



Attachments to the SV Application Balranald Shire Council

December 2017

Attachment 1

TCorp Financial Assessment, Sustainability and Benchmarking Report: Balranald Shire Council - 9April 2013

<https://www.olg.nsw.gov.au/sites/default/files/Balranald-Sustainability-Report.pdf>



Attachment 2

2013 Local Government infrastructure Audit (Premier & Cabinet – Division of Local Government) report

<https://www.olg.nsw.gov.au/sites/default/files/LIRSAudit-Report-June-2013.pdf>



Attachment 3

Performance Improvement Order (PIO) to Balranald Shire Council under section 438A of the Local Government Act 1993, issued by the Minister for Local Government

Local Government Act 1993

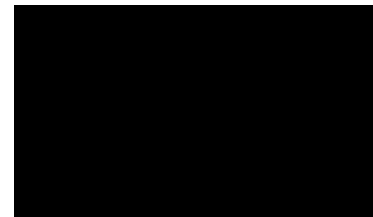
Order under section 438A

I, the Minister for Local Government, issue this Performance Improvement Order to the Council and/or persons specified in Schedule 1 to undertake the actions described in Schedule 2 within the period specified in Schedule 2.

I hereby appoint the person specified in Schedule 3 as temporary adviser to Council to exercise the functions, and for the term, specified in Schedule 3.

This Order takes effect upon service on the Council.

Dated: 29.4.17



The Hon Gabrielle Upton MP
Minister for Local Government

SCHEDULE 1

Balranald Shire Council

SCHEDULE 2

Reasons for Order – section 438A(3)(a)

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 operating surplus in the future.
3. There remains considerable risk to Council in not having an audit committee or internal audit function. As a direct consequence, Council was not aware of, nor was it involved in, the preparation of a response to the issues raised in the external auditor's management letters in 2013/14 and 2014/15.
4. Council's policies do not appear to have been reviewed and/or updated since 2008. Notably, Council has seemingly dealt with code of conduct complaints (one of which has been referred to the Office for misconduct) pursuant to a superseded code and/or one which has not been adopted by Council.
5. Councillors failing to identify the nature of the interest when disclosures are made at the commencement of the meetings (pecuniary or non-pecuniary). There is no record of what, if any, action was taken by councillors to manage identified conflicts.
6. I believe the appointment of a temporary adviser to assist the Council in meeting the actions required is reasonably necessary in the circumstances.

Action required to improve performance – section 438A(3)(b)

1. That Council develop an implementation plan acceptable to the Minister that addresses the findings and recommendations from the Office of Local Government's report entitled '*Balranald Shire Council report on Preliminary Enquiries dated August 2016*' (the Report).
2. That Council utilise the services of the temporary adviser to assist in identifying any additional risks and areas of non-compliance in Council's controls and processes and incorporate these in the implementation plan.
3. The implementation plan must:
 - a. Demonstrate how Council will address the findings and recommendations in the Report.
 - b. Demonstrate how Council will address any additional risks and areas of non-compliance in Council's controls and processes.
 - c. Identify specific completion dates.
 - d. Identify the person/s responsible for implementation activities.
 - e. Identify what, if any, additional resources are required to give effect to the plan.
4. If the plan is satisfactory to the Minister, the Council is to adopt the plan and commence its implementation.

Period for compliance with Order

1. Compliance report 1: Council must provide the Minister with the implementation plan within 10 weeks from the date of service of this Order.
2. Compliance report 2 – final compliance report: Council must provide the Minister with a written report on its progress against the implementation plan within 12 weeks of the Minister's satisfaction with the plan.

Evidence to be provided with the compliance reports

Compliance report 1: A copy of Council's implementation plan.

Compliance report 2 – final compliance report: Documentary evidence to substantiate the actions taken and any improvement to Council's performance against the implementation plan.

SCHEDULE 3**Appointment of temporary adviser**

Pursuant to section 438G of the *Local Government Act 1993*, that Alan McCormack be appointed as a temporary adviser to Balranald Shire Council for the period up to the submission of the final compliance report to the Minister.

The temporary adviser shall have the following functions:

(i) to provide advice and assistance to Council for the purpose of ensuring that it complies with the Performance Improvement Order.

(ii) to undertake a review and evaluation of Council's implementation plan. In doing so, obtain evidence to the effectiveness of Council's controls or processes that have been implemented since the Office conducted its preliminary enquiries.

(iii) to provide assistance to Council for the purpose of identifying any additional risks and areas of non-compliance in Council's controls and processes.

Pursuant to section 438G(7) of the *Local Government Act 1993*, the temporary adviser shall be paid from the Council's funds for the period of the appointment. The estimated maximum cost of the appointment will be \$66,000 (including GST).



Attachment 4

Rating Review Report Balranald Shire Council September 2017



Rating Review Report

Balranald Shire Council

September 2017

Document status

Ref	Approving director	Date
102	Dan Bonifant	September 2017

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Executive Summary

Balranald Shire Council has sought a review of its current rating structure due to a range of factors, namely a potential inequity between rating categories, the impact of the mineral sand mines and solar farms, the need to have appropriate categories and subcategories to manage any change in rating categories, and to address Council's overall financial position and long term financial sustainability.

Council was of the view that its current rating structure had some potential inequities between the rating categories. An analysis was undertaken which allocates the operating costs for each service (the benefit) to a rating category through a rates benefits model which compares the rates paid to benefits received. The results of the analysis indicates that there is inequity as the farmland rating category is paying more rates than the benefit received and the residential ratepayers less rates than the benefit received. However, the rates benefit model should only be used as a general guide to illustrate to Council a potential issue in the current rating structure.

Further, a comparison of the average ordinary rates for Balranald and its neighbouring councils shows that residential and business properties in Balranald pay lower average rates than those in neighbouring councils, with Balranald's average residential rate significantly lower than other councils.

Given the number, range and complexity of potential changes to the rating system in 2018/19, it is recommended that the rate structure should be reviewed for the start of the 2019/20 financial year with consideration given to rebalancing the contributions from different categories to the rate base income.

One of the key challenges is for Council to understand and quantify what the impact of mining and solar farming activities will have on the local community and on the Council. The change in use will see these properties re-categorised resulting in an increase in Council total allowable 'notional income'.

The rationale in determining the increase in rate income is based on increased demand and use of Council services and infrastructure. The basis of the cost impact assessment includes estimated population growth, recognition of location, access and use of Council services and infrastructure and potential benefits of economies of scale. The assessment also acknowledges the estimated road contributions which have been slightly discounted to recognise that staff, contractors and suppliers will use and consume the broader infrastructure of Council.

The recommended additional rate yield for these new activities is:

- Category - Business: Subcategory - Mineral Sands Balranald - \$605,000
- Category - Business: Subcategory - Mineral Sands Atlas-Campaspe - \$490,000
- Category- Business: Subcategory Solar Farming - \$70,000

In order to collect the additional rate yield, Council needs to make a rate for the new subcategories. The major issue is that there is a strong likelihood that the mineral sands valuations for rating purposes may not be available to meet this timeline. The report recommends that Council make the rate based on the estimated value provided by the Valuer General.

In addition Council understands there is a need for a permanent special rate variation (SRV) application to address its operating deficit. A revised LTFP has been developed and includes a permanent SRV application effective from 1st July 2018 for an increase of 10% per year rate (compounded) for the next six years.

Applying the 10% SRV to Council's current rate base will generate an estimated \$133,390 in 2018/19 rising to \$237,185 in the sixth year. Council will need to consider the impact on the whole rating structure as part of the revised LTFP, Delivery Program and Operation Plan and the subsequent community consultation.

Purpose of Review

Council has sought a review of its current rating structure due to a range of factors.

Firstly, Council identified that there may be a potential inequity between the allocation of rates across different property categories and subcategories and therefore a need to consider reallocation between categories and subcategories.

The proposed development of mines and solar energy farms within the shire will create costs and there is a need to generate additional revenue from these activities in order to become financially sustainable. Additionally, appropriate categories and subcategories need to be put in place to manage these possible changes in land use in the shire.

Finally, due to Council's overall financial position, there is a need to develop the basis for a SRV to increase the level of own source revenue in the shire in order to meet ongoing service and infrastructure demands and costs.

Council has been issued with a Performance Improvement Order. One of the responses to this Order is to consider a SRV in order to generate an operating surplus.

Background

Balranald Shire forecasts collecting \$1,333,885 in 2017/18 from ordinary rates. In addition, Council levies annual charges for water, sewer and domestic waste management as well as a range of user charges, including volumetric charges for water and reuse water.

Before setting the ordinary rate, Council must have declared each parcel of rateable land in its area to be within one or other of the four categories of Section 514 of the Local Government Act (The Act) or a subcategory of a main category, and given written notice of its decision to the landowner (sections 520 and 531 of The Act).

Council's rating system currently has separate rate categories for

- Residential
- Business
- Farmland

Residential

Under Section 516 of The Act, land is categorised as residential if its dominant use is for residential accommodation (other than as a hotel, motel, guest house, backpacker hostel, or nursing home or others as determined by regulations). It also includes vacant land zoned for residential and rural residential land.

Residential land can be subcategorised according to whether it is rural residential land or is within a centre of population.

Council currently has the following subcategories of residential land

- Residential - Balranald
- Residential - Euston
- Residential - General

Business

Under Section 518 of The Act, land is categorised as business if it cannot be categorised as farmland, residential or mining.

Business can be subcategorised on the basis of a centre of activity.

Council currently has the following subcategories for business

- Business - Balranald
- Business - Euston
- Business - Mining
- Business - Rural

Farmland

Under section 515 of The Act, land is categorised as farmland if its dominant use is for farming (the business or industry of grazing, animal feedlots, dairying, pig farming, poultry farming, viticulture, orcharding, bee keeping, horticulture, vegetable growing, the growing of crops of any kind, forestry or aquaculture), which:

- has a significant and substantial commercial purpose or character
- is engaged in for the purpose of profit on a continuous or repetitive basis (whether or not a profit is actually made).

Farmland can be subcategorised according to the intensity of use, the irrigability of the land or economic factors affecting the land.

Council currently has the following subcategories for farmland

- Farmland - General
- Farmland - Other rural
- Farmland - Intense

Mining

Under section 517 of The Act, land is categorised as mining if its dominant use is for a coal mine or a metalliferous mine. Mining can be subcategorised according to the type of mining involved. Council does not have any subcategories for mining.

Notification of category

When determining the category to which land applies Council must give notice of the category declared for each parcel of land to the rateable person.

The notice must state that

- the person has the right to apply to the Council for a review of the determination
- the person has the right to appeal to the Land and Environment Court if dissatisfied with the Council's review, and it must refer to sections 525 and 526 which state that a person can apply to Council at any time for a review of a declaration placing land in a particular category and can appeal to the Land and Environment Court (s526).

Notional income

Each year Council's maximum rates revenue is capped by the state government with the rate pegging requirements. The rate peg for 2017/18 was 1.5%. To calculate the maximum council rates revenue, each council calculates its notional income. This calculation takes the updated land values at the end of the year, valued as at the date of the previous revaluation, and multiplies the land value by the ad valorem rate for each subcategory (and the number of properties by the base rate).

In performing this calculation a council will generally capture, in a normal year when there has been no revaluation of the whole shire:

- last year's rates charged
- plus rates on the additional land value for properties added during the year through subdivisions and other adjustments to assessments
- plus additional rates on any properties that have been re-categorised into a higher rated category
- less any value decrease or where a property has been re-categorised into a lower rated category (say from business to residential or farmland).

Rating Structure Review

Review and analysis

An analysis of the alignment between rates paid by each category and the cost of services was undertaken to evaluate whether there was inequity between categories. The analysis allocates the operating costs for each service (the benefit) to a rating category through a rates benefits model which compares the rates paid to benefits received.

The allocation methodology has two criteria:

- Direct beneficiary of the service
- Council-wide benefit

The direct beneficiary criteria are assessed based on the rating category, or a portion thereof, receiving a specific service benefits. For example, a saleyard operational cost would be allocated 100% to the farmland category, or tourism services largely allocated to the business category as these rating categories receive the greatest benefit. This aims to reflect the direct beneficiary of the service provided.

The council-wide benefit criteria are distributed on a per assessment basis. For example, corporate services are allocated to each of the rating categories based on the percentage of rate assessments within each category. This reflects that there are no direct or specific benefits for a particular rating category.

A comparison between Balranald Shire Council average rates and that of neighbouring councils was undertaken to assist in assessing the equity of Council's current rating structure.

A current rating structure issues paper was drafted and is attached at Appendix A. This paper draws out a range of challenges and issues that Council should consider as part of their ongoing refinement and review of the rating structure.

Observations and comparisons

Comparison of rates paid and benefits received across categories

The results from the assessment of rates benefits shown in the following Rates Benefits Table, indicates that there is inequity as the farmland rating category is paying more rates than the benefit received.

- The total rate income for the farmland category is \$907k and the estimated equivalent ratepayer contribution to benefits received is \$566K. This represents 1.6 times rate payment to benefit received.
- Conversely the residential ratepayer is potentially under-contributing to the service benefits received. The total rate income for the category is \$257k and the estimated equivalent ratepayer contribution to benefits received is \$572K. This represents 0.45 times the rate payment to benefit received.
- The business rating category indicates there is a close alignment to rates paid to benefits received. The total rate income for the category is \$170k and the estimated equivalent ratepayer contribution to benefits received is \$195K.

Using the principles of the benefit allocation approach suggests that the farmland category should pay less in rates and residential should pay more. However, the rates benefit model should only be used as a general guide to illustrate to Council a potential issue in the current rating structure.

Table 1 Rates Benefits Table

Description	Assessment Numbers	Rate Income	Gross Ratepayer Benefit	Equivalent Contribution to benefits received
Farmland	466	\$ 906,980	\$ 5,227,130	\$ 565,989
Residential	907	\$ 256,975	\$ 5,289,254	\$ 572,716
Business	177	\$ 169,945	\$ 1,802,709	\$ 195,196
Mine	-	-	-	-
Totals	1,550	\$ 1,333,900	\$ 12,319,094	\$ 1,333,900

Comparison of average rates with other councils

We have undertaken a comparison of the average ordinary rates for Balranald and its neighbouring councils, as detailed in the table below in order to assist Council in ascertaining any inequity in its current rating structure.

We have used representative averages as direct comparisons are not possible for all councils. We were unable to calculate the average rates for Murray River so have used the minimum rate.

Apart from Central Darling, the data clearly shows that generally the average residential and business properties in Balranald pay lower average rates than those in neighbouring councils.

Table 2 Rates Comparison 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

Balranald's average residential rate is significantly lower than all other councils, with the exception of Central Darling.

Comparison of average rates across categories

Analysis shows that the average residential rates are low when compared to other categories, as are the average rates for properties in the Farmland – Other Rural category. The table below lists the current rating subcategories together with the average rates and average land value per subcategory. This comparison also demonstrates that the residential category could be paying a greater portion of the rates base.

Table 3 Balranald Average Rates Table

Category	No of Assessments	Ad Valorem Rate	Base Rate	Average Rates per Property	Ave Land Value
Farmland General	263	0.003585	328	2,838	700,174
Farmland - Other Rural	97	0.00288	154	363	72,489
Farmland - Intense	106	0.006782	346	1,183	123,369
	466			1,946	438,314
Residential - Balranald	535	0.003864	142	299	40,536
Residential - Euston	259	0.00301	137	293	51,740
Residential - General	113	0.004699	93	189	20,488
	907	0.011573		283	41,238
Business - Balranald	74	0.023896	342	1,395	44,059
Business - Euston	17	0.017694	342	2,352	113,600
Business - Mining	11	0.007788	147	470	41,473
Business - Rural	75	0.020634	108	288	8,706
	177	0.070012	231	960	35,597
Total	1550	0.784265		861	159,973

This information was presented to Councillors at a workshop on 24 August 2017, along with the potential additional rates from the opening of two mines, the solar farm rates opportunity and the need for a special rate variation (SRV). Taking into consideration the number, range and complexity of potential changes to the rating system, Councillors decided not to change the current rating structure immediately. Their view was once the new rating subcategories and the SRV outcomes are fully embedded, Council will reconsider the rating structure.

It is recommended that the rate structure should be reviewed for the start of the 2019/20 financial year, with consideration given to rebalancing the contributions from different categories to the rate base income.

New Mines and Solar Farms

Determine impact on Council

A key purpose of this report is for Council to understand and quantify what impact the mining and solar farming will have on the local community and on the council. While there will be many positive impacts resulting from these new activities, there will also be costs, both direct and indirect, that will impact on a council. These will include impacts such as:

- increased demand for housing and related infrastructure
- increased demand for council services
- the need for new infrastructure (eg roads, bridges)
- increased usage and/or deterioration of existing infrastructure.

