



**FEDERATION  
COUNCIL**

# **Extraordinary Council Meeting**

# **Minutes**

Tuesday, 2 February 2021

Video Conference  
Commenced 9:30 am



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#### Financial Implications

There will be a financial cost to employ the contractor for an additional 12 months.

#### RECOMMENDED:

1. THAT Council appoint the contractor (Neil Smith) for the purposes outlined under Section 27B of the Swimming Pools Act 1992; and
2. THAT Council authorise the Common Seal of Council to be affixed to the Certificate of Authority for the contractor (Neil Smith).

39/21FC **RESOLVED** on the motion of Councillors Miegel and Kennedy:

1. THAT Council appoint the contractor (Neil Smith) for the purposes outlined under Section 27B of the Swimming Pools Act 1992; and
2. THAT Council authorise the Common Seal of Council to be affixed to the Certificate of Authority for the contractor (Neil Smith).

#### 6.2 SPECIAL RATE VARIATION AND LONG TERM FINANCIAL PLAN 2020-30

**Author:** Ermawaty Tai, System Accountant and Jo Shannon, Director Corporate and Community Services.

#### Summary

The purpose of this report is to seek Council's support for the submission of a Special Rate Variation (SRV) application to IPART under section 508(2) of the Local Government Act 1993, for a permanent one-year increase at a rate of 6% above the rate peg, commencing on 1 July 2021. As part of this, Council are also recommended to adopt the amended Long Term Financial Plan 2020-2030.

#### Background

The new Corowa Aquatic Centre is a modern and well-designed regional facility providing many benefits for the broader Federation Council area and beyond, including:

- Providing residents year round access for lane practice, learn to swim and exercise;
- Enabling the strengthening of local health and rehabilitation services;
- Attracting visitors from across the region, boosting our local retail and tourism industry;
- Providing fun and exciting activities for locals and visitors;
- Delivering a FINA compliant 50 metre 8 lane competition pool with the ability to host swim events and competitions;
- Enhancing the liveability of the area by continuing efforts to provide modern facilities that attract new families and retain existing families, to increase population to the area;
- Providing employment in the region for lifeguards, reception staff, learn to swim teachers and fitness instructors.

The construction of the new facility is nearing completion with Council looking forward to opening the facility in April / May 2021.

The funding for the \$10.3 million construction was made possible through the following programs or funding sources:

NSW Government – Stronger Communities Fund (\$5.0m)  
 NSW Government – Stronger Country Communities Fund (\$0.9m)  
 NSW Government – Club Grants (\$1.0m)  
 Federation Council (\$3.4m)

The funding for the ongoing operation of the Corowa Aquatic Centre will be split between users of the facility and ratepayers of the Federation Council area. At the January 2021 Council meeting, after a series of workshops on various options, and public exhibition/consultation on a draft fee structure, Council determined the fees and charges to apply for use of the facility.

The final model adopted took into account the common themes from the submissions received and revisions were made to the preferred draft option exhibited, to reflect the community views where it felt it was feasible.

It is estimated that users will fund 47% of the operating expenditure, with the balance to be funded by ratepayers. Of course given the facility is brand new, and there are no similar facilities of this exact make-up in the area, this modelling is all based on judgement and reviews of other facilities and areas, and only time will tell how the ratio of users versus rates materialises when the facility is in use. Councillors in making their final decision on the fee structures were cognisant of this, and of the strong signal that prices send in relation to attendance. Council did not want to outprice their facility, nor make the fees too low and place too high a burden on the general rate base.

It is considered that the final model is fair and equitable and the final Council resolution ensured a review occur after 12 months to gauge the success or otherwise of the model.

Also similar to the attendance rates being unknown, as are the true operating costs and the performance of other income streams in addition to entry fees. After 12 months, this information will also play a major role in the review of the fee structure.

**IPART process**

Where a Council is seeking a General Rate increase above the rate peg, an SRV application is required to be submitted to IPART seeking approval for the increase. Applications for the 2021/22 financial year are required to be submitted by 8 February 2021. The following table details key dates in the IPART SRV process.

