own source revenue ratio and real operating expenditure per capita – page 32 **Attachment 5**

It is very unlikely the mines will commence operations in 2018/19 therefore this scenario has been developed largely for information on potential future opportunities. However, it

delivers operating surpluses and therefore the financial capacity to fund the ongoing renewal program and deliver the service requirements to the community.

As part of developing these scenarios, Council examined expenditure savings while trying to maintain service levels. This is extremely difficult given the geographical size of the Council area, the financial capacity of Council and the regulatory obligations. However Council has achieved some operational efficiency with significant improvement in the reduction of depreciation costs as a result of the revaluation of council assets. This is currently saving ratepayers \$2million per year. Despite this saving, there are not sufficient funds to meet the costs of providing ongoing services at the current levels.

Given Councils' very limited capacity to deliver significant ongoing productivity improvements a number of potential improvements have been identified. The LTFF incorporates a service review program which will see the review of 1 to 2 services each year. Council will also review its aged Care operations with a view of reducing the operating deficit. Council also plans to review its rating structure which may lead to further re-categorisation of properties. It will also develop and adopt S94 plans for the Shire and review fees and charges.

In addition Council will be implementing the 39 actions identified to address the Performance Improvement Order issued by the Local Government Minister. These actions are contained in the Business Improvement Plan - **Attachment 12**.

The LTFF was adopted by Council at its October Council meeting and placed on public exhibition for community consultation and feedback.

To address one of the criteria for a SV application, Council undertook a proactive community consultation program. This entailed distribution of an information leaflet to all ratepayers, frequently asked questions, community survey, focus group meetings and written submissions - Refer **Attachment 6** for details of the community consultation.

Following is a summary of the community consultation outcomes that Council considered in making its decision to submit a SV application.

Council conducted five focus group sessions with 153 individuals attending. These sessions provided an opportunity for community members to provide feedback, seek clarification and ask questions. Each focus group session received a presentation (see **Attachment 7**) and was provided with the opportunity to respond to 4 key questions - sustainable Council, satisfaction with current services provided by Council, preference of the rating options and ideas to make Council more sustainable over the long term.

There was unanimous agreement from all focus group sessions that Council should be sustainable. It was clear from the focus group sessions that there is a strong opposition to the proposed rate increase of 10% per year for seven years.

A part of the distribution of the information leaflet was the provision for community members to provide written submissions. 187 submissions were received. Of these 155 did not support increasing the rates above the rate peg limit and 14 supported the SV with a further 9 respondents suggesting a lower SV increase. 9 respondents had no preference.

Council developed an online community feedback survey for the SRV that was accessible from Councils' website. Fifteen people responded to the survey with over 90% of respondents agreeing that it's important that Council is sustainable. 40% of the respondents were satisfied with the current services provided by Council and a further 40% somewhat satisfied.

Considerations other than a special rate variation include loan borrowings; these were deemed inappropriate as Council had no financial ability to pay interest as they were projecting operating deficits, nor cash to repay the principle amount. In reviewing Councils fees and charges approximately 70% are derived from two sources, the aged care facility and the caravan park operations, limiting Councils capacity to obtain increases in other fees and charges that would significantly contribute to improving Councils financial sustainability.

When considering its decision on whether to make a SV application Council was mindful that it had identified and raised the issue of its limited capacity incorporating strategies and actions into the approved IP&R documents. Further the issuing of the PIO by the Local Minister demonstrated Councils inability to achieve break-even or operating surpluses in a reliable LTFFP, resulting in developing a revised LTFFP with SV options that generated operating surpluses. The community engagement report clearly highlighted that the community wanted a sustainable Council into the future and the need to improve its operational performance. The community also wanted Council to address their dissatisfaction with the road services. Finally, Council having considered other revenue options concluded that their realistic option is to significantly increase its revenue base.

Consequently, Council resolved, see **Attachment 11**, to submit a permanent Special Rate application of 10% (including rate peg) per year for seven years to address Councils' financial sustainability issue and to address the service provision particularly the road services.

3.2 Financial sustainability

The proposed special variation may be intended to improve the council's underlying financial position for the General Fund, 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 and the assumptions it has made in coming to a view on its financial sustainability.

You should explain below:

- ▼ The council's understanding of its current state of financial sustainability, its long-term projections based on alternative scenarios and assumptions about revenue and expenditure.
- ▼ Any external assessment of the council's financial sustainability (eg, by auditors, NSW Treasury Corporation). Indicate how such assessments of the council's financial sustainability are relevant to supporting the decision to apply for a special variation.
- ▼ The council's view of the impact of the proposed special variation on its financial sustainability.

Councils state of financial sustainability and long term projections are based on alternative scenarios and assumptions of revenue and expenditure.