The extent of these impacts will be governed by the intensity of the activities and the relative demand for services resulting from additional jobs and associated estimated population increases. It is therefore essential that a council establish funding streams that reflect and meet these additional costs.

In terms of one-off capital costs such as the construction of new roads, councils should be looking to negotiate agreements such as a voluntary planning agreement, to meet such costs. Such agreements are beyond the scope of this paper but should be part of the suite of tools that Council utilises.

In terms of on-going costs such as infrastructure maintenance, where specific infrastructure assets are identified as essential to operation of the new activities, Council should negotiate an agreement to maintain and/or renew these assets over the life of the business. It is noted that Council is currently negotiating road contribution agreements with both mines.

Rating structure change

Council must ensure that it structures' its rating system to provide for sufficient additional rating income be collected to cover the broader impacts of these new activities.

There are two mineral sand mines and two solar farms proposed for the shire. All properties where these activities will take place are currently rated in the Farmland-General subcategory.

The change in use will see these properties re-categorised as business with relevant subcategories. The re-categorisation of these properties into a higher rated category will result in an increase in Council total allowable 'notional income'.

Proposal mineral sands mines rating structure

Council's legal advice from McCullough Robertson Lawyers dated 23 June 2016 states that, "as both Iluka and Cristal comprise mineral sand mining operations, the land does not fall within the Local Government Act 1993 (LG Act) categorisation of 'mining' which is limited to land comprising coal and metalliferous mines. As such, the land should be rated as 'business'." Refer to Appendix B.

The advice states further that “pursuant to section 529(2)(d) of the LG Act, Council is able to determine a subcategory for land rated as business, ‘according to a centre of activity’. Centre of activity is not defined within the LG Act, as such it is necessary to consider case law interpretations in order to determine whether the proposed Iluka and Cristal developments can be subcategorised.” Refer to Appendix B.

The advice concludes that “in our view, it is open to Balranald Council to make a determination of two separate subcategories for the purposes of council rates applicable to the Iluka and Cristal projects, as they are both two distinct ‘centres of activity’ geographically separated by a number of kilometres from each other.” Refer to Appendix B.

The proposed rating categories and subcategories for the two mines are:

Iluka Resources Limited – Balranald Mineral Sands Project

- Category - Business; Subcategory - Mineral Sands Balranald

Cristal Mining Australia Limited – Atlas- Campaspe Mineral Sands Project

- Category - Business; Subcategory - Mineral Sands Atlas-Campaspe

In relation to the current rate Category - Business; Subcategory – Mining, it is recommended that the description be changed to better reflect the commercial activities. These activities are largely gypsum extractions from a pit. Therefore, the proposed rating description is

- Category - Business; Subcategory - Gypsum Extraction

Proposed solar farming rating structure

The initial consideration is whether the solar farm activity is of a commercial nature or not and thus the decision to re-categorise from Farmland to Business. The report draws on an extract from the Office of Local Government - Council Rating and Revenue Raising Manual, as follows:

“To be a business, the activity or activities carried on must be carried on systematically as a commercial venture organised for profit. The carrying on of a business implies repetition of acts with a somewhat permanent character.

In order to determine whether a business is being carried on, it must be kept in mind that:

- *the activity or activities carried on must be a business within the ordinary meaning of that word as a word in the English language*
- *a small farming business is still a business*
- *a new business does not always produce profits in the initial year or years*
- *an activity can be considered to be a business even though it is in an early stage;*
- *the fact that, for income tax purposes, the applicant is regarded as a primary producer has little or no significance for what is required to be decided by council under section 515 of the Act.*

In order to determine whether the farming has a significant and substantial commercial purpose or character, it is legitimate for council to enquire whether the particular activity or activities carried on are "too slight" or "too minor" to be reasonably regarded as having the requisite degree of commercial purpose or character. Thus, in the case of farming activities producing very small returns, it may be difficult, if not impossible, to designate those activities as a business having a significant and substantial commercial purpose or character. In addition, as mentioned above, there should be present in the activities some element of continuity and repetition.

Although section 515(1) makes it clear- that the question of whether or not a profit is actually made is immaterial to the question of whether the farming is engaged in for the purpose of profit on a continuous or repetitive basis, it is still reasonable for council to enquire, more or less objectively, as to whether there is evidence to support a conclusion that the activities will be economically viable in the future. In other words, the farming carried on must be "on a sufficient scale to have some element of independent viability".

*Admittedly, the use of the word "purpose" (plus the express inclusion of the words "whether or not a profit is actually made") makes it clear that the question is to be answered by asking "for what reason", "with what intent" or "to achieve what result" is the activity carried out. However, the necessary purpose will not, it seems, be easily established subjectively (by mere statements of intent) in the absence of an income profit being derived but will need to be established more-or-less objectively (by inferences or conclusions drawn from primary facts), having regard to the likelihood of an income profit being derived in the foreseeable future: Thus, in *Satchwell v Lake Macquarie CC* (LEC Bly A 30104/91 24/5/91) the Court concluded that the requirement for the farming to be engaged in for the purpose of profit on a continuous or repetitive basis was not satisfied as the property was not likely to be profitable for the future 5 year period nor had it been profitable in the past.*

In many Land and Environment Court decisions, the interpolated need for some element of "independent viability" appears to have been treated as if synonymous with the "significant and substantial commercial purpose or character" requirement. In other cases, the emphasis has been on the need for evidence of a "going concern" as indicative of the fact that the farming is engaged in for the purpose of profit on a continuous or repetitive basis.

However, matters such as "the magnitude of profits made", "costs incurred" and whether the applicant has any other sources of income have been held to be irrelevant or extraneous considerations.

One thing is clear the "significant and substantial commercial purpose or character" is an attribute of the "farming use" as identified, and is not to be measured or assessed by reference to the size of the land on which the farming activity is undertaken. What is relevant is the fact and degree of the commercial purpose or character and not merely the area of the property used."

Given the above OLG definition of a business, our view is that solar farming is a commercial venture arranged for the purpose of profit. However, Council should seek its own legal advice. The proposed rating category and subcategory are:

- Category - Business; Subcategory - Solar Farming

Potential additional rate yield

The fundamental reasons for an increase in rate yield are the demand impacts from the mines and solar farms on the use of Council's services and infrastructure. The change in population and intensity of use from these new activities drives the demand. The population of the shire will increase directly as a result of these activities, mainly through permanent operational jobs. As a result, there will be an increased demand for housing and related infrastructure and council services. Population growth also drives increased usage and/or deterioration of existing infrastructure, driving the need for increased infrastructure renewal and new assets (eg roads, bridges).

As stated previously, the extent of these impacts will be governed by the intensity of the activities and the relative demand resulting from additional jobs driving population increases. Additional permanent operational job numbers have been used as the basis for population increase to estimate the additional rate income required to meet the additional demand costs.

The following table provides an estimate for the potential increase in additional rate yield for each of the new activities. The basis of the assessment uses estimated population growth and variables to ascertain the impact of service delivery costs on Councils' operations. The approach recognises location, access and use of Council services and infrastructure and potential benefits of economies of scale¹. The assessment also acknowledges the estimated road contributions which have been slightly discounted to recognise that staff, contractors and suppliers will use and consume the broader infrastructure of Council.

Table 4 Additional Rate Yield Table

	Total costs for service delivery and new jobs_1	Shire population and % population increases_2	Additional service costs new jobs only_3	Additional costs per average household size_4	Allowance for economies of scale 75% household size_5	Locational factor_6	Road contribution discount_7	Additional rates for each activity
	\$12,319,094	2310		2.44	1.83			
						0.85	0.9	
Balranald Sand Mine - Iluka Mine	120	5.2%	\$639,953	\$1,561,485	\$1,171,114	\$995,447	\$388,900	\$606,647
						0.55	0.95	
Atlas-Campaspe Sand Mine - Cristal Mine	200	8.7%	\$1,066,588	\$2,602,475	\$1,951,856	\$1,073,521	\$581,400	\$492,121
						0.5		
Solar Farming	15	0.6%	\$79,994	\$195,186	\$146,389	\$73,195		\$73,195

1 The total 2017/18 estimated costs to deliver all council services and new jobs to each activity

2 2016 Census Balranald Shire – estimated population and percentage increase in population resulting from new jobs for each activity

3 Estimated addition costs to provide services for population increases for new job numbers only

4 2016 Census Balranald Shire – Average household size (persons per dwelling) and associated additional costs to provide services

5 2016 Census Balranald Shire – Average household size (persons per dwelling) discounted to reflect economies of scale and associated additional costs to provide services

6 Locational factors due to proximity to town centre, accessibility to services and use of infrastructure by the new activity

7 Maximum road contribution for Iluka \$432,000 p.a and Cristal \$612,000 p.a discounted to reflect the new activity impact on broader Council infrastructure

*Note: The calculation of additional rate yield amounts takes the note 5 column * locational factor- road contribution discount = Additional rate Yield for each activity.*

¹ Refer to Appendix C

Additional rate yield

On the basis of the approach outlined above it is recommended that the additional rate yield for each of the activities is as detailed below:

- Category - Business; Subcategory - Mineral Sands Balranald - \$605,000
- Category - Business; Subcategory - Mineral Sands Atlas-Campaspe - \$490,000
- Category- Business; Subcategory - Solar Farming - \$70,000

Given the two mineral sand projects have a limited operational life, Council should 'ring fence' the additional rate yield from the normal operations of Council. Failure to do this will create significant financial challenges from the year the mine operations cease. The development consent indicates a life expectancy of 16 years for each mine. At the end of their useful lives the activities will cease and the land re-classified. This will reduce Council's notional income calculation accordingly. Ring fencing the rate income will provide Council with an opportunity to fund significant asset renewal and some limited new asset additions over this period.

Councillors considered these matters at a workshop on 24 August 2017 and agreed broadly that the rate yield should be based on the impacts of the activities on the Council area. There was also agreement on the approach of deducting the road contribution from the total additional rates required to cover the increase in service costs.

Making of the new subcategory rates

Council is required to make the rates for 2018/19 by 1 August in the year for which the rate is made. The major issue is that there is a strong likelihood that the mineral sands valuations for rating purposes may not be available in time to meet the above deadline. The report suggests the following two approaches:

- 1 Make the rate based on the estimated value provided by the Valuer General
- 2 Negotiate an ex-gratia rate payment equivalent to the rate amount for each of the mineral sand mines.

The valuer general has agreed to provide an estimated value for each of the mineral sand mine operations. Council could make the rate based on this valuation for 2018/19 and make any adjustments once the final valuation is received. At this stage it is unknown when the mines will be issued with their mining lease which triggers the valuation process.

The other option is to negotiate with each mine an ex-gratia payment based on the amounts detailed in this report. This would require entering into a formal written agreement, which in itself brings a level of risk as the arrangement is outside the legislative protection of making a rate. In addition the mines aren't obligated to enter into this type of agreement and may use delaying tactics which could put the rate payments at risk.

It is recommended that Council make the rate for each of the mineral sand mines based on the estimated valuations provided by the valuer general.

Proposed Special Rate Variation (SRV)

Council has been issued with a Performance Improvement Order. One of the reasons was that Council has budgeted for and subsequently run operating deficits over a number of years. One of the responses to this Order is to consider a SRV in order to generate an operating surplus. An operating surplus is necessary in achieving the Fit for the Future ratios over time. A revised LTFP financial model has been developed to help Council determine the level of a proposed SRV.

Taking into account the above recommendations not to change the current rating structure and the additional rate yield for the two mining projects and solar farming activities, the LTFP has been remodelled in order for Council to understand the level and extent of a proposed SRV application.

These impacts have been modelled to be the same for each subcategory. The required change (increase from SRV plus rate peg) has been applied to both the base rate and ad valorem rate in each category. This should mean that the impact on individual properties is the same as both the ad valorem and base rate increase by the same percentage each year.

Council considered the need for an SRV and agreed that the SRV application should be prepared based on the outcome of the revised LTFP that is being prepared in conjunction with this rate review report. There was agreement at the workshop with Councillors on 24 August 2017 to submit a permanent SRV application effective from 1 July 2018 for an increase up to 10% per year rate (compounded) for the next six years.

The question as to whether the SRV increases should apply to the two mining operations was considered. Analysis shows that if it were applied their rates would increase by 77% over that period. The approach recommended in this report is of assessing the impact of these mines on the Council and community based on population increases. In our view it is therefore difficult to justify this level of increase.

Applying the 10% SRV to Council's current rate base of \$1.33m will generate an estimated \$133,390 in 2018/19, rising to \$237,185 in the sixth year. Council will need to consider the impact on the whole rating structure as part of the revised LTFP, Delivery Program and Operation Plan and the subsequent community consultation.

Appendix A Current Rating Structure Issues Paper

This paper highlights a range of matters that Council should consider when it reviews its rating structure.

Balranald Shire Council has subcategories for Farmland, Residential and Business. The revenue policy does not disclose the reason for having the subcategories.

Farmland has subcategories for General, Other Rural and Intense. Farmland General is the main farmland category. Farmland Intense is for where there is a medium to high intensity of use and therefore justifies the higher ad valorem rate. Other rural is the smallest farmland category and this is for farmland deemed to have a low intensity of land use and a low economic benefit. What is not clear is what types of uses are deemed to be of a medium-high or of a low intensity.

Residential has two subcategories based on centres of population (Balranald and Euston) and a general subcategory to capture all properties not in the Balranald and Euston residential areas. Balranald and Euston have very similar amounts of average rates per property but different ad valorem rates. The average land value of Euston residential properties is 51,470, which is 25% higher than the average value of Balranald residential properties of \$40,536. The following questions need to be considered in any future review:

- 1) What is the difference in services provided between properties in Balranald and Euston?
- 2) What is the justification behind the different ad valorem rates?
 - a) As an example, different properties within Balranald have different values so logically they pay different rates as the main determinant of how much rates a property pays is the value of the property.
 - b) Does the fact that the average land value in Euston is different justify a different ad valorem rate to that for Balranald properties?

Residential General properties have a much lower average land value at \$20,488. While the ad valorem rate is higher average rates are lower than the main residential areas. While the average land value is lower it can be argued that there is no justification for the higher ad valorem rate unless there are other factors requiring these properties to pay a greater share of income. Perhaps the justification is higher costs for roads with greater distances between properties. These need to be reviewed.

There needs to be some clear rationale for each subcategory to be rated differently. It is not clear whether there are differences in the characteristics of the properties in each subcategory that justify this.

Business has a business rural subcategory, which is the default business category for properties that are not within the other business subcategories, plus 3 subcategories for Balranald, Euston and Mining. Balranald and Euston are centres of activity based on location while mining is a centre of activity based on the nature of the activity undertaken. It should be noted that mining is defined as excluding mineral sands extraction and therefore a revised description has been included in this Rating Reviewing Report.

As with residential the average land value and ad valorem rate differs between Balranald and the other subcategories. Again the average land value in Euston is higher while the ad valorem is lower. Council should understand what the difference in services is between Balranald and Euston and whether a different ad valorem rate is justified.

We note that the mining subcategory has several low-value properties and it also has a lower ad valorem rate and lower average rates than the other subcategories. Given that the average property values are lower, it is not clear what Council’s reasoning for applying a lower rate in the dollar to this subcategory is.

While it is not identified in Council’s revenue policy or resolution to make the rates we note that Council has a business-mineral sands extraction subcategory loaded into its rating system (based on data provided). Mineral sands extraction is specifically excluded from the mining subcategory in the rates resolutions however there is no separate subcategory that was identified in the rates resolutions. The fact that this subcategory is not included in the revenue policy and is not in the resolution to make the rates means Council does not have the ability to categorise any properties into this category during the 2017/18 financial year.

For information, the following table shows a comparison of the average land value of the different categories for Balranald and the neighbouring councils. This shows that, on average, a farmland property has a higher value in Balranald compared to the near neighbours. What is not clear is whether any of the data from councils is distorted by any unusually high or low valued properties.

There is significant variability in land value for the residential properties with the value of an average Balranald residential property less than half that of a property in Wentworth and double that of Hay Shire. The average value of a business property is towards the bottom end of the range.

Category	Balranald	Central Darling	Hay Shire	Wentworth	Murray River
Farmland	438,314	375,505	354,710	201,615	n/a
Residential	41,238	2,821	22,804	100,989	n/a
Business	35,597	3,255	56,985	90,911	n/a



Appendix B Legal Advice

From: Kate Swain [<mailto:kswain@mccullough.com.au>]
Sent: Thursday, 23 June 2016 6:04 PM
To: Aaron Drenovski
Cc: Patrick Holland
Subject: Balranald Council - rating of mining projects [MCR-W.FID3110864]

Hi Aaron

I refer to our recent conversation in relation to the levying of 'business' rates within the Balranald Shire Council Local Government Area.