Timeline

|                 |  |
|-----------------|--|
| 8 February 2021 | Closing date for Council applications for a Special Rate Variation.                            |
| 1 March 2021    | Closing date for public submissions to IPART regarding the Special Rate Variation application. |
| 1 May 2021      | IPART advise decision regarding Special Rate Variation application.                            |
| 1 July 2021     | New rating year commences.   |

The SRV application to IPART is required to address the following criteria:

- Criterion 1: Need for variation
- Criterion 2: Community engagement and awareness
- Criterion 3: Impact on ratepayers
- Criterion 4: Exhibition of IP&R documents
- Criterion 5: Productivity improvements and cost containment strategies
- Criterion 6: Other relevant matters

The following sections provide a brief summary of the response to each of the above criterion. The detailed response is located in the application which is attached at Attachment 5.2.2.

***Criterion 1: Need for variation***

The Corowa Pool had reached the end of its useful life many years back. Council had continued to operate the facility up until the end of the summer of 2017/18, however Council reports suggest that as early as the late 1990/s and early 2000's, the replacement need was there.

The Council merger in 2016 and subsequent funding and community interest, gave Council the impetus to then commence more aggressive strategy to complete the required renewal.

Council proceeded with the Corowa Aquatic Centre redevelopment following community engagement exercises that indicated community support for a replacement swimming pool with the features now constructed, and an associated rate increase to fund its construction and operation.

Following successful funding outcomes, the ratepayer contribution required to construct the facility was less than originally forecast and was able to be met from Council's cash reserves and a low level of borrowings. This has resulted in the SRV only now being needed to fund the operational costs, so the general rate increase now being proposed is less than the general rate increase proposed in 2016.

Without the SRV to fund the operating costs, Council's underlying financial position for the General Fund is significantly challenged. Under this scenario, the General Fund produces a negative cash position for 7 of the 10 years of the LTFP, ending with a cash position of \$325,000 at June 2030. This was included in the LTFP 2020 -2030 as an alternate scenario. From a financial perspective this is not adequate to maintain service delivery to the community and to withstand the inevitable financial shocks that organisations endure.

With the SRV, whilst the General Fund produces a negative cash position for 5 of the 10 years of the LTFP, it ends with a more favourable cash position of \$5,087,000 at June 2030. From a financial perspective this addresses the immediate impact of the operating costs.

Much further work will be required to ensure that Council is financially positioned to maintain other services to the community at the current service level if this is to be maintained. This is likely to require an additional more general SRV in the coming years, if the community support the current service levels.

***Criterion 2: Community engagement and awareness***

Council has undertaken a number of different community engagement activities in the lead up to the SRV application.

|                              |  |
|------------------------------|--|
| 2016                         | Resident survey conducted of local residents to obtain information on usage of public swimming pools and to gauge interest in residents paying more in rates which would determine the type of facility delivered. |
| June 2018                    | Community Strategic Plan – workshops to identify community priorities (swimming pool was 2 on the infrastructure priority list).   |
| June 2018                    | Community meeting (hosted by residents) - attended by more than 200 people at the Corowa RSL Club to request Federation Council to push for support for an indoor swimming pool.                                   |
| June 2020                    | Delivery Program and Long Term Financial Plan 2020-2030 released for public feedback containing 8% SRV increase.   |
| August 2020                  | Community Satisfaction Survey – 400 residents were asked to indicate their support for a Special Rate Variation as part of Councils Bi-Annual Community Satisfaction Survey.                                       |
| December 2020 / January 2021 | 2020 – 2021 Have Your Say – Corowa Aquatic Centre Fees & Charges and Special Rate Variation Application Survey.  |

Further detail on each of these activities is included in the SRV application in Section 2.

In the most recent surveying, community members were requested to provide feedback on the proposed fees for the Corowa Aquatic Centre and the associated Special Rate Variation. An online form was created to collate feedback. In addition six written submissions were received. A separate report has been prepared to summarise this feedback and consider appropriate responses (Attachment 5.2.3).

Of particular relevance for this SRV application, community members were requested to indicate their support or otherwise of the schedule of proposed fees and charges for the Corowa Aquatic Centre. The proposed fees and charges were based on an 8% general rate increase. Alternatives fees and charges schedules were provided that resulted in a higher or lower level of general rate increase.