It is evident that Council is currently financially unsustainable, given the information and evidence provided in 3.1 above. This includes the 2013 Tcorp assessment - **Attachment 1**, 2013 Local Government Infrastructure Audit - Attachment 2 and the Performance Improvement Order (PIO) - **Attachment 3**.

Given the expectations of the community and government Council is of a view that to sustain assets, deliver current services and remain viable into the future it requires a special variation. This special variation has been incorporated into its IP&R documents as a strategy to for future sustainability.

Coupled with an extensive infrastructure network and a low level of projected population growth a number of rural and far west councils are faced with ongoing challenges to remain sustainable.

The Long Term Financial Plan has been prepared to ensure that Council can maintain the delivery of current services while developing actions to better manage its assets. Additional infrastructure works (maintenance and renewal) are required to ensure that service levels do not diminish and intergenerational equity is maintained. The approach also provides Council with sufficient cash flows to remain financially sustainable, which is a key focus for a sustainable Council.

A summary of the three scenarios considered by Council, together with relevant comments, is detailed in section 3.1 above, along with relevant attachments. Council, in justifying the need for a SV compounded with the very low unrestricted cash position (\$91K year end 2016/17) applied the Scenario 2 additional expenditure amounts (for asset maintenance - \$150k pa indexed and renewal - \$300k pa indexed) to the base case scenario. This resulted in operating deficits each year commencing 2020/21 of \$83k and increasing to \$726k by 2026/27. At the same time Councils total cash position remains stagnant at \$7M all restricted funds, with the unrestricted cash position estimated to be a negative \$2.9M. Council through a combination of reduced depreciation costs and SV rates income is able to steadily reinstate its cash position under Scenario 2.

The assumptions relating to revenue and expenditure relating to the preparation of the Long Term Financial Plan are detailed on pages 18 to 20 of **Attachment 5**.

Council has considered the findings in the 2013 Tcorp's Financial Assessment, the 2013 Local Government Infrastructure Audit and the assessment undertaken by Morrison Low in developing the LTFP to address the issues of maintaining existing services, enhancing financial sustainability, increasing infrastructure maintenance / renewal expenditure to reduce infrastructure backlog.

The LTFP was developed, placed on public exhibition and adopted with a view dealing with Councils financial capacity and ensuring that Council becomes financially sustainable into the future.

3.3 Financial indicators

How will the proposed special variation affect the council's key financial indicators (General Fund) over the 10-year planning period? Please provide, as an addendum to the Long Term Financial Plan, an analysis of council's performance based on key indicators (current and forecast) which may include:

- ▼ Operating balance ratio excluding capital items (ie, net operating result before capital grants and contributions 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 (principal and interest debt service costs divided by operating revenue excluding capital grants and contributions).
- ▼ Broad liabilities ratio (total debt plus cost to clear infrastructure backlogs as per Special Schedule 7 divided by operating revenue).
- ▼ Asset renewal ratio (asset renewals expenditure divided by depreciation, amortisation and impairment expenses).

Linked to the LTFP financial forecasting model is a range of performance indicators that demonstrate Councils progression toward financial sustainability. The following tables illustrate that Council is focused on enhancing its financial capacity to create a Council that can remain viable over the long term. Again, a key challenge for Council is to implement the improvement actions that have been identified as part of the PIO to further build resilience and capacity for the future.

Performance Results Scenario 1 Base Case General Fund

Scenario 1 - Base Case (General Fund)

Key Performance Measures										
for years ended 30 June 2017/18 - 2026/27	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Surplus	252	225	178	123	88	30	-16	-61	-100	-136
(achieve and maintain a positive operating balance)										
Operating Performance Ratio										
Annual Trend	1.8%	1.6%	1.3%	0.9%	0.6%	0.3%	-0.01%	-0.3%	-0.5%	-0.7%
(3 year trend - target a positive ratio)	-7.8%	-2.5%	1.5%	1.2%	0.9%	0.5%	0.2%	-0.1%	-0.4%	-0.6%
Own Source Revenue Ratio	36.6%	40.3%	39.9%	40.4%	40.8%	41.1%	41.4%	41.7%	42.0%	42.3%
(3 year trend - Target is more than 60%)										
Debt Service Ratio (3 year trend)	2.0%	2.2%	2.1%	1.8%	1.5%	1.3%	1.3%	1.3%	1.2%	1.1%
(target is to maintain at less than 20%)										
Building and Infrastructure asset renewal ratio	35.6%	65.1%	91.8%	89.8%	99.6%	97.8%	96.6%	85.3%	77.3%	75.3%
(target to maintain at 100%)										
Building and Infrastructure Backlog ratio	3.1%	3.1%	3.3%	3.3%	3.4%	3.7%	4.2%	4.8%	5.3%	5.9%
(target to maintain at less than 2%)										
Real Operating expenditure per capita	5,823	6,037	5,877	5,918	5,946	5,964	5,986	6,009	6,032	6,046
(a declining trend over time)										