I understand that:

- (a) Illuka Resources Limited (**Iluka**) has recently contacted Council to advise of its intention to commence works pursuant to their development consent (SSD-5285) for the Balranald Mineral Sands Project;
- (b) Cristal Mining Australia Limited (**Cristal**) has raised concerns with Council about commencing its Atlas-Campaspe Mineral Sands Project (SSD-5012) at this stage given Council's previous position that the higher rates would be levied from the date that the project commenced (i.e. when land clearing commenced);
- (c) RMS has indicated that it will release the funding for specific road upgrades within the Balranald LGA on the commencement of clearing operations for the Cristal Mining Project;
- (d) Council is of the understanding that neither Iluka nor Cristal propose to commence mining production for at least 2-3 years; and
- (e) Council would like to maximise its opportunity to levy Iluka and Cristal under a 'business' rate (which will be higher than the current farming rate), however it would also like to obtain the State Government funding towards the road upgrade which is contingent on Cristal commencing operations.

Council rates

We refer to our advice to you dated 22 June 2015. As set out in this advice, as both Iluka and Cristal comprise mineral sand mining operations, the land does not fall within the *Local Government Act 1993* (**LG Act**) categorisation of '*mining*' which is limited to land comprising coal and metalliferous mines. As such, the land should be rated as '*business*'.

Pursuant to section 529(2)(d) of the LG Act, Council is able to determine a sub-category for land rated as business, '*according to a centre of activity*'. Centre of activity is not defined within the LG Act, as such it is necessary to consider case law interpretations in order to determine whether the proposed Iluka and Cristal developments can be sub-categorised.

The NSW Land and Environment Court has found that there are six propositions that should be applied for the purposes of identifying a 'centre of activity':

- (a) the words centre of activity should be given their ordinary meaning;
- (b) a centre of activity may comprise a business centre, industrial estate or some other concentration of like activities, however this does not restrict the ordinary meaning of centre of activity;

- (c) a centre of activity does not need to be centre of 'like activities', it may comprises of a number of enterprises involving different activities;
- (d) a centre of activity will normally involve a concentration of activities within a particular area or around a particular site. The word centre requires some kind of geographical connection between activities carried out on the parcels of rateable land within the sub-category, however the connection need not be of any particular kind (it can be large or small, depending on how the council defines it);
- (e) a centre of activity may be tightly compressed and homogenous, or more diverse; and
- (f) what matters is the characteristics of the area to which the category applies.

In our view, it is open to Balranald Council to make a determination of two separate sub-categories for the purposes of council rates applicable to the Iluka and Cristal projects, as they are both two distinct 'centres of activity' geographically separated by a number of kilometres from each other.

Application of sub-category business rates

As you would be aware, Chapter 15, Part 4 of the LG Act sets out the process that must be followed by Council when it makes a rate or a rate change. In particular we draw your attention to the following provisions:

- (a) **section 532** – requires council to give public notice of its draft operational plan for the year for which the rate is to be made (and has considered any matters concerning that draft operational plan) **before making the rate**;
- (b) **section 533** – a rate must be made before 1 August in the year for which the rate is made, unless the Minister is of the view that there are special circumstances applicable;
- (c) **section 534** – a rate is to be made for a specified year, being the year in which the rate is made, or the next year;
- (d) **section 535** – a rate is to be made by resolution of the Council.

The effect of these provisions is that Council is not able to make a sub-category rate effective from a particular project related event (e.g. commencement of mining/production), it can only make a sub-category rate applicable to a particular year.

However, given that the sub-category rate can be determined by Council, it is open to council to negotiate/liaise with Iluka and Cristal regarding any incremental increases in sub-category rates over the next three to five years in anticipation of commencement of mining. The benefit of determining two sub-category rates means that the rate applicable for each project can be determined for a particular year based on the anticipated commencement of construction or production for the separate project.

As set out in our previous advice to you, when calculating a base amount of the sub-category rate, council must have regard to **but is not limited to the criteria set out in section 536 of the LG Act**. As such, Council is able to take into consideration matters such as production of mineral sands once the projects are operational when it calculates the base amount, and is limited only by section 500 of the LG Act, which limits the base amount of a sub-category of an ordinary rate to 50% or less of the total amount payable on all rateable land subject to the rate for the sub-category.

The Department of Local Government has published the **attached** manual in relation to Council Rating and Revenue Raising which may be of assistance. In particular, I refer you to section 9 of the manual which provides a detailed discussion in relation to the structure of a rate, including the base amounts and the ad valorem amount of a rate. Similarly, section 14 of the manual provides a discussion in relation to the making of rates and charges.

As you are also no doubt aware, if Council intends to increase its general income above the rate peg limitations of the LG Act (set at 1.8% for the 2016-2017 financial year), it will need to apply to IPART for a special rate variation which can be granted for up to seven years. This application will be assessed by IPART based on Council need, community awareness, impact on rate payers, adoption of integrated planning & reporting framework by Council, as well as how ratepayers will benefit during the special variation period. We refer you to the IPART fact sheet for additional information regarding decisions made by councils for special rate variations for the 2016-2017 financial year -

[http://www.ipart.nsw.gov.au/files/sharedassets/website/shared_files/local_government_-_special_variations_-_applications_for_special_variations_-_determinations_-_2016-17/fact sheet - decisions on councils requests for special variations for 2016-17.pdf](http://www.ipart.nsw.gov.au/files/sharedassets/website/shared_files/local_government_-_special_variations_-_applications_for_special_variations_-_determinations_-_2016-17/fact_sheet_-_decisions_on_councils_requests_for_special_variations_for_2016-17.pdf)

Assistance with determining sub-category business rate base amount applicable to Iluka and Cristal land parcels

We understand that Council intends to structure the sub-category business rates as a base amount to which an ad valorem amount is added. **If this is not the case, please let us know and we can update our advice accordingly.**

We recommend that the Council contact the Valuer General to discuss the process to obtain updated valuations for the Iluka and Cristal land for the purposes of calculating the 'business' rate.

Please do not hesitate to contact Patrick Holland or myself if you have any questions in relation to this matter.

Kind regards

Kate

Kate Swain

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Our reference KJS:PSH:166867-00001

22 June 2015

Aaron Drenovski
General Manager
Balranald Shire Council
70 Market Street
Balranald NSW 2715

Dear Mr Drenovski

Cristal's Atlas – Campaspe Project – rating under the Local Government Act

We refer to your request for advice regarding the recent correspondence received by Balranald Shire Council (**Council**) from Cristal Mining Australia Limited (**Cristal**) in relation to:

- 1 the appropriate rating categorisation for the land which will be the subject of the Atlas – Campaspe Project (**Project**);
- 2 the timing of any rating re-categorisation as a result of the development consent and an anticipated mining lease (**ML**) being granted for the Project; and
- 3 how the value of the Project land would be determined for rating purposes.

Background

- 4 With respect to the Project, we understand the following:
 - (a) the Project includes the development of a mineral sands mining operation approximately 80 kilometres north of Balranald. The mineral sands from the mine will be transported to the Broken Hill Mineral Separation Plant where it will be separated and treated to produce minerals including ilmenite, leucoxene, rutile and zircon;
 - (b) the Project was granted development consent by the Executive Director of the Department of Planning, under delegation from the Minister for Planning, on 6 June 2014 (**Consent**);
 - (c) Cristal is currently in the process of applying for an ML under the *Mining Act 1992 (NSW)* (**Mining Act**) and Cristal anticipates receiving this ML by October 2015;
 - (d) the minerals being extracted by the Project are referred to as 'Group 10 – Mineral Sands' under Schedule 2 of the Mining Act;

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- (e) the ML is being sought by Cristal to enable land clearing to occur within a restricted window of time in early 2016, as required under the conditions of the Consent; and
- (f) construction of the Project is expected to commence in 2017, with production commencing prior to October 2018.

5 In order to finalise the development schedule for the Project, Cristal has written to Council seeking clarification as to when the rating for the Project land is likely to change from the 'Farmland' to the 'Business' categorisation.

Summary of advice

6 We provide the following responses to your specific queries:

Questions	Answers
What is the appropriate rating categorisation for the Project land?	At the appropriate time, the Project land should be rated under the 'Business' categorisation. The Project is not a 'coal mine' or 'metalliferous mine' and hence the 'Mining' categorisation does not apply.
At what point in time can the rating categorisation for the Project land change from 'Farmland' to 'Business'?	We are of the view that Council can undertake a review of the rating categorisation for the Project land following the commencement of land clearing associated with the Project. Council is not required to wait until the Project commences production and providing a royalty stream in which to review the rating categorisation. That being said, Council can use its discretion as to when this re-categorisation occurs and may elect to wait until production commences.
How is the Project land valued for rating purposes?	The <i>Valuation of Land Act 1916 (NSW)</i> requires the land to be valued in relation to its highest and best use. The permitted use of the land is taken into account in determining the highest and best use. The land value is multiplied by the ad valorem rate and any additional 'base rate' determined by Council.

7 The above conclusions are based on the following legal reasoning.

Appropriate rating categorisation

8 As Council knows, before levying ordinary rates on a property, the *Local Government Act 1993* (NSW) (**LG Act**) requires Council to categorise each parcel of rateable land to be within one of the following allowable categories: Farmland, Residential, Mining or Business (section 514).

9 Based on the letter from Cristal to Council dated 10 June 2015, we understand that the Project land is currently categorised as 'Farmland'.

10 In terms of the appropriate rating categorisation for the Project land going forward, the LG Act provides that land should be categorised as 'Mining' if *'it is a parcel of rateable land valued as one assessment and its dominant use is for a coal mine or metalliferous mine'* (section 517). The mining of mineral

sands to produce ilmenite, leucoxene, rutile and zircon does not constitute a 'coal mine' or 'metalliferous mine' and as such it is not appropriate to re-categorise the Project land as 'Mining'. This position is consistent with the finding in *Peregrine Mineral Sands Pty Ltd v Wentworth Shire Council [2014] NSWCA 429*.

- 11 On this basis, section 518 of the LG Act provides that the Project land should fall under the default category of 'Business' as '*it cannot be categorised as farmland, residential or mining*'.

Timing of re-categorisation of land

- 12 We recently acted in the cases of *Ulan Coal Mines Pty Limited v Mid-Western Regional Council [2013] NSWLEC 1167 (Ulan)* and *Peabody Pastoral Holdings Pty Limited v Mid-Western Regional Council [2013] NSWLEC 86 (Peabody)* which related to the re-categorisation of mining land. In the context of when a rating re-categorisation should occur, the Court held that:

'Only when the acquired land is devoted to use for the different purpose for which it was acquired can there be a change in the purpose of the use. The intended purpose of the use of the land must be manifested by the commencement of some activity on the land: Meriton Apartments Pty Ltd v Parramatta City Council [2003] NSWLEC 309 at [22] and Leda Manorstead Pty Ltd v Chief Commissioner of State Revenue [2010] NSWSC 867; (2010) 79 NSWLR 724 at [59].'

- 13 The Ulan case also specifically considered the question of when it is appropriate to re-categorise land and held that:

'The critical element about timing is derived from the use of the present tense in the various statutory characterisation tests. The exercise is not to determine whether or not, at some future time, some recategorisation might be warranted based on activities that are either expressly provided for in some documents such as the company's Mining Operation Plan that sets out a program of works and activities over a period of years or in anticipation of some expected approval of a future development.'

- 14 In light of the above, we are of the view that:
- (a) the Project land should be re-categorised from 'Farmland' to 'Business' when the land is actually being used for the approved Project;
 - (b) Cristal is carrying on the Project as soon as Cristal commences clearing of the land in advance of construction;
 - (c) once the land clearing commences the land is presumably no longer being used for farming purposes and instead it is being prepared for the purpose of the 'Business' use; and
 - (d) the granting of the mining lease for the Project is not necessarily a determining factor as to when the land should be re-categorised, but instead it is a statutory requirement before Cristal can progress the Project to the next stage.
- 15 On this basis, we are of the view that Council can undertake a review of the rating categorisation for the Project land following the commencement of land clearing associated with the Project. Council is not required to wait until the Project commences production and provides a royalty stream in which to review the rating categorisation. That being said, Council can use its discretion as to when this re-categorisation occurs and may elect to wait until production commences. However, we are of the opinion that it is appropriate and also in Council's interests to re-categorise the land when or soon after Cristal commences clearing in accordance with the Consent.

Process for re-categorisation

- 16 The process for re-categorisation of land for rating purposes is set out in the LG Act, and is generally as follows:
- (a) a rateable person (i.e. Cristal) must notify Council within 30 days after the person's rateable land changes from one category to another (section 524, LG Act);
 - (b) even if Cristal does not notify Council in accordance with section 524 of the LG Act, Council may undertake a review of the rating categorisation for the Project land if *'it has reason to believe that a parcel of land should be differently categorised'* (section 523, LG Act);
 - (c) If Council determines to re-categorise the Project land, Council must provide notice to Cristal regarding the re-categorisation, in the approved form, which states:
 - (i) that Cristal has the right to apply to Council for a review of the declaration that the land is within the category stated in the notice; and
 - (ii) that Cristal has the right to appeal to the Land and Environment Court if dissatisfied with the council's review (section 520, LG Act).
- 17 In light of the above, once Council becomes aware that the Project land is being used for the purposes of the Project (i.e. land clearing for the Project has commenced), then Council can elect to re-categorise the land for rating purposes as 'Business'. Council must provide notice to Cristal regarding the re-categorisation and inform Cristal of its review and appeal rights.

Basis on which land is valued for rating purposes

- 18 Council rates payable for any parcel of land are determined based on the value of the land attributed by the Valuer-General. The ad valorem rate for a particular parcel of land (based on its categorisation) is multiplied by the value attributed to that land by the Valuer-General, for example:
- $$\text{Council rate for Project land} = \text{value of land determined by Valuer-General} \times \text{ad valorem rate} \\ \text{(plus base rate if determined appropriate by Council)}$$
- 19 With regards to the land value, the *Valuation of Land Act 1916 (NSW)* requires the land to be valued in relation to its highest and best use. The permitted use of the land must be taken into account in determining the highest and best use. On this basis, the Valuer-General can take into account the approved Project when determining the land value.
- 20 With regards to the rates determined by Council, the ordinary rate levied by Council *must* include an *ad valorem* rate but may also include a base amount to which an *ad valorem* amount is added (section 497, LG Act).
- 21 In terms of determining any additional base amount, section 536 of the LG Act provides that Council must have regard to (but is not limited to) the following:
- (a) its general administration and overhead costs;
 - (b) the extent to which projected ad valorem rates on individual properties do not reflect the cost of providing necessary services and facilities;
 - (c) the level of grant or similar income available to provide necessary services and facilities;

- (d) the degree of congruity and homogeneity between the values of properties subject to the rate and their spread throughout the area;
- (e) whether a rate that is wholly an ad valorem rate would result in an uneven distribution of the rate burden because a comparatively high proportion of assessments would bear a comparatively low share of the total rate burden; and
- (f) in the case of a special rate—the cost of providing the works, services, facilities or activities to the parcels of land subject to the rate (ignoring the rateable value of those parcels).

In light of the above, we recommend that Council respond to Cristal and advise them that it is within Council's powers and functions to re-categorise land rates at appropriate times and that Council intends to proceed on the basis that the Project land will be re-categorised as 'Business' as soon as works commence under the Consent.

Please do not hesitate to contact Kate Swain on (02) 49248 914 or myself on (02) 9270 8610 if you require further information.

Yours sincerely



Patrick Holland
Partner

Appendix C Economies of Scale

'Do Economies of Scale Exist in Australian Local Government? A Review of the Empirical Evidence' by Joel Byrnes and Brian Dollery, 2202.

The aim of the paper is to evaluate available empirical evidence on the controversial question of economies of scale in Australian local government. The full copy of the paper is attached.

The paper concluded in part, "Given the mixed results which emerge from the international evidence, it seems reasonable to conclude that considerable uncertainty exists as to whether economies of scale do or do not exist. A somewhat more detailed review of the Australian evidence was carried out. It was argued that Australian empirical studies to date have not attempted to measure economies of scale in so far as the data sets employed do not encompass a sufficiently prolonged period of time to allow for all factors of production to be flexible. Moreover, various other problems were identified in the studies."

For the purposes of this project the paper identified two cases demonstrating potential economies of scale:

- 1) The Institute of Public Affairs (1993) estimates that total expenditure for all inner Melbourne councils could be reduced by \$96m, or a 38 percent reduction in total spending per year (IPA, 1993: 13). – page 17 of the attachment.
- 2) The KPMG (1998) Report sought to establish benchmarks" in service delivery by councils throughout NSW and then determine the "cost savings" that could be made if all NSW councils met these benchmarks, with an average expenditure saving of 25% - page 18 of the attachment.