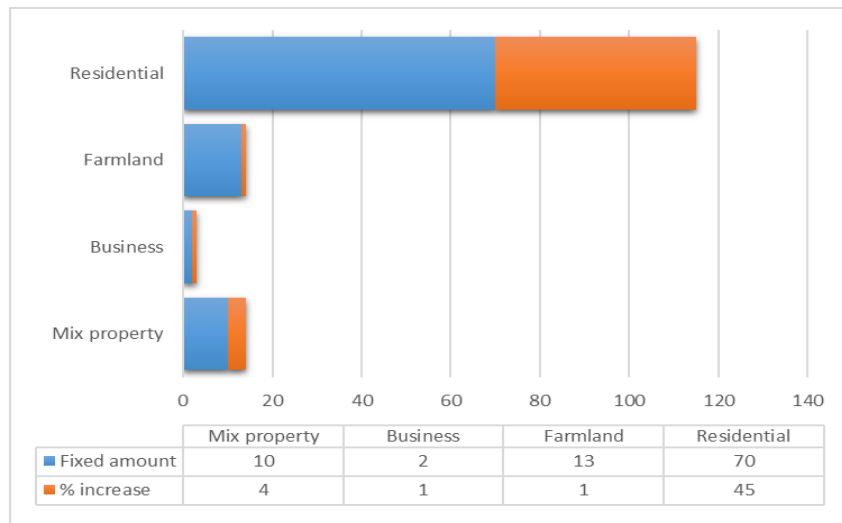
Of 145 respondents, 65% indicated support for the proposed fees and charges with an 8% Special Rate Variation.

Community members were also requested to indicate their preference for how the rate increase is applied to properties:

- Option A – Applying increase to property based on land value
- Option B – Applying increase equally to all property



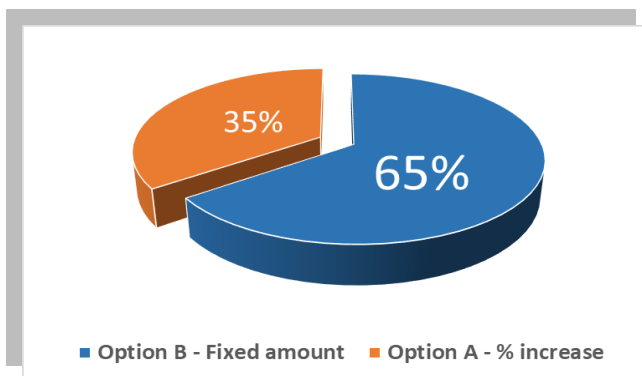
A survey was conducted for the community to indicate their preference for the method of applying the general rate increase and a total of 146 feedback was received with majority feedback from residential properties followed by farmland properties.



**Note:**

**Option A** = % increase

**Option B** = Fixed amount



65% survey submission have chosen the option that applies an equal general rate increase to all property. (**Option B**)

The respondents that have chosen Option B have indicated that they are from these areas:

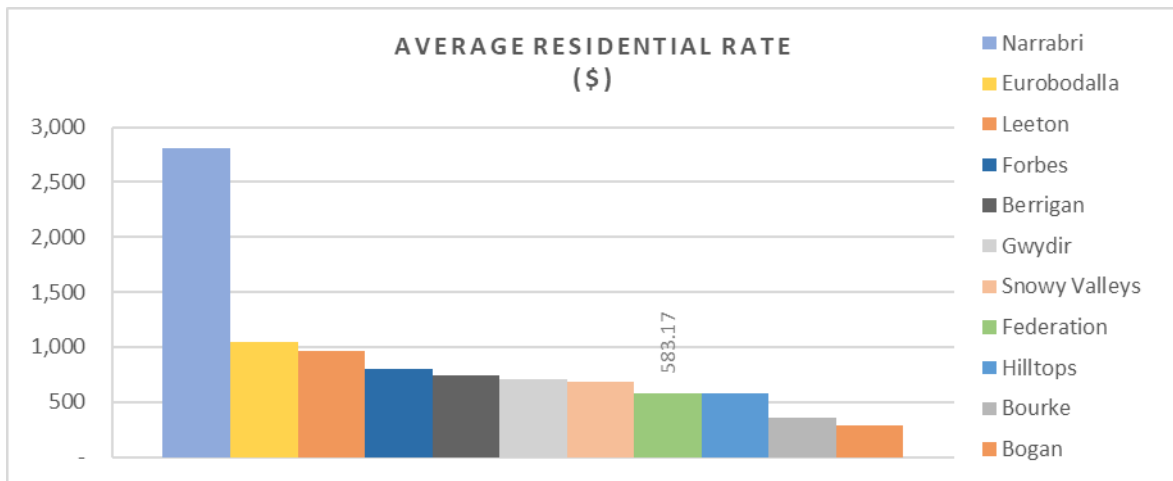
| <u>Location</u> | <u>No.</u> | <u>Location</u> | <u>No.</u> | <u>Location</u> | <u>No.</u> |
|-----------------|------------|-----------------|------------|-----------------|------------|
| Corowa          | 58         | Balldale        | 2          | Barnawartha     | 1          |
| Mulwala         | 15         | Coreen          | 2          | Hopefield       | 1          |
| Lowesdale       | 4          | Howlong         | 2          | Morundah        | 1          |
| Rutherglen      | 3          | Oaklands        | 2          | Urana           | 1          |
| Wahgunyah       | 3          |                 |            |                 |            |