Performance Results Scenario 2 Base Case with SV General Fund

Scenario 2 - Base with SV (General Fund)

Key Performance Measures										
for years ended 30 June 2017/18 - 2026/27	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Surplus	252	184	233	280	362	439	549	679	646	612
(achieve and maintain a positive operating balance)										
Operating Performance Ratio										
(Annual Trend)	1.8%	1.3%	1.6%	1.8%	2.3%	2.7%	3.3%	4.0%	3.7%	3.4%
(3 year trend - target a positive ratio)	-7.8%	-2.5%	1.6%	1.6%	1.9%	2.3%	2.8%	3.4%	3.7%	3.7%
Own Source Revenue Ratio	36.6%	40.5%	40.4%	41.3%	42.1%	42.8%	43.6%	44.4%	45.0%	45.5%
(3 year trend - Target is more than 60%)										
Debt Service Ratio (3 year trend)	2.0%	2.2%	2.1%	1.8%	1.5%	1.3%	1.2%	1.2%	1.2%	1.1%
(target is to maintain at less than 20%)										
Building and Infrastructure asset renewal ratio	35.8%	69.1%	102.2%	104.6%	115.7%	114.9%	114.8%	104.4%	97.5%	96.7%
(target to maintain at 100%)										
Building and Infrastructure Backlog ratio	3.1%	3.0%	3.1%	2.9%	2.8%	2.3%	2.2%	2.0%	2.1%	2.2%
(target to maintain at less than 2%)										
Real Operating expenditure per capita	5,823	6,058	5,921	5,987	6,020	6,044	6,072	6,102	6,132	6,154
(a declining trend over time)										

3.4 Contribution plan costs above the cap

You should complete this section if the proposed special variation seeks funding for contributions plan costs above the development contributions cap. Otherwise, leave this section blank.

Please explain how the council has established the need for a special variation to meet the shortfall in development contributions.

For costs above the cap in contributions plans, a council must provide:¹

- ▼ a copy of the council's section 94 contributions plan

¹ See Planning Circular 10-025 dated 24 November 2010 at 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.

- ▼ a copy of the Minister for Planning’s response to IPART’s review and details of how the council has subsequently amended the contributions plan
- ▼ details of any other funding sources that the council is proposing to use, and
- ▼ any reference to the proposed contributions (which were previously to be funded by developers) in the council’s planning documents (eg, Long Term Financial Plan and Asset Management Plan AMP).

N/A

4 Assessment criterion 2: Community awareness and engagement

Criterion 2 in the Guidelines is:

Evidence that the community is aware of the need for and extent of a rate rise. The Delivery Program and Long Term Financial Plan should clearly set out the extent of the General Fund rate rise under the special variation. The council's community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occur. The IPART fact sheet includes guidance to councils on the community awareness and engagement criterion for special variations. In particular, councils need to communicate the full cumulative increase of the proposed SV in percentage terms, and the total increase in dollar terms for the average ratepayer, by rating category

Our fact sheet on the requirements for community awareness and engagement is available on the IPART website.²

In responding to this criterion, the council must provide evidence that:

- ▼ it has consulted and engaged the community about the proposed 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
- ▼ it provided opportunities for input and gathered input/feedback from the community about the proposal, and
- ▼ the IP&R documents clearly set out the extent of the requested rate increases.

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

- ▼ the proposed cumulative special variation rate increases including the rate peg for each major rating category (in both percentage and dollar terms)
- ▼ the annual increase in rates that will result if the proposed special variation is approved in full (and not just the increase in daily or weekly terms)
- ▼ the size and impact of any expiring special variation (see Box 4.1 below for further detail), and
- ▼ the rate levels that would apply without the proposed special variation.

More information about how the council may engage the community is to be found in the Guidelines, the IP&R manual and our fact sheet.

² <https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/For-Councils/Apply-for-a-special-variation-or-minimum-rate-increase>

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

The council's application should show how you have explained to its community:

- ▼ There is a special variation due to expire at the end of the current financial year or during the period covered by the proposed special variation. This needs to include when the expiring special variation was originally approved, for what purpose and the percentage of (General Fund) general income originally approved.
- ▼ The corresponding percentage of general income that the expiring special variation represents for the relevant year.
- ▼ Whether the temporary expiring special variation is being replaced with another temporary or a permanent increase to the rate base.
- ▼ The percentage value of any additional variation amount, above the rate peg, for which the council is applying through a special variation.
- ▼ If the proposed special variation was not approved (ie, only the rate peg applies), the year-on-year change in rates would be lower, or that rates may fall.

The council also must attach, to its application to IPART, a copy of the Instrument of Approval that has been signed by the Minister or IPART Chairman.