Understanding the application of the economy of scale methodology in Local government is somewhat questionable. However, there is a strong belief that there will be some efficiencies in the delivery of additional services as a result of the growth in population in a rural council such as Balranald Shire. For the purposes of this report we have used the state average expenditure saving of 25% detailed in the 1998 KPMG report referred to above.



University of New England

School of Economics

**DO ECONOMIES OF SCALE EXIST IN AUSTRALIAN
LOCAL GOVERNMENT? A REVIEW OF THE
EMPIRICAL EVIDENCE**

by

Joel Byrnes and Brian Dollery

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DO ECONOMIES OF SCALE EXIST IN AUSTRALIAN LOCAL GOVERNMENT? A REVIEW OF THE EMPIRICAL EVIDENCE

Joel Byrnes and Brian Dollery

Abstract

The 1990s witnessed a major era of structural reform in Australian local government. Amalgamation programs in all six states resulted in a substantial decrease in the number of local authorities in Australia. The chief rationale underlying local government mergers lay apparently in the belief that larger municipalities would exhibit greater economic efficiencies. Despite its widespread acceptance amongst policy elites, this argument did not derive from a solid empirical base. This paper seeks to evaluate available empirical evidence on the controversial question of economies of scale in Australian local government.

Key Words: amalgamation; economies of scale; local government

DO ECONOMIES OF SCALE EXIST IN AUSTRALIAN LOCAL GOVERNMENT? A REVIEW OF THE EMPIRICAL EVIDENCE

Introduction

Public sector reform over the past decade has affected all tiers of government in Australia, including local government. The major and most controversial dimension of municipal reform in Australia over this period has been the policy of restructuring through the amalgamation of small councils into larger local government authorities. The rationale for amalgamation seems to derive from the widespread belief that larger local government entities would inevitably be more economically efficient than their smaller constituent elements. This view ‘...appears to have been universally accepted across all states that local government consolidation will result in reduced costs’ (Marshall, Witherby and Dollery 1999: 41).

Claims that ‘bigger is better’ in local governance rest on the assumption that municipal service delivery is characterised by considerable economies of scale and scope associated with greater population size. Thus larger councils are supposed to enjoy lower administrative costs, smaller costs of representation, increased purchasing power, improved use of depots, plant and equipment, a more diverse funding base, amongst many other purported advantages (IPART, 1998: ix). In principle, claims of this kind are eminently amenable to empirical resolution. It is thus somewhat surprising that extant empirical evidence on economies of scale in local government is not only mixed, but also limited. Indeed, in the recent NSW Government Inquiry into the structure of local government in Sydney, Commissioner Kevin Sproats (2001: 6 and 36) was obliged to observe that ‘conclusive evidence is not available’ and existing evidence is ‘suggestive rather than conclusive’.

Given the pervasive belief amongst many policymakers in the Australian local government community that larger councils are indeed more efficient, and given the fact that amalgamation is still an important policy instrument in attempts to reform Australian local government, it would seem apposite to review available empirical evidence on the existence or otherwise of economies of scale in local government. This forms the subject of the present paper.

The paper itself is divided into four main parts. The first section provides a synopsis of the three major approaches employed to measure economies of scale in local government. Section two reviews the international evidence, focussing on the methodologies employed. The third part of the paper surveys a number of recent Australian studies. Finally, the paper ends with some brief concluding remarks.

Alternative Empirical Approaches to the Analysis of Economies of Scale

The general problem in measuring economies of scale is to estimate the long run average cost curve for plants and firms in each market. One can then identify the minimum

efficient scale (MES), the gradient of the cost curve and the output at which diseconomies begin, should they exist. Shepherd (1990: 180) identified three means of measuring economies of scale: namely, engineering estimates, survivor tests and existing size distribution tests.

Firstly, the technique for making engineering estimates of economies of scale involves the assembly of expert opinions regarding costs in a particular industry. Researchers approach managers and engineers working within industry and seek their opinion regarding the optimal size of a plant in the long run. Having taken a sufficiently large sample, the researcher determines the 'best-practice' capacity of a plant for a given point in time. The obvious advantage of this technique is that it draws on the experience and expertise of those working within the industry under the pressure of the least cost constraint. However, a number of problems also arise from this method. The opinions gathered are subjective, since managers may naturally claim their particular plant to be the most efficient. The technique is arduous, requiring a great deal of labour intensive work to collate the data. Furthermore, it is not applicable to industries in which only a few firms operate since a large enough sample cannot be collected.

No formal studies using the engineering estimates technique have been conducted to test for economies of scale in the provision of services by local governments. However, Boyne (1995: 215) argued that "the British reorganisations of the 1970s were heavily influenced by an informal version of this method." In the context of local government, a problem with this technique lies in the fact that municipal councillors may be unwilling to advocate a change in the current size of local government operations for fear of jeopardising their present positions. In particular, if re-organisation of local government areas is on the political agenda, councillors are especially unlikely to provide an unbiased opinion for fear of the implications of their views. As Boyne (1995: 215) has argued "engineering studies are likely to be most useful for identifying economies of scale in local government at times when the need for this information is least urgent - when there are no plans for reorganisation".

Secondly, the survivor technique, first advanced by Stigler in 1958, 'relies on actual trends in plant sizes rather than on opinions' (Shepherd, 1990: 181). The methodology is quite simple. If firms of a certain size survive in the long run, then the assumption is that they must be efficient. The technique can be applied to one industry over a number of decades, or to a number of industries over a shorter period of time. However, a number of problems exist. The method does not exclude pecuniary economies, implying that allocative efficiency cannot be measured. It does not attempt to measure the shape of the cost curve, since it is only interested in the optimal size of the plant in that industry. Finally, data collected by the government, in accordance with accounting standards, may not conform to economists' measure of cost.

This technique has not been applied to test for economies of scale in local government. In Australia and most other advanced democracies, constituents do not have the option of voting their council out of existence. The only means of abolishing a council in Australia is through periodical reorganisations carried out by state governments. Given the

perpetual life of councils, one could argue that a council's financial state could be used as a proxy for survival. That is, those councils which maintain a balanced budget are deemed efficient, whilst those running a budget deficit are deemed inefficient.

The final method of testing for economies of scale is to estimate the existing size distribution of plants, which may indicate an optimal size of a plant. The advantage of this technique is that it seeks to measure the distribution of plant sizes, rather than a single optimal size. Thus, the researcher is able to estimate the long run average cost curve. This method has formed the standard technique economists have employed for testing for scale economies in local government.

International Evidence on Economies of Scale in Local Government

Most empirical studies conducted in the United Kingdom and United States use a mixture of cross-sectional and panel data to estimate a statistical relationship between size and the average cost of service delivery. A selection of such studies is presented in Table 1. All the studies reviewed in Table 1 are multi-variate models of expenditure variation, taking into account factors such as local social and economic circumstances. Some analyses also control for variations in the quality of the service provided. Most studies use population as a measure of scale. However, a few measure scale in terms of 'client group' size for a service, such as the number of school children in a local government area. All measures of expenditure are expressed in per capita terms. Functional forms differ throughout the sample of empirical studies in Table 1. A number simply estimate linear functions, whereas the more sophisticated studies make use of quadratic functions, which allow for both economies and diseconomies of scale over a range of output.

Overall, 29 percent of the empirical papers find evidence of U-shaped cost curves, 39 percent find no statistical relationship between per capita expenditure and size, 8 percent find evidence of economies of scale, and 24 percent find diseconomies of scale. From this evidence alone we can conclude that there is a great deal of uncertainty about whether economies of scale exist in local government service provision. As Newton (1982: 193) has observed, "we can conclude with confidence that, under certain not well understood circumstances, it may, or may not, be more, or less, economical to have larger, or smaller, local authorities. In short, it is not possible to make out a case against large authorities on grounds of diseconomies of scale."

Table 1 International Empirical Evidence of Scale Economies in Local Government

Author(s)	Data	Dependent variable(s)	Measure of output	Functional form	Major findings
Ahlbrant, Jr (1973)	44 city and fire districts in the Seattle-King Country area, 1971	Fire fighting expenditure	Population	Linear	No evidence of scale economies over a relatively large output
Alt (1971)	44 County boroughs in England and Wales, 1958/9-67/8	Education expenditure; social services expenditure; housing expenditure; police expenditure; fire fighting expenditure	Population	Linear	No evidence of scale economies in education expenditure; economies and diseconomies of scale in social services expenditure; no evidence of scale economies in housing expenditure; economies and diseconomies of scale in police expenditure; economies and diseconomies in fire fighting expenditure
Ashford et al. (1976)	All British counties and boroughs, 1967	Total expenditure	Population	Quadratic	Diseconomies of scale over range of output
Boaden (1971)	All British County boroughs, 1965/6	Social services expenditure; police expenditure; fire fighting expenditure	Population	Linear	Diseconomies of scale across range of output; economies and diseconomies of scale; economies and diseconomies of scale
Chicone et al. (1989)	417 rural Illinois jurisdictions, 1982	Rural road expenditure	Gravel road equivalent mileage	Quadratic	Economies and diseconomies of scale
Danzinger (1978)	77 British boroughs, 1960-69	Social services expenditure; police expenditure; fire fighting expenditure	Population	Linear	No evidence of scale economies across range of output in social services expenditure; diseconomies of scale in police expenditure; diseconomies of scale in fire fighting expenditure

Author(s)	Data	Dependent variable(s)	Measure of output	Functional form	Major findings
Davies et al. (1971)		Total expenditure	Population	Linear	Diseconomies of scale over range of output
Davies et al. (1972)		Total expenditure; social services expenditure	Population	Linear	No evidence of scale economies in total expenditure; economies of scale in social services expenditure
Foster et al. (1980)	County Councils and boroughs, 1972/3	Total expenditure; education expenditure	Population; number of school children	Linear	No evidence of scale economies in total expenditure; diseconomies in education expenditure
Gupta and Hutton (1968)	All British counties and boroughs, 1964-66	Social services expenditure; housing expenditure; rural road expenditure	Social services expenditure: population and number of social service recipients. Housing expenditure: number of people in public housing and population Rural road expenditure: population	Social services expenditure: quadratic and linear. Housing expenditure: linear and population Rural road expenditure: quadratic	For social services both economies and diseconomies of scale in quadratic function, diseconomies in linear function For housing expenditure economies of scale in linear function and both economies and diseconomies of scale in quadratic function For rural road expenditure both economies and diseconomies of scale

Author(s)	Data	Dependent variable(s)	Measure of output	Functional form	Major findings
Hirsch (1959)	27 St. Louis school district, 1951-52 and 1954-55; 64 St Louis police departments, 1955-56; 32 U.S. city fire departments, 1952-56; 87 St. Louis communities, 1955-56	Education expenditure; police expenditure; fire fighting expenditure; refuse collection expenditure	Number of school children; night-time population; night-time population; night-time population	Quadratic for education, police and fire fighting expenditure; linear for refuse collection	No evidence of scale economies in education and police expenditure; economies and diseconomies of scale in fire fighting expenditure; no evidence of scale economies in refuse collection
Hirsch (1965)	24 St. Louis cities and municipalities, 1960	Refuse collection expenditure	Number of pick-up units	Quadratic	No evidence of scale economies
Jackman and Papadachi (1981)	104 primary and secondary education authorities in England and Wales, 1978/79	Education expenditure	Number of school children	Linear	No evidence of scale economies
Kleinman et al. (1990)	Variations in housing capital expenditure of English local authorities, 1981/82-86/87	Housing expenditure	Population	Linear	No evidence of scale economies

Author(s)	Data	Dependent variable(s)	Measure of output	Functional form	Major findings
Lamont (1982)	Scottish housing expenditure between 1977-82	Housing expenditure	Number of people in public housing	Linear	No evidence of scale economies
McDavid (2001)	327 Canadian local governments, 1996/97	Residential solid-waste collection cost	Households served per truck	Linear	Economies of scale
Nicholson and Topham (1975)	423 authorities in Great Britain, 1962-68	Housing expenditure	Population	Linear	Economies of scale
Ostrom and Parks (1973)	United States per capita police expenditure, 1965	Police expenditure	Population	Linear	Diseconomies of scale
Pinch (1978)	Greater London boroughs, 1966-73	Housing expenditure	Population	Linear	Diseconomies of scale
Pinch (1980)	Greater London boroughs, 1966-73	Social services expenditure	Population	Linear	Diseconomies of scale
Schofield (1978)		Social services expenditure; police expenditure	Population	Quadratic	No evidence of scale economies in social services; economies and diseconomies in police expenditure
Smet and Nonneman (1998)	1011 Flemish secondary schools, 1994-95	Education expenditure	Number of students	Translog cost function	Economies of scale

Ashford (1976), Davies (1971), Davies et al. (1972) and Foster et al. (1980) take a rather broad brush approach to the question at hand by testing the relationship between total expenditure and the population of a local government area in Britain. Ashford (1976) and Davies (1971) find evidence of diseconomies of scale, whilst Davies et al. (1972) and Foster et al. (1980) find no significant relationship size and total expenditure. Studies of housing expenditure reveal just how uncertain researchers are regarding economies of scale in local government. Of the six studies, Alt (1971), Kleinman et al. (1990) and Lamont (1982) find no relationship between size and housing expenditure, Gupta and Hutton (1968) find evidence of U-shaped cost curve, Nicholson and Topham (1975) observe economies of scale, and Pinch (1978) detects diseconomies of scale. This suggests that even where a relatively homogeneous good is being analysed, one cannot say with any certainty that economies of scale do or do not exist.

Analysis of fire fighting services reveals a similar pattern. Five studies have been undertaken within this field. Three suggest a U-shaped cost curve, whilst the remaining studies find, on the one hand, no relationship between size and expenditure, and on the other hand, diseconomies of scale. Even those studies of United Kingdom fire fighting services, which cover roughly the same period of time, generate conflicting results. Alt (1971) and Boaden (1971) find U-shaped costs curves, whilst Danzinger (1978) establishes evidence of diseconomies of scale.

Relatively little research has been undertaken regarding variations in the average cost of domestic waste collection. Hirsch (1959, 1965), who is somewhat of a pioneer in the field, studied waste collection in the American city of St. Louis, whereas McDavid (2001) investigated waste collection in Canada. In both studies Hirsch (1959; 1965) found no significant relationship between average cost and the number of bins collected, whereas McDavid (2001: 21) found that 'as households served per truck increase by one household, cost per household decreases by .66 cents'.

The primary criticism that can be levelled at the studies reviewed in Table 1 relates to their proxy for output. The economic theory of economies of scale holds that the average cost of providing a service or good is influenced by the output of that service or good. Thus, in order to determine whether scale economies exist in local government service provision, it is necessary to correctly measure cost and output. Most of the studies in Table 1 use population as a proxy for output. However, this is only a valid approach if it can be correctly assumed that population and output are positively correlated. Boyne (1996: 219) has argued that "population is probably a very poor proxy for service outputs". Most studies, according to Boyne, assume that service output is responsive to need and that population is an accurate indicator of total need for a local government's services. However, needs might be quite diverse across local government areas with similar populations. Consider, for example, two councils with identical populations, one in metropolitan Sydney, the other in regional NSW. If we accept that the median age of the population is higher in regional NSW than metropolitan NSW, it might be expected that aged care services are more important in the regional council than its metropolitan counterpart. Similarly, one might expect that the need for childcare is higher in metropolitan Sydney than in regional NSW.

Following this line of logic, Boyne (1996: 21) argued that:

service demands may also be positively correlated with population because large authorities tend to be 'central places' which are visited by shoppers, tourists and commuters. These visitors place extra demands on service provision, above and beyond those of the local inhabitants. This inflates the apparent level of expenditure per head of resident population in large authorities. If the denominator in expenditure per capita were adjusted to take account of non-residents' service demands, the positive correlation with population might disappear.

A second criticism relates to the measurement of cost. Although it may be valid to assume that total expenditure can be equated with total service cost, measuring total cost for a particular service is much less straightforward, especially the vexing problem of allocating overhead and administrative expenses to particular services. Shepherd (1990: 214) has put this argument as follows:

true overhead costs often cannot be assigned by objective economic criteria. Some sort of arbitrary rules can be used, but a fundamentally 'correct' allocation of costs often cannot be determined. Therefore specific cost assignments to specific products are often debatable.

A third criticism of the studies presented in Table 1 is that they do not differentiate between plant-level and firm-level economies of scale. The fact that a local government area has a large population says little about the size of the various capital inputs being used to produce goods and services. It may well be, for instance, that a large council uses many relatively small graders to maintain its rural road network. The fact that diseconomies of scale are found could simply reflect a situation in which the council employs an inappropriately small capital stock. Thus by examining the relationship between per capita expenditure and population it is difficult to establish the cause of changes in per capita expenditure.