**Criterion 3: Impact on ratepayers**

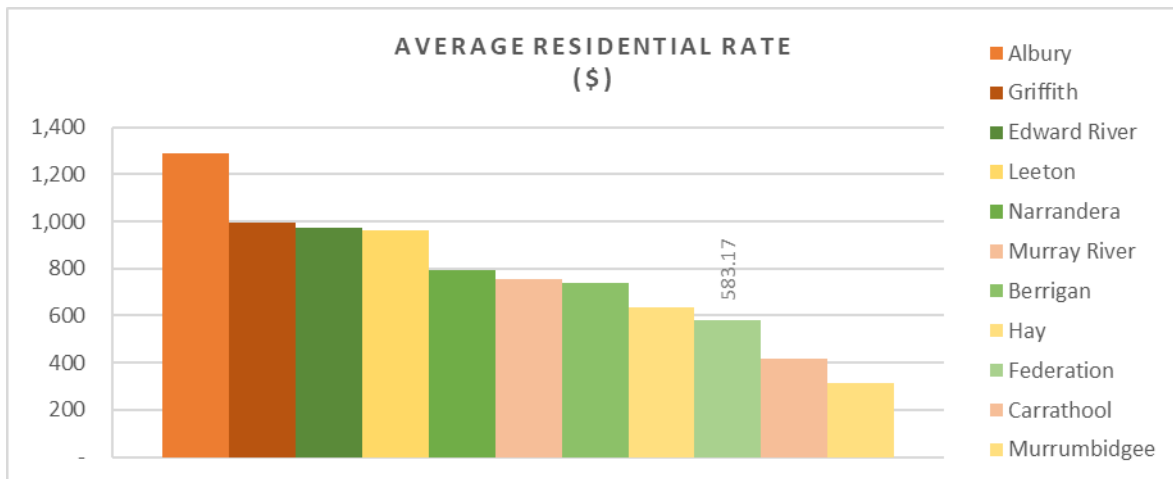
The impact on ratepayers has been considered in proceeding with the Corowa Aquatic Centre redevelopment. Council has considered the level of general rates in other Councils in NSW, particularly those in Council areas with a similar socio-economic profile and those in our local region.

At \$583.17 Federation Council currently has the 11th lowest average residential rates in NSW (of 128 Councils). The average residential rates in NSW is \$977.35.

When compared to average residential rates in LGAs with a similar socio-economic profile, Council is in the bottom 4 of average residential rates, as displayed in the graph below.



When compared to the Riverina and Murray Joint Organisation (RAMJO)’s eleven member councils, the graph below highlights that Federation Council is in the bottom 3 for average residential rates.



Both data demonstrates that the Council is at the lower end for an average residential rate charged and these are taken into consideration as the community capacity to pay.

When preparing this SRC application, endeavours have been made to reduce the financial impact on ratepayers.