4.1 The consultation strategy

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

The council is to provide relevant extracts of the IP&R documents that explain the rate rises under the proposed special variation and attach relevant samples of the council's consultation material.

As part of Councils Customer Service Charter Policy, there is a Community Consultation element which states:

“Council has built a strong relationship with our local community through extensive consultation and participation. Two-way communication between Council and the community is encouraged. Residents are encouraged to:

- Attend Council meetings.
- Attend a public meeting or forum to discuss special issues.
- Join a local volunteer or interest group.
- Make an appointment to speak with the General Manager or a Director.”

Council as part of the SV process adopted a Community Engagement Plan Balranald Shire Council October 2017 and a detailed Community Engagement Program – refer **Attachment 6**

6. Council recognised the need to make the community aware of all aspects of the proposal and to provide opportunities for all ratepayers and residents to participate in discussion, provide feedback and to influence Council's decision making.

The community engagement program entailed:

Council Website - The effective use of Council's website and Facebook tools is critical to the success of any community engagement process. These social media channels were used to effectively distribute information and to publicise the proposed Special Rate Variation and a channel for feedback.

Community Survey - Development of a community survey with access via Councils website. The community survey information was part of the community engagement leaflet that was mailed to all ratepayers.

Community Engagement Leaflet - Council developed and mailed the engagement leaflet to all ratepayers and placed it on the website. This provided details of the SV proposal and the implications, along with avenues to engage further and provide feedback. Included was a "Have your say - Submission Form".

Frequently Asked Questions - A set of FAQ's was developed and placed on Councils website and distributed at the focus group sessions.

Focus Group Sessions - Council undertook direct engagement with the community by holding five focus group sessions:

- > Balranald Town- 2 sessions 3.4pm and 8-9pm
- > Kyalite Village
- > Clare Rural Community Hall
- > Euston Town

At these focus group sessions information was provided by means of a presentation with an opportunity to respond to 4 questions. In addition community members could ask questions and discuss any aspects of the SV proposal including alternate suggestions.

Media - Council's proposal to apply for a Special Variation received attention in the local media along with advertisements informing the community. The Mayor was also interviewed on ABC radio regarding the proposed rate rise.

Exhibition of IP&R Documents - As detailed in section 3.1 above the SV proposal was included in the CSP, DP and OP which were placed on public exhibition as part of the IP&R process in April and May 2017. The community was informed of the public consultation period by way of advertisements placed in the local newspaper. In addition, all documents were placed on Councils website during the consultation period.

4.2 Feedback from the community consultations

Summarise the outcomes and feedback from the council's community engagement activities. 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 special variation 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 proposed special variation, the application should set out the views expressed in those submissions. Please refer to Section 1.2 concerning how the council should handle confidential content in feedback received from the community. The council should also identify and document any action that it has taken, or will take, to address issues of common concern within the community.

The outcomes of the Community Engagement Plan and program are summarised below with the full Community Engagement Report Balranald Shire Council November 2017 at Attachment 7.

Balranald Shire Council engaged with the community on its current financial situation and options to address the challenges facing Council and the Community. Council considered a range of reports at a number of Council meetings to determine its options for community consultation and engagement. The Community engagement program comprised of provision of information, focus group sessions, written submissions and a community survey.

The engagement involved the provision of information by direct mail to all residents and access to information on Council's website. This information included an information leaflet, including a "Have your say- Submission Form", Frequently Asked Questions and access to staff to respond to community questions.

Council conducted five focus group sessions with 153 individuals attending. These sessions provided an opportunity for community members to provide feedback, seek clarification and ask questions. Each focus group session received a presentation and was provided with the opportunity to respond to 4 key questions - sustainable Council, satisfaction with current services provided by Council, preference of the rating options and ideas to make Council more sustainable over the long term. Following is a summary of these sessions.

There was unanimous agreement from all focus group sessions that Council should be sustainable.

It was clear from the focus group sessions that there is a strong opposition to the proposed rate increase of 10% per year including the rate peg for seven years. A small number of participants suggested a lower rate increase subject to council making some savings and efficiency improvements. The question of affordability in regards to the proposed rate increase, due to low wages, was raised in most sessions.

All focus groups were largely satisfied with current services provided by Council with the exception of roads. In some cases, this was the only key service that participants received

and in these cases, all focus groups were dissatisfied. Other comments suggested reviewing Council services, disposing of some of the road equipment and looking at using contractors to deliver some services.

A range of ideas were suggested for Council to become more sustainable over the long term. There was a consistent theme that Council needs to improve its operational performance. Other ideas include:

- Seek to increase grant income
- Sell or outsource services eg. Caravan Park, Discovery Centre, Bidgee Haven Hostel, Swimming Pool
- Review the level of Council debt
- A major restructure of Councils in the Western Division
- Council to provide efficiency improvements and lift their game.
- Council being more transparent and consult with community more often.
- A rating structure that reflects service benefits.