Finally, with the exception of Gupta and Hutton (1968), none of the studies in Table 1 make mention of the long run. In order for the tests to adequately measure economies of scale, the period of time must be sufficiently long to allow for all inputs to be variable. Whereas this may be the case in a number of the studies, almost no mention is made of this important point and, as a result, we cannot be certain that economies of scale are being measured, rather than returns to scale.

Australian Evidence on Economies of Scale in Local Government

Despite the broad range of functions carried out by local government in Australia, and the considerable expenditure dedicated to these functions, empirical research on economies of scale is scarce. Table 2 lists nine published studies to date. We will examine this body of empirical work in terms of the estimation technique employed, either regression analysis or comparison of partial indicators.

Regression Analysis

Of the seven studies in this category, five employ ordinary least squares as a means of determining whether the size of a local government explains variation in the cost of providing a range of services.

South Australian Department of Local Government (1988)

In 1988, the South Australian Department of Local Government prepared a report entitled 'Scale Economies in South Australian Local Government' with the stated aim of estimating 'the scale economies of a range of expenditure functions of South Australian Local Government and to assess the relationship between the size of Local Government, the number of functions it performs, and the support it receives from Commonwealth and State Governments through grants and subsidies' (SADLG, 1988: 3). The Department made use of data pertaining to various lines of expenditure in 123 South Australian councils, excluding that of the City of Adelaide. The data is limited to the financial year 1984/85.

In essence, the authors sought to determine whether 'scale economies' existed in a range of local government functions. For the functions of administration, household garbage, drainage, road construction and maintenance and recreation and culture, the measure of scale employed was population. The study also regressed overhead expenditure against population. For drainage and recreation and culture, the authors also used the area in square kilometres as a measure of scale. Finally, for road maintenance and construction, total road length was employed as a proxy for output. If the average expenditure of a function fell as the measure of scale increased, then the authors concluded that scale economies existed within that function. Based on this definition the following functions showed evidence of scale economies: administration, overheads, drainage and road construction and maintenance.

The primary criticism that could be made of this study is that the authors ran bi-variate, rather than multi-variate, tests of the relationship between size and per capita expenditure. The study did not attempt to control for environmental factors brought about by the diversity that exists between local governments. As a result the effect of size upon per capita expenditure may have been overstated. Without controlling for other variables that may have a significant relationship to the dependent variable there is no way of determining if this is indeed the case.

Local Government Commission (1986)

A similar, although somewhat more robust, study of economies of scale in local government service provision was conducted by the Local Government Commission (LGC) of Victoria in 1986. It used data on administrative costs, excluding overheads, for 175 Victorian councils in the financial year 1983/84.

The LGC chose population as their proxy for output. The Commission split councils into two groups: metropolitan municipalities and rural shires. In both cases the statistical technique involved regressing per capita administration expenditure against the log of

population. In the case of metropolitan municipalities, a significant negative relationship was found to exist between per capita administrative expenditure and population with a coefficient of determination of 0.57. For rural shires, a negative relationship was also found to exist, with a coefficient of determination of 0.44. When analysing the data for the whole state, a similar negative relationship was established, with a coefficient of determination of 0.52. Based on these results, the Commission concluded that ‘there is clear proof that such economies do exist in relation to administration expenses; and the evidence indicates that the economies are significant, especially at the lower end of the scale’ (LGC, 1986: 22).

A major criticism that can be made of this study is that it failed to control for factors that may contribute to the relationship between population and the variability in administrative expenditure per capita. The Commission did, however, attempt to control for diversity in population density by splitting the log of population into five equal parts and also by taking the range within one standard deviation of the mean log population density. The Commission found that ‘in every category there was a statistically significant relationship between administration expenses per head and size’ (LGC, 1986: 24).

Victorian Grants Commission (1985)

The Local Government Commission study discussed above was pre-dated by the Victorian Grants Commission (VGC) study of scale effects in 1985. The impetus for the study was a request by the then Minister for Local Government, the Hon. Frank Wilkies, who took the view “that for local government to truly develop and advance in this state, its structure must change” (VGC, 1985: 3).

Table 2 Australian Empirical Evidence of Economies of Scale in Local Government

Author(s)	Data	Estimation Technique	Dependent variable (s)	Explanatory variable(s)	Major findings
Abelson (1981)	36 local government authorities in metropolitan Sydney, 1976	Multiple regression analysis	Total expenditure per household	Median household income; dependants as a proportion of LGA population; political affiliation; rate of growth of LGA; number of households; household density; Federal grants per household.	No evidence of scale economies
Institute of Public Affairs (1993)	210 Victorian councils, 1991	Comparison of partial indicators	Total expenditure	Population	Possibility of scale economies
KPMG (1998)	177 local governments in NSW, 1995/96	Comparison of partial indicators	Total expenditure	Population	Potentially large 'cost savings' from wholesale amalgamation.
Local Government Commission (1986)	175 Victorian councils, excluding City of Melbourne, Shire of Flinders and Shire of Phillip Island, 1983/84	Simple regression analysis	Per capita administrative costs, excluding overheads	Population	Economies of scale found in administrative expenditure.
Musgrave et al. (1985)	24 NSW small, rural shires, 1979-80	Simple regression analysis	Total expenditure per capita excluding new fixed capital expenditure	Population	Limited evidence of 'economies of size'
Office of Local Government (1993)	All Victorian councils, excluding City of Melbourne, 1991-92	Simple regression analysis	Total expenditure per capita	Population	Evidence of economies of scale in metropolitan, provincial and rural shires

Author(s)	Data	Estimation Technique	Dependent variable (s)	Explanatory variable(s)	Major findings
S.A. Dep't of Local Government (1988)	123 councils in S.A., excluding City of Adelaide, 1984/85	Simple regression analysis	Total Expenditure upon Administration; overheads; household garbage; road construction and maintenance; recreation and cultural and level of outside grants and subsidies received	Population; area and total road length	Scale economies found in the following areas of expenditure: administrative; overhead ; drainage ; road and grants and subsidies received.
Soul (2000)	177 NSW local government areas, 1995/96	Simple regression analysis	Gross expenditure per capita and expenditure per capita on economic services	Population	Evidence of economies and diseconomies of scale
Victorian Grants Commission (1985)	All Victorian councils, 1982-83	Simple regression analysis	Per capita expenditure on; administration; street cleaning; community and regional development; recreation and culture; debt servicing and capital equipment	Population	Economies of scale found in all functions.

Part of this request was for the Commission to determine whether ‘any clear trends (were evident) which indicate financial savings in administration costs or the provision of economic services’ (VCG, 1985: 21). In order to answer this question, the authors regressed actual administration expenditure per capita, including overheads, against population for all Victorian local governments. They found a negative relationship, the absolute value of the coefficient of correlation being 0.7705, significant at 0.01 probability level.

The Commission considered that smaller municipalities might have higher administration costs as a result of performing proportionately more functions than their larger neighbours. To control for this, the number of functions for these councils was restricted. However, a similar relationship was detected.

The Commission then sought to determine whether the provision of economic services became more efficient as the size of a council increased. They chose as their dependent variables: expenditure on street cleaning; community and regional development; recreation and culture; and debt servicing. Each was regressed against population. Per capita expenditure was found to have a negative relationship to population with the Commission concluding that ‘the costs of a number of significant services provided by metropolitan municipalities decrease significantly with increases in size’ (VGC, 1985: 28).

It would seem that the Commission chose rather inappropriate proxies for output for at least two of the ‘economic services’. In particular, it is difficult to imagine that the population of a given council is a good proxy for output in street cleaning services. Perhaps total kilometres of road length would be a better indicator. Furthermore, the amount of debris that accumulates on streets may have little to do with the permanent population of a council. To the contrary, it is conceivable that a so-called transitory population may be at least a contributing factor. The use of population to measure output is also questionable when considering expenditure on community and regional development. Although this category is not defined by the Commission, one would imagine that a better proxy might be the rate of growth in population, since a growing council is more likely to invest in development than a council in which population is declining.

Abelson (1981)

Abelson (1981) was the first to construct a multi-variate model in order to test for evidence of economies of scale in local government expenditure. He chose as his dependent variable total council expenditure per household and regressed this against the following explanatory variables: median household income; dependants as a proportion of Local Government Area (LGA) population; political affiliation; rate of growth of LGA; number of households; household density and the amount of Federal grants per household. The data set encompassed 36 LGA’s in metropolitan Sydney in 1976.

Using the number of households as the measure for scale, the statistical model did not find any evidence of a relationship between total expenditure per household and the size of an LGA. Although Abelson (1981) did include a number of variables in the model in order to accommodate diversity among LGA's, the primary weakness of his study is that total expenditure cannot be seen in any sense to be a homogeneous entity. The finding that no relationship was detected between the size of a council and total expenditure per household may be due to the likelihood that the expenditure per household on some services may increase as a council increases in size, whilst average expenditure on others may decline. Perhaps a better approach would have been to desegregate total expenditure and then determine how expenditure on particular services varies with size.

Office of Local Government (1993)

The Office of Local Government (OLG) in Victoria published a report entitled 'Structure and Efficiency: Improving Local Government Efficiency' in 1993. One of the areas the report sought to address was the long running debate regarding the relationship between the size of a council and its economic efficiency. In an attempt to settle the issue, the OLG undertook a statistical analysis similar to those carried out by the VGC (1985) and LGC (1986). The technique employed was simple regression analysis of total expenditure per capita against population. The authors split all Victorian councils into three groups: metropolitan, provincial and rural. This was done in order to compare council performance where a roughly similar range of functions is carried out. Total expenditure per capita was shown to have a significant negative relationship to population in all three categories.

The OLG (1993) Report is susceptible to the same criticism as its predecessors. That is, the analysis did not include explanatory variables that might be correlated with population and, as a result, it is not possible to be confident that an increase in population alone is responsible for a lower per capita expenditure. A further criticism that can be made of the Report's methodology is that the authors did not assume a range of functional forms. By simply assuming a linear relationship between average total expenditure and population, this does not allow for the possibility of diseconomies of scale. One means of addressing this weakness is to assume a parabolic relationship, which might reveal an increase in average total expenditure beyond some population level.

Musgrave et al. (1985)

Musgrave et al. (1985) sought to address the limited argument that smaller rural shires in NSW were less efficient in their delivery of services than their larger counterparts. Consequently, the data set was confined to 24 small NSW rural shires which the authors thought might be prime targets for amalgamation. Their analysis spans the financial year 1979-80.

One particularly interesting aspect of this research was the attempt to select *ex ante* statistically plausible proxies for output. The relevant variables were found to be: total

population; population density; area of council; altitude; ratio of outdoor staff to total staff and ratio of road expenditure to the value of plant (Musgrave et al., 1985: 56). The authors concluded that total population was the best proxy for size and made use of this variable when constructing their statistical model.

Rather than using total expenditure per capita as their dependant variable, Musgrave et al. (1985) disaggregated total expenditure in order to exclude new fixed capital expenditure since this may be an indicator of a council experiencing growth, rather than some underlying inefficiency. The technique employed then was simple regression analysis of total expenditure per capita, excluding new fixed capital expenditure, against total population. The authors made use of three functional forms: quadratic, logarithmic and reciprocal, and found that regardless of which form is chosen, evidence of economies of size did exist within the sample over a range of output. A caveat noted, however, that the relatively low R-squared scores indicated that 'while the results do not indicate rejection of the hypothesis of economies of scale they do not provide strong support for it either' (Musgrave et al., 1985: 60).

Soul (2000)

Soul (2000) attempted to analyse the effect of size, measured by population, on two broad cost related categories; gross expenditure per capita and expenditure per capita on economic services. Soul (2000) included all 177 NSW councils in his data set, which spanned the financial year 1995/96. Making use of a logarithmic transformation of population, Soul (2000: 233) found that increasing population yields a lower level of gross expenditure per capita up to a council size somewhere between 100,000 and 316,000 people, at which point increasing expenditure per capita is experienced. Turning to per capita expenditure on economic services, Soul (2000: 246) once again found that increasing population yields a lower level of expenditure on economic services. However, once population reaches a point somewhere between 100,000 and 316,000 people, a higher level of per capita expenditure will be experienced.

Whilst both research efforts related to NSW have made use of more appropriate functional forms, the use of only one explanatory variable (population) leaves their conclusions open to a similar vein of criticism as their Victorian counterparts.

Comparison of partial indicators

Two studies of local government efficiency have made use of partial indicators to determine whether the size of a local government area, measured by population, has an impact on the cost of delivering good and services. In essence, this approach involves determining a benchmark against which all councils within a sample can be compared. The first of these studies was undertaken by the Institute of Public Affairs (IPA) in Victoria. KPMG Consulting undertook the second study, investigating NSW council efficiency.

Institute of Public Affairs (1993)

The IPA study makes use of partial indicators to compare and contrast per capita expenditure between all councils in Victoria during 1991-92. It found that the inner Melbourne council of Essendon had the lowest expenditure and rates per capita. The IPA then argued that if all inner city councils were as “efficient” as Essendon, and by extension reduced per capita expenditure to that level achieved by Essendon, then significant cost savings could be achieved. An implicit assumption of their approach is that Essendon’s efficiency arises from the fact that it has the largest population of all inner Melbourne councils. The IPA estimates that total expenditure for all inner Melbourne councils could be reduced by \$96m, or a 38 percent reduction in total spending per year (IPA, 1993: 13).

Moreover, the IPA study extended this principle to all councils in Victoria by repeating the process for subsets of councils. For example, all councils in Victoria were grouped into regional zones and within each zone an efficient peer was identified. If all councils within each of those groups reduced expenditure to that achieved by its efficient peer, then the total savings to be generated from reform were estimated at \$441m for the entire state.

The first criticism that can be made of this study is that it ignores the great diversity in functions performed by councils throughout Victoria. To assume that smaller rural shires perform exactly the same functions as their city counterparts is somewhat surprising. Furthermore, simply presuming that a lower per capita expenditure is a function of size alone discounts the possibility that larger councils may simply have more efficient means of delivering services. They may employ more appropriately skilled staff than smaller councils. The IPA does not investigate any other aspects apart from size and, as result, cannot say with any certainty that increasing the size of councils throughout Victoria will deliver lower per capita expenditure. One must also be mindful of the difference in the quality of the services delivered. Lower per capita expenditure may be a function of lower quality services. Perhaps a better approach would have been to compare a number of partial indicators alongside total expenditure per capita, in order to determine what role quality of service had to play in lowering expenditure.

The authors claimed that ‘considerable savings (might be made) from reduced administrative expenditure’ (IPA, 1993: 14). However, this rationale ignores the fact that by no means all of expenditure goes toward administration. Consequently, a first step in calculating potential savings is to discount the results for the proportion of expenditure that contributes to functions other than administration.

Finally, the IPA makes no reference to the costs associated with staff retrenchments or the opportunity cost of leaving fixed capital idle. These potential costs must be subtracted from the potential savings in order to calculate the net potential savings to be made from increasing the size of local government areas in Victoria.

KPMG Consulting (1998)

The Property Council of Australia (NSW Division) commissioned the second study. The KPMG (1998) Report sought to establish “benchmarks” in service delivery by councils throughout NSW and then determine the “cost savings” that could be made if all NSW councils met these benchmarks. Table 3 is an example of the methodology employed in this Report.

Table 3 Cost savings from amalgamation

Regional Organisations of Councils	Population	Expenditure (Exp.)((\$m))	Exp. per capita	Exp. savings per capita	Exp. reduction (\$m)	Exp. reduced (%)
Albury Wodonga	51,810	45.40	876.28	36.45	1.89	4.16
Central Coast	268,850	207.19	770.65	94.47	25.40	12.26
Central West	187,920	191.43	1018.68	209.34	39.34	20.55
Hunter	565,400	325.66	575.98	174.31	98.56	30.26
Illawarra	374,500	249.47	666.14	252.52	94.57	37.91
Inner Metro	380,600	272.23	715.27	130.54	49.68	18.25
Macarthur	215,200	94.98	441.36	51.95	11.18	11.77
Mid North Coast	101,810	65.73	645.61	53.96	5.49	8.36
Murray	33,340	39.26	1177.56	381.77	12.73	32.42
New England	75,350	73.72	978.37	255.98	19.29	26.16
Northern Area	118,530	153.17	1292.25	658.84	78.09	50.98
Northern Rivers	254,090	199.24	784.13	153.95	39.12	19.63
Northern Sydney	535,500	244.75	457.05	72.04	38.12	15.76
Orana	120,210	163.97	1364.03	541.89	65.14	39.73
Riverina Eastern	130,420	135.76	1040.94	263.53	34.37	25.32
Riverina	51,900	55.84	1075.92	300.05	15.57	27.89
Shore	246,520	128.25	520.81	69.73	17.17	13.39
South East	78,890	89.15	1130.05	221.43	17.47	19.59
Southern Sydney	1,124,900	509.08	452.56	127.38	143.30	28.15
Sydney Coastal	1,055,800	649.71	615.37	198.14	209.2	32.20
Western Sydney	1,191,550	486.86	408.59	65.11	77.58	15.93
Total	7,162,820	4,380.85	611.61	152.69	1,093.70	24.97

Source: KPMG (1998: 98), *Re-inventing Local Government In NSW*.