Prior to the most recent community engagement exercise, the following table was prepared providing a summary of the annual impact on the average rates charged in the six current rating categories.



|                                  |  | Option A   | Option B                                 |
|----------------------------------|--|--|--|
|                                  |  | Increase applied to properties based on land value | Equal increase applied to all properties |
|                                  |  | 2021/22  | 2021/22                                  |
|                                  | Rate peg                                   | 2.00%  | 2.00%                                    |
|                                  | <b>Our proposed SRV increase</b>           | <b>8.00%</b>                                       | <b>8.00%</b>                             |
| <b>Residential former Corowa</b> | Rates without proposed SRV - rate peg only | \$667.00   | \$678.38                                 |
|                                  | Rates with proposed SRV                    | \$696.38   | \$740.68                                 |
|                                  | Impact of SRV/Year                         | \$29.38  | \$62.31                                  |
|                                  | Impact of SRV/Week                         | \$0.57   | \$1.20                                   |
| <b>Farmland former Corowa</b>    | Rates without proposed SRV - rate peg only | \$3,489.74   | \$3,424.90                               |
|                                  | Rates with proposed SRV                    | \$3,739.63   | \$3,487.21                               |
|                                  | Impact of SRV/Year                         | \$249.89   | \$62.31                                  |
|                                  | Impact of SRV/Week                         | \$4.81   | \$1.20                                   |
| <b>Business former Corowa</b>    | Rates without proposed SRV - rate peg only | \$1,329.50   | \$1,322.99                               |
|                                  | Rates with proposed SRV                    | \$1,410.63   | \$1,385.30                               |
|                                  | Impact of SRV/Year                         | \$81.13  | \$62.31                                  |
|                                  | Impact of SRV/Week                         | \$1.56   | \$1.20                                   |
| <b>Residential former Urana</b>  | Rates without proposed SRV - rate peg only | \$246.51   | \$265.16                                 |
|                                  | Rates with proposed SRV                    | \$254.87   | \$327.46                                 |
|                                  | Impact of SRV/Year                         | \$8.36   | \$62.31                                  |
|                                  | Impact of SRV/Week                         | \$0.16   | \$1.20                                   |
| <b>Farmland former Urana</b>     | Rates without proposed SRV - rate peg only | \$3,310.02   | \$3,242.86                               |
|                                  | Rates with proposed SRV                    | \$3,566.62   | \$3,305.16                               |
|                                  | Impact of SRV/Year                         | \$256.60   | \$62.31                                  |
|                                  | Impact of SRV/Week                         | \$4.93   | \$1.20                                   |
| <b>Business former Urana</b>     | Rates without proposed SRV - rate peg only | \$518.95   | \$1,197.54                               |
|                                  | Rates with proposed SRV                    | \$548.09   | \$1,259.85                               |
|                                  | Impact of SRV/Year                         | \$29.14  | \$62.31                                  |
|                                  | Impact of SRV/Week                         | \$0.56   | \$1.20                                   |

This information was included in the documentation to support the community engagement regarding the Corowa Aquatic Centre fees.

In response to the survey result, it is proposed to apply the 2021/22 rate peg (2%) based on land value and the 6% Special Rate Variation to be applied evenly on all properties (Option B). This would result in an increase of \$1.26 per week to average residential general rates.

Based on Council's current rating, applying an equal increase to all property will not show a uniform average increase due to different rating structures the Council inherited from both former Councils and the actual impact on ratepayer might vary as Council is in the process of harmonising the rates system. The rate harmonisation should result in a more equal increase across all property.

**Average general rates 2021/22**

Applies 2% rate peg PLUS  
SV as equal increase  
applied to all properties

|                        |  |              |
|------------------------|--|--------------|
|                        | Rate peg   | 2.00%        |
|                        | <b>Our proposed SRV increase (incl. 2.0% rate peg)</b> | <b>8.00%</b> |
| <b>Residential all</b> | Rates without proposed SRV - rate peg only             | \$629.25     |
|                        | Rates with proposed SRV                                | \$694.88     |
|                        | Impact of SRV/Year                                     | \$65.63      |
|                        | Impact of SRV/Week                                     | \$1.26       |
| <b>Farmland all</b>    | Rates without proposed SRV - rate peg only             | \$3,407.22   |
|                        | Rates with proposed SRV                                | \$3,449.66   |
|                        | Impact of SRV/Year                                     | \$42.44      |
|                        | Impact of SRV/Week                                     | \$0.82       |
| <b>Business all</b>    | Rates without proposed SRV - rate peg only             | \$1,201.10   |
|                        | Rates with proposed SRV                                | \$1,265.11   |
|                        | Impact of SRV/Year                                     | \$64.01      |
|                        | Impact of SRV/Week                                     | \$1.23       |

This updated impact on ratepayers has now been included in the Long Term Financial Plan 2020-2030.