As part of the distribution of the information leaflet was the provision for community members to provide written submissions. 187 submissions were received. Of these 155 did not support increasing the rates above the rate peg limit and 14 supported the SRV with a further 9 respondents suggesting a lower SRV increase. 9 respondents had no preference.

It is clear from the written submissions, that the majority are dissatisfied with Councils transparency and performance which influenced their view of the need for a special rates increase. Respondents expressed concern at what they believe was poor governance, inefficient management, lack of services provided, particularly related to road maintenance, poor communication between council and community and lack of accountability.

There was a number common themes for improvement namely, to reduce Council staff and overheads, sell off assets to pay for services and be more transparent with the community.

Council developed an online community feedback survey for the SRV that was accessible from Councils' website. Fifteen people responded to the survey with over 90% of respondents agreeing that it's important that Council is sustainable. 40% of the respondents were satisfied with the current services provided by Council and a further 40% somewhat satisfied.

In relation to the proposed SRV 11 of the 14 people who responded to this question indicated their preference as Option 2 - no increase in rates above the rate peg limit.

In relation to media coverage Council's proposal to apply for a Special Variation received attention in the local media along with advertisements informing the community, refer to **Attachment 13**. The Mayor was also interviewed on ABC radio regarding the proposed rate rise.

5 Assessment criterion 3: Impact on ratepayers

Criterion 3 in the Guidelines 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. The Delivery Program and Long Term Financial Plan should:

- *clearly show the impact of any rises upon the community*
- *include the council's consideration of the community's capacity and willingness to pay rates, and*
- *establish that the proposed rate increases are affordable having regard to the community's capacity to pay.*

The impact of the council's proposed special variation on ratepayers must be reasonable. To do this, we take into account current rate levels, the existing ratepayer base and the purpose of the proposed special variation. We also review how the council has assessed whether that the proposed rate rises are affordable having regard to the community's capacity and willingness to pay.

5.1 Impact on rates

Much of the quantitative information we need on the impact of the proposed special variation on rate levels will already be contained in Worksheet 5a and 5b 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 may differ from the current rating structure, or that 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. If so, you should explain the rationale for applying the increase differentially among different categories and/or subcategories of ratepayers, and how this was communicated to the community. This will be relevant to our assessment of the reasonableness of the impact on ratepayers.

Councils should also indicate the impact of any other anticipated changes in the rating structure.

The overall rating structure remains unchanged after applying the Special Rate Variation to the current structure. The proposed Special Rate Variation will not result in any new or additional rate categories. However, Council intends to create a solar farming Business sub-category due solely to a changing use of the land and two mineral sands business sub-categories in preparation for the potential commencement of mineral sand operations beyond 2018/19.

The 2017/18 current rating structure is detailed in the Impact of Average Rates by Category table below. A key element of the Special Rate Variation is that the percentage of total yield within each rating category will remain consistent with the current rating structure.

Following are the implications and impacts of the proposed SV. The estimated additional rating income from the proposed SV, under Scenario 2, for each of the seven years is detailed below.

	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Scenario 2	\$102	\$110	\$121	\$133	\$146	\$161	\$177

The total SV component of the proposed rate increase for seven years is estimated at \$951,000, excluding the rate peg amount. There is also a \$14 million saving in depreciation over the same period. These will be allocated to the assets backlog and maintenance issues and current service provision. The proposed allocation of funds is as follows:

- 1) \$2.1 million on asset backlog;
- 2) \$11.8 million to ensuring the General Fund remains in balance and all service levels across all Council's functions are maintained;
- 3) \$1.05 million to additional maintenance of council infrastructure assets such as the road and drainage network

The proposed SV under Scenario 2 will impact all ratepayers with a cumulative increase of 95% on total rates over the seven year period. The proposed total SV is 10% per year for seven years with 7.7% SV year 1 and 7.5%, for each of the remaining years. This represents a cumulative increase of 76.4% and 2.3% Rate peg for 2018/19 and 2.5% for each of the remaining years. The cumulative rate peg increase for the same period is 18.6%.

The proposed SV has been developed so as to achieve a consistent average increase in dollar terms above rate pegging across all rating categories. Properties with the average annual levy within each rating category will pay an additional sum above rate pegging per annum in accordance with the table below, which was presented at the community meetings and contained in community information documents.

The following table illustrates the impact of proposed rate increase on the average land value for each rating category and sub- category. This represents a 95% cumulative increase (SV and Rate peg increases) on the total average rate.