With reference to Table 3 the authors (KPMG, 1998: 98) observed that:

we have taken each individual [Regional Organisation of Councils] ROC and isolated the council with the lowest expenditure per capita as a potential gauge of efficiency. Based on this we have then identified the expenditure savings other councils within the ROC could potentially obtain in an amalgamated council. A total expenditure saving is then determined for each ROC. Based on this model for reform total savings across NSW local government could be as high as \$845 million out of a total cost of \$3,821 million.

McNiell (2000: 13) argued that this is a rather simplistic approach to calculating such savings. By way of example, McNiell (2000) disaggregated the New England ROC. The results are reproduced in Table 4.

Table 4 New England Regional organisation of Councils

New England ROC	Area (Sq. km)	Population Density 1977 (pop/area)	Population Growth % (5 year average)	Road length (Km)	LGGC Grant per capita (\$)	Operating Expenditure \$Per capita
Armidale	33.65	635.1	-1.09	170	73.45	850
Dumaresq	4,168.36	0.92	-0.08	799	214.65	2,130
Glen Innes	68.65	89.56	-0.91	104	152.55	1,290
Guyra	4,370.69	1.00	-2.39	865	276.95	1,560
Severn	5,826.08	0.52	-0.62	974	378.86	2,200
Tenterfield	7,123.52	0.93	-0.81	1,381	309.23	2,160
Uralla	3,214.51	1.85	-0.92	814	208.92	1,190
Walcha	6,409.91	0.52	-2.06	765	268.76	1,930

Source: McNiell (2000: 13), *'To Amalgamate or Not To Amalgamate'*.

McNiell (2000: 13) argued that:

the most glaring deficiency in this method of estimation is omission of any investigation of factors (other than “inefficiency”) which might explain why the per capita expenditures are higher in some councils. In the example, Dumaresq Shire is assumed to be two and a half times less efficient than Armidale, despite the fact that its population density is 0.92 persons per square kilometre and road length is 799 kilometre compared to Armidale’s 170 kilometres. As local government grants commissions in each State have been demonstrating since 1974, there are some very good reasons why per capita expenditures are higher in some areas than others, and “diseconomies of scale” is only one of them ... It is also unreasonable to create expectations within proposed amalgamation areas that, say, Armidale can continue to supply services at \$850 per head once amalgamated with Dumaresq.

Three generic criticisms can be made of the nine studies presented in Table 2. Firstly, all but one study considered factors that may be co-linear with population in explaining variations in the cost of providing services by local government. It could well be that a variable such as income changes with population and thus has a role in explaining variations in average cost or expenditure. Without including such variables in the model, the relative importance of population may be overstated.

Second, all except two of the studies assumed that total expenditure is an homogeneous entity across the relevant sample. This ignores the vast diversity in functions carried out by local government and thus makes comparisons between councils a risky exercise.

Finally, none of the studies addressed the issue of measuring economies of scale. All of the studies cited in Table 2 used data sets that span one year. In order for a study to examine economies of scale, the data set should cover a length of time sufficient for all factors of production to be varied. For the studies that used total expenditure per capita as their dependent variable, one could argue that a service, such as sewerage, which would be included under that heading, requires a longer period of time for capital to be a flexible input. Indeed, if council employees are hired on fixed term contracts of one year or more, even labour would become a fixed factor of production. It seems then that the nine studies cited above are not measuring economies of scale, but rather determining

how population affects short run costs. It could thus be argued that a correctly specified study of economies of scale in local government service provision has not been undertaken in Australia.

Concluding Remarks

This paper has sought to review the empirical evidence relating to economies of scale in the provision of local government services, both internationally and in the Australian context. Given the mixed results which emerge from the international evidence, it seems reasonable to conclude that considerable uncertainty exists as to whether economies of scale do or do not exist. A somewhat more detailed review of the Australian evidence was carried out. It was argued that Australian empirical studies to date have not attempted to measure economies of scale in so far as the data sets employed do not encompass a sufficiently prolonged period of time to allow for all factors of production to be flexible. Moreover, various other problems were identified in the studies.

The paucity of empirical evidence on the existence of significant economies of scale in municipal service provision casts considerable doubt on the wisdom of the widespread policy of local government restructuring in Australia. Advocates of amalgamation have premised their arguments on the proposition that substantial efficiency gains would flow from the formation of larger local authorities. It seems clear that the extant literature on economies of scale in municipal governance does not support this proposition.

Concerns have been expressed over the loss of democratic representation and accountability as a consequence larger amalgamated councils (Vince, 1997). These “equity” arguments have often been countered by “efficiency” arguments that are based on the purported economic benefits derived from restructuring. If economies of scale are not amongst the efficiency gains derived from amalgamation, then this severely weakens the case for local government restructuring in Australia. Proponents of amalgamation are thus obliged to rely on economies of scope and other factors in their advocacy of the efficiency-enhancing characteristics of restructuring.

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Attachment 5

Long Term Financial Plan Balranald Shire Council January 2018

<http://www.balranald.nsw.gov.au/wp-content/uploads/2018/02/Balranald-LTFP-2017-27-Revised-Jan-2018-Final.pdf>



Attachment 6

Community Engagement Plan Balranald Shire Council October 2017 and Detailed Community Engagement Program



Balranald Shire Council
Draft Community Engagement Plan

October 2017



Document status

Ref	Approving director	Date
7261	S Bunting	October 2017

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Introduction

Balranald 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.

In NSW, local government annual rates income is subject to rate pegging with each year's percentage increase determined by the Independent Pricing and Regulatory Tribunal (IPART) under delegation of the Minister for Local Government. The rate peg also incorporates a productivity factor.

Council was issued with a Performance Improvement Order in April 2017 which included the appointment of a temporary advisor. Council has submitted a Performance Improvement Implementation Plan, which was further extended following the advisor's report to the Office of Local Government.

To become more sustainable, Council needs to

- increase its unrestricted cash
- create sufficient financial capacity to employ resources to deliver current services
- increase asset maintenance expenditure to achieve the NSW governments asset management ratio
- increase capital and renewal expenditure to achieve the NSW governments target infrastructure backlog ratio.

To achieve this, 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: these being

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

This Community Engagement Plan outlines the process Council proposes to use to consult with residents and seek their feedback on the proposed application for an SRV.

Who are we

Balranald Shire Council is located in the south western part of New South Wales. The Shire is part of the Western Division of New South Wales. Located 850 km south west of Sydney and 450 km north of Melbourne, Balranald Shire Council covers an area of 21,346 square kilometres. Major townships within the Shire are Balranald (population 1,200) and Euston (population 600).

Balranald Shire Council sits on the Victorian border. The Victorian Cities of Swan Hill and Mildura are located 98 km and 162 km away. As such, the residents of the Shire have access to medical, educational, sporting and shopping services which provide advantages over other Western Division councils, with the possible exception of Wentworth.

In keeping with the other Western Division councils, Balranald has unique features such as major rivers, the Sturt Highway linking Sydney and Adelaide, and the Mungo and Yanga National Parks.

Visitors to Balranald and the smaller town of Euston are complimentary of the presentation and services. Both towns present as friendly and modern. Housing is of a good standard, and civic pride is evident. The appearance of the towns brings credit to the ongoing efforts of Balranald Shire Council.

The Shire was formed as a part of a large operation in the 1950s to bring much of the Unincorporated Area under municipal control. As with other examples of small municipalities merging with surrounding rural areas, a better resourced local government administration resulted.

The estimated resident population of Balranald Shire Council at June 2016 was 2,250. This represents a 4.2% decrease from the estimated 2350 resident population in 2011. Projections from the NSW Department of Statistics indicate that the population is expected to decline to 2,100 by 2031, a further 6.4% decrease from the 2011 estimated population. Total households are expected to decrease by 5.3% over the same period.

Background

Council is currently in an unsustainable financial position. In 2013, Council was assessed by NSW Treasury Corporation (TCorp) with the key findings being:

- ongoing operating deficits
- declining levels of asset renewals and forecast to deteriorate further
- Council advised no infrastructure backlog existed and asset management plans had been completed.

Since the TCorp report

- there has been no significant improvement in the operating ratio
- all asset management plans have been reviewed and the infrastructure backlog calculated
- depreciation expenses have been reviewed and adjusted downward
- investment in asset renewals has stabilised.

Balranald Shire Council has sought a review of its current rating structure due to a range of factors, namely a potential inequity between rating categories, the impact of the mineral sand mines and solar farms, the need to have appropriate categories and subcategories to manage any change in rating categories, and to address Council's overall financial position and long term financial sustainability.

Council was of the view that its current rating structure had some potential inequities between the rating categories. An analysis was undertaken which allocates the operating costs for each service (the benefit) to a rating category through a rates benefits model which compares the rates paid to benefits received. The results of the analysis indicates that there is inequity as the farmland rating category is paying more rates than the benefit received and the residential ratepayers less rates than the benefit received. However, the rates benefit model should only be used as a general guide to illustrate to Council a potential issue in the current rating structure.

Further, a comparison of the average ordinary rates for Balranald and its neighbouring councils shows that residential and business properties in Balranald pay lower average rates than those in neighbouring councils, with Balranald's average residential rate significantly lower than other councils.

Given the number, range and complexity of potential changes to the rating system in 2018/19, it is recommended that the rate structure should be reviewed for the start of the 2019/20 financial year with consideration given to rebalancing the contributions from different categories to the rate base income.

One of the key challenges is for Council to understand and quantify what the impact of mining and solar farming activities will have on the local community and on the Council. The change in use will see these properties re-categorised resulting in an increase in Council total allowable 'notional income'.

The rationale in determining the increase in rate income is based on increased demand and use of Council services and infrastructure. The basis of the cost impact assessment includes estimated population growth, recognition of location, access and use of Council services and infrastructure and potential benefits of economies of scale. The assessment also acknowledges the estimated road contributions which have been slightly discounted to recognise that staff, contractors and suppliers will use and consume the broader infrastructure of Council.

The recommended additional rate yield for these new activities is:

- Category Business: Subcategory Mineral Sands Balranald \$605,000
- Category Business: Subcategory Mineral Sands Atlas-Campaspe \$490,000
- Category Business: Subcategory Solar Farming \$70,000

In order to collect the additional rate yield, Council needs to make a rate for the new subcategories. The major issue is that there is a strong likelihood that the mineral sands valuations for rating purposes may not be available to meet this timeline. The report recommends that Council make the rate based on the estimated value provided by the Valuer General.


In addition Council understands there is a need for a permanent special rate variation (SRV) application to address its operating deficit. A revised LTFP has been developed and includes a permanent SRV application effective from 1st July 2018 for an increase of 10% (including rate peg) per year rate (compounded) for the next seven years.

Applying the 10% SRV to Council's current rate base will generate an estimated \$133,390 in 2018/19 rising to \$237,185 in the seventh year. Council will need to consider the impact on the whole rating structure as part of the revised LTFP, Delivery Program and Operation Plan and the subsequent community consultation.

Engagement framework, principles and objectives

Framework

The International Association of Public Participation (IAP2) has developed a public participation spectrum that provides an internationally recognised framework for community engagement. The spectrum is outlined in the table below.

					
	Inform	Consult	Involve	Collaborate	Empower
Public participation goal	To provide the public with balanced and objective information to assist them understanding the problem, alternatives, opportunities and/or solutions	To obtain feedback on analysis alternatives and or decisions	To work directly with the public throughout the process to ensure that the public concerns and aspirations are consistently understood and considered	To partner with the public in each aspect of the decision including the development of alternatives and identification of the preferred solution	To place final decision-making in the hands of the public
Promise to the public	We will keep you informed	We will keep you informed, listen to and acknowledge concerns and aspirations, and provide feedback on how the public input influenced the decision	We will work with you to ensure that your concerns and aspirations are directly reflected in the alternatives developed and provide feedback on how the public input influenced the decision	We will look to you for advice and innovation in formulating solutions and incorporate your advice and recommendations into the decisions to the maximum possible extent	We will implement what you decide

Council will use this spectrum to guide its engagement approach within the resources available.

Engagement Principles

Balranald Shire Council is committed to meaningful community engagement. In order to meet this commitment it has adopted the following guiding principles.

- Social Justice – All parts of the community should have an equal opportunity for input
- Creating the right debate – Residents will be informed. We will inform and educate the community on the key issues, options and choices facing the Shire
- Community input is valued – Council is open to all ideas and values all contributions. All input will be considered and acknowledged
- Engage Appropriately – Council will engage the community to maximise the value and range of community feedback

The combination of the application of the IAP2 public participation framework and Council engagement principles will ensure the engagement process delivers the expected outcomes and delivers an enhanced result.

Objectives

Through the application of the IAP2 Framework, the engagement principles above and the application of selected engagement tools, the community engagement process will

- inform the community of the sustainability issues facing the Shire
- test if the need for the proposed SRV is understood by the community
- gauge the level of support for the proposed SRV
- enable the Council to make an informed decision on whether to lodge an SRV application to IPART.

A successful community engagement process will deliver on the majority of these objectives. Council will measure the success of the process by

- the level of community involvement in the engagement process
- the representative nature of those individuals or groups who are engaged
- the level of feedback on the SRV.

Resourcing requirements

Budget

The Council has allocated a budget of \$18,500 for support services to facilitate this engagement process. Other costs and internal staff resources will be funded from existing budgets.

The budget has influenced the extent of community engagement that can be undertaken and as such a small range of focused engagement initiatives are planned.

Resources

This Council's community engagement process will be undertaken by a team comprising:

- Internal resources – to be confirmed
- Morrison Low Consultants

Engagement program

Council has identified a range of key stakeholders groups. Council will endeavour to ensure that each group is engaged in and able to participate in the initiatives below.

The following table outlines the community engagement actions and initiatives that will be undertaken to develop and finalise the SRV application.

Initiative	Activity	Engagement Type	Target Group	Timeframe	Responsibility
Prepare					
Develop Community Engagement Strategy	Draft strategy	Inform Inform/consult/ involve/collaborate	Council elected members and management	October	Morrison Low
Develop LTFP and Rating Review	Develop discussion documents to identify key issues facing the Shire	Inform	All residents	October	Council staff/Morrison Low
Update Facebook and website for engagement	Design Facebook webpage and web-based engagement tools <ul style="list-style-type: none"> – Information – Unloadable documents – Web feedback forms – Web surveys 	Inform	All residents	October	Council staff
Develop engagement material	<ul style="list-style-type: none"> – Submission forms – Survey forms 	Inform/consult	All residents	October	Council staff/Morrison Low
Awareness					
Create awareness SRV engagement process	Create awareness of engagement process amongst elected members and staff	Inform	Elected Members and Staff	October	General Manager
	Create awareness of process amongst Shire residents <ul style="list-style-type: none"> – Council newsletters – School newsletters – General media – Speaking engagements 	Inform	All residents	October /November	General Manager and staff
	Establish local identities as champions for the engagement process	Inform	All residents	October	Elected members

Initiative	Activity	Engagement Type	Target Group	Timeframe	Responsibility
Engage					
General Engagement					
Website	Launch website engagement	Inform/consult/involve	All residents	November	General Manager and staff
Facebook	Launch Facebook engagement	Inform/consult/involve	All residents	November	General Manager and staff
Community survey	Create and launch survey via Survey Monkey	Inform/consult	All resident	November	Morrison Low
Targeted Engagement					
Focus groups	Engage with targeted groups	Inform/consult/involve/collaborate	Special interest groups	November	Council staff and Morrison Low
Respond					
Summarise engagement	Analyse and summarise key issues from engagement process	N/A	N/A	November	Project manager and Morrison Low
Publish engagement summary	Publish summary	Inform	All residents and engagement participants	December	General Manager
Notify IPART	Advise IPART and submit final SRV application	N/A	N/A	December-January 2018	General Manager and staff
Validate					
2018/19 budget process	Public exhibition and submissions on Draft Operational Plan	Inform/Consult	All residents	May 2018	General Manager and Council



Attachment 7

Community Engagement Report Balranald Shire Council November 2017



Community Engagement Report

Balranald Shire Council

November 2017



Document status

Ref	Approving Director	Date
7261	S Bunting	November 2017

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Introduction

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Council was issued with a Performance Improvement Order in April 2017 which included the appointment of a temporary advisor. Council has submitted a Performance Improvement Implementation Plan, which was further extended following the advisor's report to the Office of Local Government.

To become more sustainable, Council needs to

- increase its unrestricted cash
- create sufficient financial capacity to employ resources to deliver current services
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- increase capital and renewal expenditure to achieve the NSW governments target infrastructure backlog ratio.