It is important to note that the rates harmonisation project will be implemented concurrently with the SRV (if it is approved by IPART). As a consequence the change to rates may differ marginally from the above table.

**Criterion 4: Exhibition of IP&R documents**

The IP&R framework provides key strategic documents to guide Council's decision making. The Corowa Aquatic Centre and associated Special Rate Variation have been included in the following strategic documents:

|   |   |   |
|---|---|---|
| Community Strategic Plan                                    | Community Strategic Plan 2018 – 2028<br>'Our Community Our Opportunity' | June 2018                               |
| Delivery Program<br>(incorporating Annual Operational Plan) | Delivery Program 2018 – 2022 &<br>Operational Plan 2020 – 2021          | July 2020                               |
| Long Term Financial Plan                                    | LTFP 2020 – 2030  | July 2020<br>(Amended<br>February 2021) |

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

Following the merger of the former Corowa and Urana Shire Councils in May 2016, Council's priority has been establishing itself as new, larger, more mature organisation, and delivering on the significant community projects funded through the Stronger Communities Program.

A new organisational structure, with new senior appointments, has been established to guide the organisation as it matures into a Council that delivers a range of comprehensive services that meet legislative responsibilities and community expectations.

With a more robust organisation in place, Council has refocused on its financial sustainability challenges. It is primarily doing this based on:

- Developing and implementing a finance services improvement strategy to ensure the organisation is well supported by its finance function and is better able to make well-informed considered decisions.
- Implementing the Long Term Financial Plan.
- Implementing improvements to asset management practices.
- Identifying key financial performance measures to guide long term financial planning and improve Council's financial position.

Further detail on these priorities is contained in Section 5 of the SRV application and are included in the amended Long Term Financial Plan 2020 – 2030.

### **Criterion 6: Other relevant matters**

Nil.

### **Attachments**

- 6.2.1 Special Variation Application Form Part A (21/3393)
- 6.2.2 Special Variation Application Form Part B (to be tabled at the meeting)
- 6.2.3 Public Exhibition - Specific Submissions Received (21/3388)

### **Links to Councils Integrated Planning Framework**

Community Strategic Plan 2018 – 2028 'Our Community Our Opportunity'

#### **Theme: Built Federation**

**Outcome:** *Maintained and improved infrastructure that meets the needs of residents and industry.*

*1.2 Maintain and improve aquatic, recreational and other community facilities to meet the needs of residents.*

#### **Theme: Social Federation**

**Outcome:** *Close-knit and welcoming communities where people come together and support each other.*

*4.6 Provide sport and recreational opportunities.*

### **Financial Implications**

The detail of the financial implications was presented in December 2020 Council agenda with no budgetary changes as a result of the proposed amendments to the Long Term Financial Plan.

Below is snapshot of first year permissible general income with Special Rate Variation:

|  |                     |                           |
|--|---------------------|---------------------------|
| Prior year Notional General Income           |                     | <b><u>\$8,253,540</u></b> |
| Plus: Rate peg – first year                  | 2.00%               | \$ 165,071                |
| Plus: Additional increase – first year       | 6.00%               | \$ 495,212                |
| Total special variation – first year         | <b><u>8.00%</u></b> | <b><u>\$ 660,283</u></b>  |
| <b>First year Permissible General Income</b> |                     | <b><u>\$8,913,824</u></b> |

A further minor change was made to the Long Term Financial Plan to recognise the internal borrowings required in 2020/21 and 2021/22.

#### Risk Implications

It is worth for Council to note that:

- Financial modelling on the projected revenue for Corowa Aquatic Centre is subject to considerable uncertainty even though the fee is set to ensure affordability and accessibility.
- Income from Special Rate Variation is essential but the application is still subject to IPART's approval.
- Special Rate Variation does not include payback of \$1.5m of borrowings and interest.
- Review is required once we have a better understanding of usage of the facility and its associated revenue and operating costs that might result in a further special rate variation or service level changes (consistent with the January 2021 resolution of Council).