Impact of Average Rates by Category						
Category	Ave Land Value 2017/18	Average Rates per Assessment	Average Rates Year1 SV	Average Rates Year 4 SV	Average Rates Year 7 SV	Cumulative Increase
Farmland General	700,174	2,838	3,122	4155	5531	
Farmland - Other Rural	72,489	363	399	531	707	
Farmland - Intense	123,369	1,183	1301	1732	2305	
Farmland - Average	438,314	1,946	2140	2848	3791	76.4% (SV Component)
Residential - <u>Balranald</u>	40,536	299	329	438	583	
Residential - Euston	51,740	293	322	429	570	
Residential - General	20,488	189	208	277	368	
Residential - Average	41,238	283	311	414	551	76.4% (SV Component)
Business - <u>Balranald</u>	44,059	1,395	1534	2042	2718	
Business - Euston	113,600	2,352	2587	3443	4583	
Business - Mining	41,473	470	517	688	916	
Business - Rural	8,706	288	317	422	562	
Business - Average	35,597	960	1056	1406	1871	76.4% (SV Component)
Total Average	159,973	861	947	1260	1678	

5.1.1 Minimum Rates

The proposed special variation may affect ordinary rates, special rates and/or minimum rates.

As previously discussed, if the proposed special variation includes increasing minimum rates above the statutory limit, or is to apply a higher rate of increase to an existing minimum rate than to its other rates, it is not necessary for the council to also complete the

separate Minimum Rates application form. However, this must be clearly identified and addressed in the special variation application.

Does the council have minimum Ordinary rates? Yes No

If Yes, does the council propose to increase minimum Ordinary rates by:

- The rate peg percentage
- The special variation percentage
- Another amount Indicate this amount _____

What will minimum Ordinary rates be after the proposed increase? _____

The council must 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 rating categories that will occur as a result.

You should also explain the types of ratepayers or properties currently paying minimum rates, and the rationale for the application of the special variation to minimum rate levels.

N/A

5.2 Consideration of affordability and the community's capacity and willingness to pay

The council is required to provide evidence through its IP&R processes, and in its application, of how it assessed the community's capacity and willingness to pay the proposed rate increases. This is to include an explanation of how the council established that the proposed rate rises are affordable for the community.

Evidence about 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 or neighbouring 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.

We may also consider how the council's hardship policy (see Section 5.3 below) might reduce the impact on socio-economically disadvantaged ratepayers.

The impact is considered reasonable given the low rate base resulting in a low average rate payment when compared to other Councils. In terms of affordability Councils current average rates 2017/18 are considerably below most of its neighbouring Councils as illustrated in the following table.

Category	Balranald	Central Darling	Hay Shire	Wentworth	Murray River
Farmland	1,946	1,145	2,976	1,581	see note
Residential	283	294	1,820	747	428**
Business	960	313	3,965	1,137	428**

Notes: ** Only data on minimum rate available

Following is a further comparison demonstrating the full effects of the proposed SV, under Scenario 2, along with the rate peg increases applied to other Council rates, for the average rate for each category.

Category	Balranald 17/18	Hay Shire Year 7 Rate Peg	Wentworth Year 7 Rate Peg	Balranald Year 7 SV
Farmland	1,946	4,900	1875	3791
Residential	283	708	886	551
Business	960	1991	1349	1871

Another factor is that while the LGA has a very low SEIFA ranking of 33/152 (2011 census) and the outstanding rates ratio (9.7% - down from 17.6%) is high, the average residential rates are below that of neighbouring LGAs as detailed above.

The 2012/13 Comparative Information on NSW Local Government- Measuring Local Government Performance report shows Councils' average rates are largely lower than the Group Average as detailed below. Also detailed below is the application of the annual rate peg from 2013/14 to 2017/18 to the 2012/13 averages.

	2012/13		2017/18	
Balranald Rate Categories	Balranald Council	Group Ave	Balranald Council	Group Ave
Residential Ave Rate	221	358	248	401
Business Ave Rate	749	694	838	777
Farmland Ave Rate	1752	2408	1960	2695

Council's current total ordinary rate base of \$1.33 million is small compared to its total annual operating expenditure of some \$13.7 million for 2017/18. When compared to neighbouring Councils, its ordinary rates base is the lowest, with Hay Shire Council at \$2.1 million, Wentworth Shire Council \$4.5 million and Murray River \$5.3 million. Council's low rate base coupled with its location and size significantly increases the cost of service

delivery. As a consequence, there is the reality that Balranald Shire Council is struggling with compliance and legislative obligations.

Another consideration for Council is the ratepayer’s capacity to pay. A key indicator of capacity to pay is income earnings. The 2016 census for median weekly incomes (people aged 15 and over) for the Balranald local area for personal income is \$624.