To achieve this, 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. These being;

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

A Community Engagement Plan (Appendix A) was developed and implemented outlining the process Council undertook to consult with residents and seek their feedback on the proposed application for an SRV. The engagement process included the development and circulation of

- Information leaflet, including a "Have your say- Submission Form" – Appendix B
- Frequently Asked Question – Appendix C
- Community Survey on the SRV and results – Appendix D
- Presentation to the Focus Group Meetings – Appendix E

This report covers community feedback from the five community focus group sessions, facilitated by Morrison Low, a summary of the written submissions and report on the survey results. Council elected to use a facilitator for the focus groups to ensure that the engagement process was seen to be independent, transparent, community focused and more removed from any perception of direct Council influence.

Engagement Summary

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 of the proposed rate increase, due to low wages, was raised in most sessions.

All focus group sessions 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 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 and 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, 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 and it 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.

Focus Group Sessions

For each session a presentation detailing context, challenges, current financial status, proposed options for an SRV and mining rates was undertaken. Individuals were afforded the opportunity to ask questions and to seek clarification. During the sessions participants were asked to respond to the following four questions:

1. Should there be a sustainable Council?
2. Are you satisfied with the current services provided by Council?
3. What is your preferred option – a. SRV of 10% over 7 years or b. No rate increase?
4. How can Council become more sustainable over the long term?

Following are the outcomes and main issues raised for each of the five focus group sessions.

Kyalite Focus Group Session

Wednesday 8 November, 1pm to 2pm

Venue: Kyalite Hotel; Number in attendance - 4

1. Should there be a sustainable Council?

There was unanimous support for a sustainable Council.

2. Are you satisfied with the current services provided by Council?

The group was satisfied with all current services except for roads. Greater maintenance frequency required.

3. What is your preferred option – a. SRV of 10% p/a over 7 years or b. No rate increase?

The group questioned what will people get for the additional rates.

4. How can Council become more sustainable over the long term?

- Council should be working to increase its share of Financial Assistance Grants rather than looking for

additional rates income

- Council should look at options for changing rate categories to capture solar farms etc
- Council should make workers more accountable to eliminate waste, improve efficiencies
- Council should not use consultants
- There is a problem with the way Council is being run, could sort out bigger problems by starting with the smaller ones.
- Not enough work being done on roads
- Need to see better operations from Head Office – need more concrete planning so people know what they are getting for their money.

Balranald Focus Group Session 3-4pm

Wednesday 8 November, 3pm to 4.30pm

Venue: Theatre Royal; Number in Attendance - 45

Following are the outcomes and issues raised for each of the 4 questions

1. **Should there be a sustainable Council?**

There was unanimous support for a sustainable Council. The following comments/issues were raised:

- With the amount of money being paid out, Council should be able to do the job, Why have top of range new cars for staff to drive.
- Redundancy and sacking of staff, wouldn't that lead to retraining new staff (more money and time)

2. **Are you satisfied with the current services provided by Council?**

The majority were satisfied with current services. The following comments/issues were raised:

- When will ratepayers see the outcomes?
- Can Council cut any expenses, i.e. grader sits idle when raining and operator still gets paid.
- Council should review their services.
- Bring in private contractors instead of employing people.
- Wentworth Shire Council contract their road crew, why doesn't our council.
- Grader sat idle for 6 weeks when it was dry.
- Why put bitumen on top of bitumen, when nothing wrong underneath, i.e. town streets being sealed on top of seal
- Is council properly assessing roads?
- Mismanagement of Council funds, problem will still be there in 10 years if Council do nothing now.

- SRV won't solve the problem alone
- 39 recommendations from the Improvement Order reflects on the Councillors that we have now
- The Caravan Park issue was brought up at every meeting, it was explained by the General Manager that an extraordinary meeting was called and will be held on Friday.

3. What is your preferred option – a. SRV of 10% over 7 years or b. No rate increase?

The majority were against the SRV of 10% over seven years, however a number of participants would support some increase subject to Council improving its operations and performance.

The following questions were raised:

- If we vote NO to the SRV, what services will be cut?
- Where did 10% come from, why not start with 5 – 6% NOT 10%?
- How does Council expect pensioners to take on this 10% burden?

4. How can Council become more sustainable over the long term?

Following are the suggestions made by participants:

- Better Management – do more with the same, review council services.
- Administration, sell all services i.e. Caravan Park, Discovery Centre, Swimming Pool etc.
- Look at Councils debt levels
- Number of staff in office – could these numbers be reduced?
- Review organisation structure
- It was stated that after Administrator commenced in Central Darling, their services are still being delivered. Administrators sold all plant and equipment, call contractors to complete tasks.
- Where did Caltex money go, use that to pay off the debt, if it doesn't pay off the debt entirely it will certainly drop the interest rate significantly.
- What caused the 39 recommendations of the Improvement Plan – this should help
- Was suggested consultation with community more often
- Start a Rate Payers committee.

Clare Focus Group Session

Wednesday 8 November, 5.30pm to 6.30pm

Venue: Clare Community Hall; Number in Attendance - 17

1. Should there be a sustainable Council?

There was unanimous support for a sustainable Council.

2. Are you satisfied with the current services provided by Council?

The group was satisfied with some services but weren't satisfied with roads maintenance. The following comments were made:

- Roads are a disgrace
- Mungo Road disgrace, residents refuse to travel on them
- Not happy with the state of roads, 70% deteriorated, some have not seen a grader for more than 3 years.
- Its time staff and councillors drove out to look at roads more closely.
- Why are council representatives not here at the meeting?
- Ramp has been damaged for 2 years, reported to Council, and nothing has been done
- Bad Management on Councils behalf
- Caravan Park management was bought up again at this meeting, with plenty of questions and comments

3. What is your preferred option – a. SRV of 10% p/a over 7 years or b. No rate increase?

The group were unanimous against the SRV, with the following comments and questions:

- Farmer's rates will be going up by thousands.
- If the rates go up now, when will it end?
- How far are we from Administration?
- Would we get anymore services if our rates increase?
- When mining commences, what will happen to the roads then?
- Rate rise in anyway is unsupported
- Have IPART ever given 10% increase.

4. How can Council become more sustainable over the long term?

- Should be major restructure of Councils in Western Division
- FAGS funding – what about trying to increase this?
- Representative for this area to seek additional funding.

- Put Council into administration
- Run the council more efficiently
- 4% cut of wages would solve everything
- Train staff that we have to do the job more efficiently
- How many new employees have council got, and why do we need so many?
- The community were concerned about lack of communication between management, councillors and community residents.

Balranald Focus Group Session 8-9pm

Wednesday 8 November, 8.30pm to 10.00pm

Venue: Theatre Royal; Number in Attendance - 53

Following are the outcomes and issues raised for each of the 4 questions

1. Should there be a sustainable Council?

There was unanimous support for a sustainable Council. The following comments/issues were raised:

- Mismanagement of Council
- Workers can't do their jobs and spend too much on Consultants
- Why has it taken 4 years for staff to consult with public.
- Where does responsibility of mismanagement of funds lie?
- Council running behind in services with more staff than 10 years ago.

2. Are you satisfied with the current services provided by Council?

The group was satisfied with most of current services. The following comments/issues were raised:

- Maintenance grades per year are not happening
- Councillors and mayor should be present at community meetings to listen to what we have to say.
- Wasting grant money on underground power poles, when community infrastructure needs repairing eg football sheds.
- Rocks Road, was graded in the rain 6 years ago, has not been graded since.
- We need common sense in the depot
- Public not getting value for money, i.e. Pool not being opened long enough hours

3. What is your preferred option – a. SRV of 10% p/a over 7 years or b. No rate increase?

The majority were against the SRV of 10% p/a over seven years, however a number of participants would support some increase subject to Council improving its operations and performance.

The following comments were raised:

- Can council reapply for SRV after 7 years
- Does community have final say. It was advised “no” its Council.
- Why do 10% why not start with 6 or 7% and give and take a bit
- Once rates have risen they will never go back down
- How can we afford rates with this large increase?
- Very low paid employees in this town
- Very costly to live in this town
- 10% is outrageous, our wages are not as high as other regional places
- 10% over 7 years is outrageous, 10% for 4 years maybe?
- People want to live here, with rates rising this much makes it impossible

4. How can Council become more sustainable over the long term?

- Stop employing contractors and consultants, provide efficiency, and lift their game
- Shire should be more transparent and consult with community more often
- Bidgee Haven Hostel is in a financial mess
- Buy cheaper cars
- Council needs to live within its means
- Council needs to improve performance and productivity

Euston Focus Group Session

Wednesday 9 November, 8am to 9.30am

Venue: Euston Recreational Facility; Number in Attendance - 34

Following are the outcomes and issues raised for each of the 4 questions

1. Should there be a sustainable Council?

There was unanimous support for a sustainable Council. The following comments/issues were raised:

- Council not operating correctly
- What is the percentage of administration expenses incurred over the last 2 years?

- How much has been spent over the last 3 years on staff and consultants?
- Mismanagement of Council
- How much money has been overspent on the budget for the last 4 years?
- Has council still got reserves for water & sewer infrastructure?

2. Are you satisfied with the current services provided by Council?

The group was satisfied with most of current services. The following comments/issues were raised:

- More services for Euston
- Currently limited services, with some rates for roads that are graded every 3 years.

3. What is your preferred option – a. SRV of 10% p/a over 7 years or b. No rate increase?

The majority were against the SRV of 10% p/a over seven years, however a number of participants would support some increase subject to Council improving its operations and performance.

The following questions were raised:

- Currently money is not being spent in Euston
- Consultants costing too much money
- Council have made some decisions in the past that have cost money, now are coming to ratepayers for help
- The increase is a lot of money for rate payers and pensioners especially
- Maybe over a longer period?
- Maybe a one-off fee from each household

4. How can Council become more sustainable over the long term?

- Ask Government to assist financially and look for grants available
- Council get their house in order first, and then come to ratepayers asking for help
- Rating structure should reflect services
- GM should have people skills, knowledge and accounting practice
- Ratepayers lobby with local member
- Review services including the aged care service
- More focus groups for the next phase
- Council should improve productivity and efficiencies

Written Submissions

As part of the community engagement process Council produced and mailed out an Information leaflet, with feedback opportunity to return the “Have your say- Submission Form”, refer Appendix B. Council received 185 written submissions. These submissions were reviewed with following results.

Overall summary of written submissions

The “Have your say- Submission Form” sought the responses feedback on two options, along with an opportunity to provide comments. 185 written submissions were received.

The two options were;

Option 1 - Rate increase of 10% per year including the rate peg for seven years to maintain services and assets at the current levels and to ensure the financial sustainability of Council

Option 2 - No increase above the rate peg which will lead to a reduction in service levels and an unsustainable Council.

Following are the results from the written submissions

Rating Options	Option 1	Option 2	No Preference	Support Smaller Variation
Number of Respondents	14	155	9	9

83% of the respondents were in favour of option 2 - No increase above the rate peg which will lead to a reduction in service levels and an unsustainable Council.

Following is an analysis of respondent comments in terms of main issues and themes.

- Poor and inefficient management
- Lack of services provided, particularly related to road maintenance.
- Poor communication between council and community
- Lack of accountability by Council for the current situation
- Council needs to improve budget management
- Sell machinery and hire contractors to undertake the work
- Reduce staff and Council overheads
- For those that supported some increase it is on the condition that it is clearly mapped out where the additional rates will be spent.
- Affordability of the proposed rate increase
- There is very strong support for a sustainable Council but do not understand why that can't be achieved using the rates that are currently in place.
- Community is generally dissatisfied with the services provided by Council. Many people see little to no services at all provided by Council.
- Suggestions from the community on how to become more sustainable

- Reduce Council staff and overhead (particularly Councils' cars)
- Sell off assets to pay for services
- Merge with another Council
- Fix the financial position of Bidgee House aged care operations
- Be transparent with the community, allowing free flowing communication on both ends.
- Be available to hear and address community issues when they arise.

Community Survey Results

Council developed an online community feedback survey for the SRV and it was accessible from Councils' website. Please refer to Appendix D for a copy of the survey.

15 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 response to the question of how should Council raise additional money to eliminate the operating deficit 33% indicated that this could be achieved by cutting spending and reducing service levels in some areas. A further 33% suggested other means and are detailed below:

- Councillors stop spending money on cars and stop getting consultants in
- combination of cutting/reducing service levels in some areas and being focused on user pays
- cut spending on consultants and middle management assistant staff by limiting the amount spent on unnecessary consultants
- Reduce spend on luxury cars for staff and expenses on staff accommodation. We footed the bill for security doors at the office at a very inflated price. Can the shire spend less money on non-essentials to get us back on track?

The survey sought feedback on the community's preference of 2 options in relation to rates. The two options were

Option 1 - Rate increase of 10% per year including the rate peg for seven years to maintain services and assets at the current levels and to ensure the financial sustainability of Council

Option 2 - No increase above the rate peg which will lead to a reduction in service levels and an unsustainable Council.

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. Refer to Appendix D for a copy of the survey results.



Appendix A – Community Engagement Plan



Balranald Shire Council

Community Engagement Plan

October 2017



Document status

Ref	Approving director	Date
7261	S Bunting	October 2017

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Introduction

Balranald 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.

In NSW, local government annual rates income is subject to rate pegging with each year's percentage increase determined by the Independent Pricing and Regulatory Tribunal (IPART) under delegation of the Minister for Local Government. The rate peg also incorporates a productivity factor.

Council was issued with a Performance Improvement Order in April 2017 which included the appointment of a temporary advisor. Council has submitted a Performance Improvement Implementation Plan, which was further extended following the advisor's report to the Office of Local Government.

To become more sustainable, Council needs to

- increase its unrestricted cash
- create sufficient financial capacity to employ resources to deliver current services
- increase asset maintenance expenditure to achieve the NSW governments asset management ratio
- increase capital and renewal expenditure to achieve the NSW governments target infrastructure backlog ratio.

To achieve this, 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: these being

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

This Community Engagement Plan outlines the process Council proposes to use to consult with residents and seek their feedback on the proposed application for an SRV.

Who are we

Balranald Shire Council is located in the south western part of New South Wales. The Shire is part of the Western Division of New South Wales. Located 850 km south west of Sydney and 450 km north of Melbourne, Balranald Shire Council covers an area of 21,346 square kilometres. Major townships within the Shire are Balranald (population 1,200) and Euston (population 600).

Balranald Shire Council sits on the Victorian border. The Victorian Cities of Swan Hill and Mildura are located 98 km and 162 km away. As such, the residents of the Shire have access to medical, educational, sporting and shopping services which provide advantages over other Western Division councils, with the possible exception of Wentworth.

In keeping with the other Western Division councils, Balranald has unique features such as major rivers, the Sturt Highway linking Sydney and Adelaide, and the Mungo and Yanga National Parks.

Visitors to Balranald and the smaller town of Euston are complimentary of the presentation and services. Both towns present as friendly and modern. Housing is of a good standard, and civic pride is evident. The appearance of the towns brings credit to the ongoing efforts of Balranald Shire Council.

The Shire was formed as a part of a large operation in the 1950s to bring much of the Unincorporated Area under municipal control. As with other examples of small municipalities merging with surrounding rural areas, a better resourced local government administration resulted.

The estimated resident population of Balranald Shire Council at June 2016 was 2,250. This represents a 4.2% decrease from the estimated 2350 resident population in 2011. Projections from the NSW Department of Statistics indicate that the population is expected to decline to 2,100 by 2031, a further 6.4% decrease from the 2011 estimated population. Total households are expected to decrease by 5.3% over the same period.

Background

Council is currently in an unsustainable financial position. In 2013, Council was assessed by NSW Treasury Corporation (TCorp) with the key findings being:

- ongoing operating deficits
- declining levels of asset renewals and forecast to deteriorate further
- Council advised no infrastructure backlog existed and asset management plans had been completed.

Since the TCorp report

- there has been no significant improvement in the operating ratio
- all asset management plans have been reviewed and the infrastructure backlog calculated
- depreciation expenses have been reviewed and adjusted downward
- investment in asset renewals has stabilised.

Balranald Shire Council has sought a review of its current rating structure due to a range of factors, namely a potential inequity between rating categories, the impact of the mineral sand mines and solar farms, the need to have appropriate categories and subcategories to manage any change in rating categories, and to address Council's overall financial position and long term financial sustainability.

Council was of the view that its current rating structure had some potential inequities between the rating categories. An analysis was undertaken which allocates the operating costs for each service (the benefit) to a rating category through a rates benefits model which compares the rates paid to benefits received. The results of the analysis indicates that there is inequity as the farmland rating category is paying more rates than the benefit received and the residential ratepayers less rates than the benefit received. However, the rates benefit model should only be used as a general guide to illustrate to Council a potential issue in the current rating structure.