#### Legal Implications

Nil.

#### Options considered in preparing this recommendation

The recommendation to Council is to apply to IPART for a Special Rate Variation of 8% (6% plus the 2% rate peg) as detailed in this report.

There are a number of alternative options available to Council, which have been considered, however these are not recommended to Council:

1. **Apply to IPART for a Special Rate Variation of 10%** (8% plus the 2% rate peg) to accommodate the new more-accessible Corowa Aquatic Centre pricing model – given the community engagement associated with the Long Term Financial Plan, the Community Satisfaction Survey and the Corowa Aquatic Centre fees and charges, was based on an 8% SRV increase, advice has been received from IPART that it is highly unlikely they would support an application on this basis, and therefore it is not recommended to Council.
2. **Apply to IPART for a Special Rate Variation of less than 6%** (less than 6% plus the 2% rate peg – for example 4% SRV and the 2% Rate Peg) to alleviate pressure on ratepayers. Given the community engagement associated with the Long Term Financial Plan, the Community Satisfaction Survey and the Corowa Aquatic Centre fees and charges, was based on an 8% SRV increase, this could potentially be supported by IPART. However, this would reduce the revenue received to offset the increased costs from operating the new Corowa Aquatic Centre. This would result in a greater reduction in Council's cash position and have a detrimental impact on Council's financial sustainability and result in Council being required to make difficult decisions and lower other service levels to ensure Council can maintain financial sustainability.
3. **Determine not to submit an application to IPART and apply the 2% rate peg only** – noting that the Corowa Aquatic Centre fees cover less than 47% of the costs of operating the new facility, this would reduce the revenue received to offset the increased costs. This would result in a greater reduction in Council's cash position and have an unacceptable detrimental impact on Council's financial sustainability and require significant other service cuts including to Councils more core service areas.

#### Additional community consultation - Officer Recommendation

In addition to the extensive community engagement and consultation undertaken over the last 4 years, Council should consider holding several public community consultation and information sessions once the application is lodged.

This could ideally be two sessions, one in Corowa and one in a northern town or village, for example Urana or Morundah. This would allow ratepayers to gain a thorough understanding of the application. If conducted over the next few weeks, this would still allow time for them if they wish, to make a submission, or an additional submission to IPART before IPART closes its submission window on 1 March 2021.

**RECOMMENDED:**

1. THAT Council notes and expresses its thanks to each of the individuals and organisations that provided submissions to the public exhibition of the Corowa Aquatic Centre fees and charges and associated Special Rate Variation;
2. THAT Council authorises to submit the Special Rate Variation application to IPART under section 508(2) of the Local Government Act 1993, for permanent one-year increase at a rate of 6% above the rate peg, commencing on 1 July 2021, applying the 2021/22 rate peg (2%) based on land value and the 6% Special Rate Variation evenly on each property in the Council area;
3. THAT Council supports two community information sessions, one in the northern part and one in the southern part of the Council area, on the Special Rate Variation application and opportunities for community members to submit their views directly to IPART; and
4. THAT Council adopts the amended Long Term Financial Plan 2020-2030.

40/21FC **RESOLVED** on the motion of Councillors Longmire and Kennedy:

1. THAT Council notes and expresses its thanks to each of the individuals and organisations that provided submissions to the public exhibition of the Corowa Aquatic Centre fees and charges and associated Special Rate Variation;
2. THAT Council authorises to submit the Special Rate Variation application to IPART under section 508(2) of the Local Government Act 1993, for permanent one-year increase at a rate of 6% above the rate peg, commencing on 1 July 2021, applying the 2021/22 rate peg (2%) based on land value and the 6% Special Rate Variation evenly on each property in the Council area;
3. THAT Council supports two community information sessions, one in the northern part and one in the southern part of the Council area, on the Special Rate Variation application and opportunities for community members to submit their views directly to IPART; and
4. THAT Council adopts the amended Long Term Financial Plan 2020-2030.

**J SHANNON**  
**DIRECTOR CORPORATE AND COMMUNITY SERVICES**