The following table illustrates the comparisons of median weekly incomes for Balranald LGA, NSW and Australia³

Median Weekly Incomes	Balranald LGA	New South Wales	Australia
Personal	624	664	662
Family	1,438	1,780	1,734
Household	1,174	1,486	1,438

Another key determinate of capacity and willingness to pay is the level of outstanding rates and charges. Council’s outstanding rates and charges have significantly reduced from 17.6% in 2013 to 9.7% in 2017. This is coupled with Councils hardship provisions in debt collection policies, Refer **Attachments 14 and 15**, provides an indication of the ratepayers capacity to pay.

1 2016 Census QuickStats: Australia | New South Wales | Local Government Areas Balranald (A): Code LGA10300 (LGA)

2 Ibid

3 2016 Census QuickStats: Australia | New South Wales | Local Government Areas Balranald (A): Code LGA10300 (LGA)

4 Ibid

5.3 Addressing hardship

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

Does the council have a Hardship Policy?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If Yes, is an interest charge applied to late rate payments?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Does the council propose to introduce any measures to reduce the impact of the proposed special variation on specific groups in the community?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

You should attach a copy of the Hardship Policy and explain below who the potential beneficiaries are and how they are assisted.

Please provide details of any other measures addressing hardship to be adopted, or alternatively, explain why no measures are proposed.

The council is also to indicate whether the hardship policy or other measures are referenced in the council's IP&R documents (with relevant page reference or extract provided).

A copy of Councils Hardship Policy is at **Attachment 14**. The policy aims to:

- > *Provide financial assistance to ratepayers who are experiencing genuine financial hardship with the payment of rates, fees and charges.*
- > *Provide a decision making framework for the appropriate assessment of all financial hardship applications.*
- > *Fulfill the statutory requirements of the Local Government Act 1993 and other relevant legislation in relation to the waiving or reduction of rates due to hardship.*

The policy further states; Council recognises there are cases of genuine financial hardship requiring respect and compassion in special circumstances. This Policy establishes guidelines for assessment of a hardship application applying the principles of fairness, integrity, confidentiality and compliance with statutory requirements. It applies to all applications for waiving, alternative payment arrangements or writing off rates, annual charges and interest accrued on such debts. The General Manager or nominee has the delegated authority to assess applications due to hardship and payment arrangement plans from any customer after receiving a written request.

Council will be more mindful of individual's circumstances and intends to be somewhat more lenient on payment of outstanding rates relating specifically to the SV increases. As a result, Council will continue to encourage ratepayers to contact Council directly in relation to any financial hardship issues that may result in late or non-payment of rates. Each case will be treated fairly and in accordance with Council's policy. At present, Council provides a number of payment options to ratepayers and is openly accepting of individual payment plans that are consistent with the principles outlined in the Hardship Policy.

6 Assessment criterion 4: Public exhibition of relevant IP&R documents

Criterion 4 in the Guidelines is:

The relevant IP&R documents must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation to its general revenue.

Briefly outline the significant IP&R processes the council has undertaken to reach the decision to apply for a special variation. Include the details of and dates for key document revisions, public exhibition period(s) and the date(s) that the council adopted the relevant IP&R documents.⁴

You should also include extracts from council minutes as evidence that the documents were adopted.

The council is reminded that the Community Strategic Plan and Delivery Program (if amended), require public exhibition for at least 28 days prior to adoption. Amendments to the Long Term Financial Plan and Asset Management Plan do not require public exhibition.⁵ However, it would be expected that the Long Term Financial Plan would be posted, in a prominent location, on the council's website.

As detailed in section 3.1 Council had given consideration of a potential SV application and identified this possible option in its Community Strategic Plan (CSP) under Strategic Objective 3.3; Strategy 3.4 d. Seek Special Rate variation for Business Mining Rate and General Rates increase and Strategic Objective 5.3; Strategy 5.3.5 b. Fund improvements from Special Rate Variation – refer **Extract 1**

Councils current Delivery Program, refer to **Attachment 8**, has incorporated at page 21 an action to “Apply to IPART for Special Rate Variation and mining rate introduction to improve Council revenue base”. Following Councils’ decision to consider and make application for a SV, the subsequent community consultation process and the consideration of the Community Engagement Report Council has resolved to amend its current Delivery Program (DP) **Attachment 8** to incorporate updated Special Variation information. Council adopted the revised DP on 8th February 2018 with public exhibition period of 28 days commencing on 9th February 2018. Refer to **Attachment 9** for a copy of the revised DP.

The Special Variation proposal was further highlighted in Councils Operation Plan (OP) including the Forward by the Mayor page 3 OP and an action to prepare a special variation application page 15 – **Extract 2**.

⁴ The relevant IP&R documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and where applicable, the Asset Management Plan.

⁵ Office of Local Government (then Division of Local Government), *Integrated Planning and Reporting Manual for local government in NSW*, March 2013, pp 5-6.

Another strategy and associated actions contained in the CSP, DP and OP (CSP 5.3.5: Provide community infrastructure) was the development and adoption of all Asset Management Plans and incorporation into the LTFP – **Extract 3**. In response to this Council had prepared an Overarching Asset Management Plan (July 2107) **Attachment 10**.

The Asset Management Plan included a strategic asset management gap analysis. The audit results for Balranald indicate a low level of compliance with asset management practices within the organisation. This is a reflection of Councils limited capacity to manage and fund its infrastructure assets. It also established that Council was under investigation in its infrastructure assets in terms of asset renewal and maintenance of assets.

Morrison Low was engaged to assess Council's current financial position, as detailed in the Long Term Financial Plan (LTFP) document refer to **Attachment 5**, with Council currently in an unsustainable financial position. This document was exhibited during October and November 2017 and adopted on 9th February 2018 following consideration of the community consultation feedback.

7 Assessment criterion 5: Productivity improvements and cost containment strategies

Criterion 5 in the Guidelines is:

The IP&R documents or the council's application must explain 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, you must provide details of any productivity improvements and cost containment strategies that you have implemented during the last two years (or longer) and any plans for productivity improvements and cost containment over the duration of the proposed special variation.

These strategies, which may be capital or operational in nature, must be aimed at reducing costs and/or improving efficiency. Indicate if any initiatives are to increase revenue eg, user charges. Please include below whether the proposed initiatives (ie, cost savings) have been factored into the council's Long Term Financial Plan.

Where possible, the council is to quantify in dollar terms the past and future productivity improvements and cost savings.

The council may also provide indicators of efficiency, either over time or in comparison to other relevant councils. We will make similar comparisons using various indicators and OLG data provided to us.

Council has achieved some operational efficiency with the significant improvement in the reduction of depreciation costs as a result of the revaluation of council assets. This is currently saving ratepayers \$2million per year. Despite this saving, there are not sufficient funds to meet the costs of providing ongoing services at the current levels while addressing the asset backlog issue.

Council has very limited capacity to deliver significant ongoing productivity improvements. However, in preparing this LTFP, a service review program has been included which will see the review 1 to 2 services each year. Council will also review its aged Care operations with a view of reducing the operating deficit. Council also plans to review its rating structure which may lead to further re-categorisation of properties. It will also develop and adopt S94 plans for the Shire and review fees and charges.

In addition, Council will be implementing the 39 actions identified to address the Performance Improvement Order issued by the Local Government Minister. Contained in these actions is to implement the Business Improvement Plan.

Refer to **Attachment 12** for a copy of the 39 Actions to address the Performance Improvement Order

8 List of attachments

The following is a list of the supporting documents to include with your application.

Some of these attachments will be mandatory to all special variation applications (eg, extracts from the Community Strategic Plan).

Other attachments will be required from some, but not all, councils. For example, extracts from the Asset Management Plan would be required from a council seeking approval of a special variation to fund infrastructure.

Councils should submit their application forms and attachments online through the Council Portal in the following order. Councils may number the attachments as they see fit.

Item	Included?
Mandatory forms and Attachments	
Part A Section 508A and Section 508(2) Application form (Excel spreadsheet)	<input checked="" type="checkbox"/>
Part B Application form (Word document) – this document	<input checked="" type="checkbox"/>
Relevant extracts from the Community Strategic Plan	<input checked="" type="checkbox"/>
Delivery Program – Current and Revised	<input checked="" type="checkbox"/>
Long Term Financial Plan with projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in Excel format	<input checked="" type="checkbox"/>
NSW Treasury Corporation report on financial sustainability	<input checked="" type="checkbox"/>
Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and proposed special variation	<input checked="" type="checkbox"/>
Community feedback (including surveys and results if applicable)	<input checked="" type="checkbox"/>
Hardship Policy	<input checked="" type="checkbox"/>
Resolution to apply for the proposed special variation	<input checked="" type="checkbox"/>
Certification (see Section 9)	<input checked="" type="checkbox"/>
Other Attachments	
Relevant extracts from the Asset Management Plan	<input checked="" type="checkbox"/>
Past Instruments of Approval (if applicable)	<input type="checkbox"/>
Resolution to adopt the revised Community Strategic Plan (if necessary) and/or Delivery Program	<input type="checkbox"/>
Other (please specify)	<input checked="" type="checkbox"/>



9 Certification

APPLICATION FOR A SPECIAL RATE VARIATION

To be completed by General Manager and Responsible Accounting Officer

Name of council: Balranald Shire Council

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

General Manager (name): Bob Stewart

Signature and Date:

Responsible Accounting Officer (name): Terri Bilski

Signature and Date:

Once completed, please scan the signed certification and attach it as a public supporting document online via the Council Portal on IPART's website.