Further, a comparison of the average ordinary rates for Balranald and its neighbouring councils shows that residential and business properties in Balranald pay lower average rates than those in neighbouring councils, with Balranald's average residential rate significantly lower than other councils.

Given the number, range and complexity of potential changes to the rating system in 2018/19, it is recommended that the rate structure should be reviewed for the start of the 2019/20 financial year with consideration given to rebalancing the contributions from different categories to the rate base income.

One of the key challenges is for Council to understand and quantify what the impact of mining and solar farming activities will have on the local community and on the Council. The change in use will see these properties re-categorised resulting in an increase in Council total allowable 'notional income'.

The rationale in determining the increase in rate income is based on increased demand and use of Council services and infrastructure. The basis of the cost impact assessment includes estimated population growth, recognition of location, access and use of Council services and infrastructure and potential benefits of economies of scale. The assessment also acknowledges the estimated road contributions which have been slightly discounted to recognise that staff, contractors and suppliers will use and consume the broader infrastructure of Council.

The recommended additional rate yield for these new activities is:

- Category Business: Subcategory Mineral Sands Balranald \$605,000
- Category Business: Subcategory Mineral Sands Atlas-Campaspe \$490,000
- Category Business: Subcategory Solar Farming \$70,000

In order to collect the additional rate yield, Council needs to make a rate for the new subcategories. The major issue is that there is a strong likelihood that the mineral sands valuations for rating purposes may not be available to meet this timeline. The report recommends that Council make the rate based on the estimated value provided by the Valuer General.


In addition Council understands there is a need for a permanent special rate variation (SRV) application to address its operating deficit. A revised LTFP has been developed and includes a permanent SRV application effective from 1st July 2018 for an increase of 10% (including rate peg) per year rate (compounded) for the next seven years.

Applying the 10% SRV to Council's current rate base will generate an estimated \$133,390 in 2018/19 rising to \$237,185 in the seventh year. Council will need to consider the impact on the whole rating structure as part of the revised LTFP, Delivery Program and Operation Plan and the subsequent community consultation.

Engagement framework, principles and objectives

Framework

The International Association of Public Participation (IAP2) has developed a public participation spectrum that provides an internationally recognised framework for community engagement. The spectrum is outlined in the table below.

					
	Inform	Consult	Involve	Collaborate	Empower
Public participation goal	To provide the public with balanced and objective information to assist them understanding the problem, alternatives, opportunities and/or solutions	To obtain feedback on analysis alternatives and or decisions	To work directly with the public throughout the process to ensure that the public concerns and aspirations are consistently understood and considered	To partner with the public in each aspect of the decision including the development of alternatives and identification of the preferred solution	To place final decision-making in the hands of the public
Promise to the public	We will keep you informed	We will keep you informed, listen to and acknowledge concerns and aspirations, and provide feedback on how the public input influenced the decision	We will work with you to ensure that your concerns and aspirations are directly reflected in the alternatives developed and provide feedback on how the public input influenced the decision	We will look to you for advice and innovation in formulating solutions and incorporate your advice and recommendations into the decisions to the maximum possible extent	We will implement what you decide

Council will use this spectrum to guide its engagement approach within the resources available.

Engagement Principles

Balranald Shire Council is committed to meaningful community engagement. In order to meet this commitment it has adopted the following guiding principles.

- Social Justice – All parts of the community should have an equal opportunity for input
- Creating the right debate – Residents will be informed. We will inform and educate the community on the key issues, options and choices facing the Shire
- Community input is valued – Council is open to all ideas and values all contributions. All input will be considered and acknowledged
- Engage Appropriately – Council will engage the community to maximise the value and range of community feedback

The combination of the application of the IAP2 public participation framework and Council engagement principles will ensure the engagement process delivers the expected outcomes and delivers an enhanced result.

Objectives

Through the application of the IAP2 Framework, the engagement principles above and the application of selected engagement tools, the community engagement process will

- inform the community of the sustainability issues facing the Shire
- test if the need for the proposed SRV is understood by the community
- gauge the level of support for the proposed SRV
- enable the Council to make an informed decision on whether to lodge an SRV application to IPART.

A successful community engagement process will deliver on the majority of these objectives. Council will measure the success of the process by

- the level of community involvement in the engagement process
- the representative nature of those individuals or groups who are engaged
- the level of feedback on the SRV.

Resourcing requirements

Budget

The Council has allocated a budget of \$18,500 for support services to facilitate this engagement process. Other costs and internal staff resources will be funded from existing budgets.

The budget has influenced the extent of community engagement that can be undertaken and as such a small range of focused engagement initiatives are planned.

Resources

This Council's community engagement process will be undertaken by a team comprising:

- Internal resources – to be confirmed
- Morrison Low Consultants

Engagement program

Council has identified a range of key stakeholders groups. Council will endeavour to ensure that each group is engaged in and able to participate in the initiatives below.

The following table outlines the community engagement actions and initiatives that will be undertaken to develop and finalise the SRV application.

Initiative	Activity	Engagement Type	Target Group	Timeframe	Responsibility
Prepare					
Develop Community Engagement Strategy	Draft strategy	Inform Inform/consult/ involve/collaborate	Council elected members and management	October	Morrison Low
Develop LTFP and Rating Review	Develop discussion documents to identify key issues facing the Shire	Inform	All residents	October	Council staff/Morrison Low
Update Facebook and website for engagement	Design Facebook webpage and web-based engagement tools <ul style="list-style-type: none"> - Information - Unloadable documents - Web feedback forms - Web surveys 	Inform	All residents	October	Council staff
Develop engagement material	<ul style="list-style-type: none"> - Submission forms - Survey forms 	Inform/consult	All residents	October	Council staff/Morrison Low
Awareness					
Create awareness SRV engagement process	Create awareness of engagement process amongst elected members and staff	Inform	Elected Members and Staff	October	General Manager
	Create awareness of process amongst Shire residents <ul style="list-style-type: none"> - Council newsletters - School newsletters - General media - Speaking engagements 	Inform	All residents	October /November	General Manager and staff
	Establish local identities as champions for the engagement process	Inform	All residents	October	Elected members

Initiative	Activity	Engagement Type	Target Group	Timeframe	Responsibility
Engage					
General Engagement					
Website	Launch website engagement	Inform/consult/involve	All residents	November	General Manager and staff
Facebook	Launch Facebook engagement	Inform/consult/involve	All residents	November	General Manager and staff
Community survey	Create and launch survey via Survey Monkey	Inform/consult	All resident	November	Morrison Low
Targeted Engagement					
Focus groups	Engage with targeted groups	Inform/consult/involve/collaborate	Special interest groups	November	Council staff and Morrison Low
Respond					
Summarise engagement	Analyse and summarise key issues from engagement process	N/A	N/A	November	Project manager and Morrison Low
Publish engagement summary	Publish summary	Inform	All residents and engagement participants	December	General Manager
Notify IPART	Advise IPART and submit final SRV application	N/A	N/A	December-January 2018	General Manager and staff
Validate					
2018/19 budget process	Public exhibition and submissions on Draft Operational Plan	Inform/Consult	All residents	May 2018	General Manager and Council



Appendix B – Information Leaflet



Message from the Mayor

We need your help to make some important decisions in Balranald Shire Council. Like many other NSW councils, our infrastructure and assets like roads, footpaths and streetlights need constant maintenance and upkeep to ensure they meet the expected standards and work when we need them.

All council revenue is regulated under 'rate pegging', basically The Independent Pricing and Regulatory Tribunal sets a rate peg which limits the amount Councils can increase their rates from one year to the next. The rate peg over previous years has not enabled Council to maintain assets and services at current levels and renew these assets in accordance with community expectations and good asset management practice.

Council was issued with a Performance Improvement Order in April 2017 which included the appointment of a temporary advisor. 39 actions have been identified to address the Orders' requirements, but without additional funding our community assets will continue to deteriorate.

So what can we do about it? Council has two options; it can apply to IPART for a Special Rates Variation (SRV) which allows Council to increase their rates over the rate peg in order to meet the needs of the community or it can adopt the status quo i.e. rate increases at the rate peg.

So far Council has made depreciation savings of \$2million per annum but to be able to continue services and maintain assets it still requires a SRV of 10%, per year, including the rate peg, for seven years commencing in 2018/19. The potential mineral sand mines will temporarily increase rates. Once operational it is estimated new rates of \$1.1 million per year for the life of the mines.

We understand that no one wants a rate rise, but to be a sustainable and maintain essential community services we believe that this is necessary. Our rate base is very low by comparison to other similar Councils. SRV applications are relatively common and most Councils will require an SRV from time to time and over the last three years IPART have granted approximately 39 SRV's to councils in need of additional funding to sustainably maintain and deliver assets and services.

We are seeking your feedback in order to help Council make this decision on whether to apply for the SRV, and want to make sure you are as informed as possible on the change. I encourage you to return the form on the back page of this leaflet to express your views on this proposal.

Leigh Byron
Mayor 24th October 2017

What will the SRV pay for?

Your rates pay for the creation and upkeep of the community's assets (roads, parks, bridges, recreation facilities, buildings and drainage) and a host of services. It's important to keep up local services and ensure assets are maintained to make Balranald Shire liveable and avoid huge cost to the community later in the asset lives. Together with the savings already made and the SRV over the seven years this will be spent on:

- \$2.1 million on asset backlog;

- \$1.05 million to additional maintenance of council infrastructure assets such as the road and drainage network; and
- \$11.8 million to ensuring that all service levels across all Council's functions are maintained without falling into debt

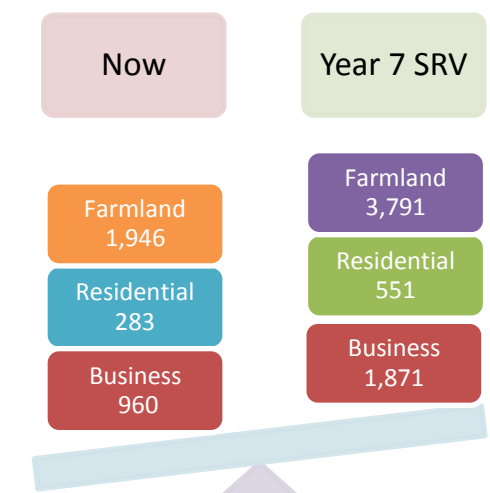
How will the SRV impact my rates?

The increase in rates (in terms of dollars) will vary for residents across the shire but to help understand the impact of the SRV the following table shows the proposed rate increases based on the average land value for each rating category and sub category. This represents a 95% cumulative increase in the total average rate.

Impact of Average Rates by Category					
Category	Ave Land Value	Average Rates per Property	Average Rates Year1 SRV	Average Rates Year 4 SRV	Average Rates Year 7 SRV
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
Residential - Balranald	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
Business - Balranald	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
Total Average	159,973	861	947	1260	1678

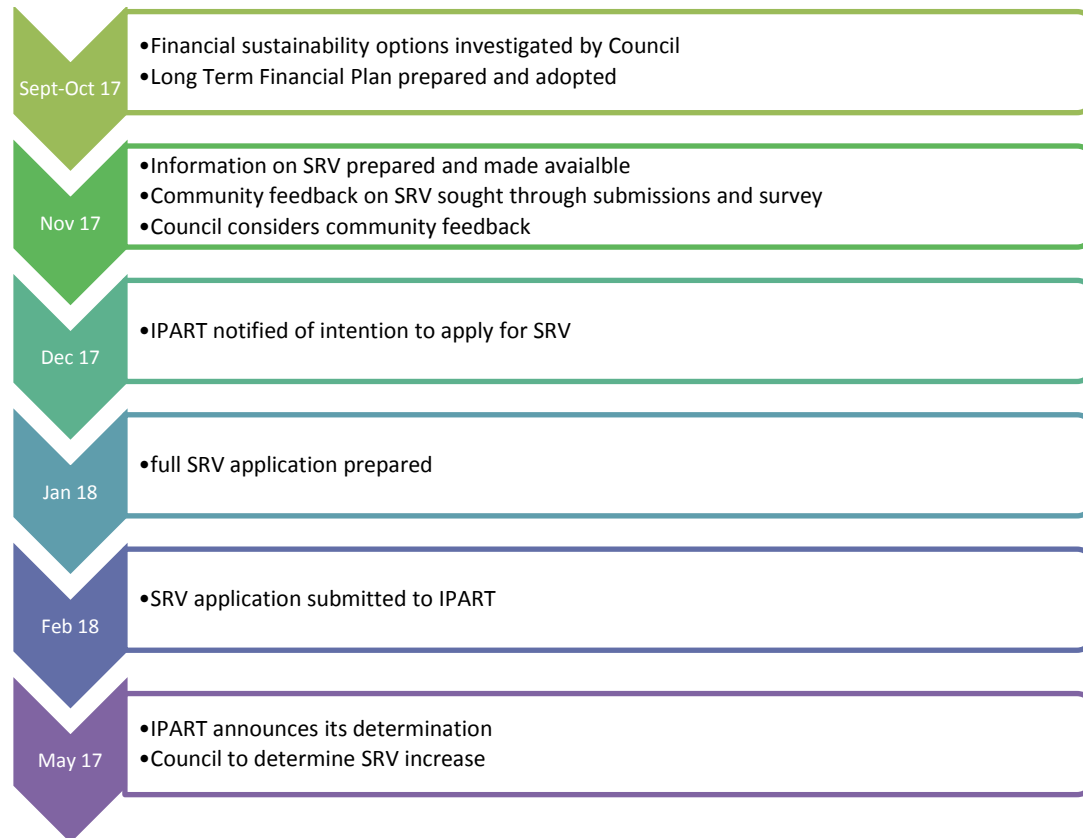
For an indication, this is after the seven year SRV, comparison to other councils current average rate bill.

Category	Average Rates by Comparison			
	Balranald	Hay Shire	Wentworth	Balranald Year 7 SRV
Farmland	1,946	4,131	1,581	3791
Residential	283	597	747	551
Business	960	1,679	1,137	1871





How does the process work?



How can you have your say?

Council will be releasing all relevant and current information on their website under the *latest news* section as well as Council's Facebook page. There is also a set of frequently asked questions that can be found under *latest news* section. You can respond with the form in this leaflet or via our web survey under the latest news section.

All feedback is required by 12 noon on the 17th November 2017.

More information is available at <https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/For-Ratepayers>



Have you say – Submission Form

Return by noon **17 November 2017** to
Council Offices
Or
Scan and email to
council@balranald.nsw.gov.au
Or
Post to
PO Box 120 Balranald NSW 2715

My preferred option is

Option 1: Rate increase of 10% per year including the rate peg for seven years to maintain services and assets at the current levels and to ensure the financial sustainability of Council

Option 2: No increase above the rate peg which will lead to a reduction in service levels and an unsustainable Council

Name:

Address:

Postcode:

Email:

Comments:

Appendix C – Frequently Asked Questions

Frequently Asked Questions (FAQs) | Special Rate Variation



What is Rate Pegging?

Council's rating revenue is regulated under the NSW Government's 'rate pegging'. The Independent Pricing and Regulatory Tribunal (IPART) sets a rate peg which limits the amount by which councils can increase their total rate revenue from one year to the next. For many years, the rate peg limit has not kept pace with the increases in costs for councils to deliver services.

What is a special rate variation?

After IPART announces the rate peg for the upcoming year, councils can then have a conversation with the community as to whether the increase is sufficient to continue to deliver the existing range and standard of services available, whilst also ensuring there is sufficient funds to maintain and renew infrastructure. If they feel the increase is insufficient, Council can request an increase above the rate peg limit. These increases are known as a Special Rate Variation (SRV).

Applications for increases above the rate peg limit are assessed by IPART. IPART has stringent criteria which a council must meet before approving any application.

Why do we need a special rate variation?

Following the issue of the Performance Improvement Order 39 actions have been identified to address this order. The major reasons for the SRV is to build unrestricted cash, as currently Council has very limited financial capacity to meet ongoing commitments, to have sufficient resources to deliver current services and to increase asset maintenance and capital renewal expenditure to ensure assets are fit for purpose.

The proposed Special Rate Variation is an important step to help maintain and manage our current assets and ensure we deliver services in line with community expectations and remain financially sustainable.

What is a Performance Improvement Order?

The Minister for Local Government has issued a Performance Improvement Order requiring Council to address a number of issues identified by the government. Details of the Order can be found on Council's website.

What will the SRV be spent on?

The impact of the SRV on the Long Term Financial Plan of Balranald Shire Council will be an increase of \$950,000, excluding rate peg amount, after year 7, along with a \$14 million saving in depreciation that will be allocated to our assets backlog and maintenance issues and current service provision including:

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

Visit our website www.balranald.nsw.gov.au and click on the Special Rate Variation link for further details.

How much will my rates go up?

The increase in rates (in terms of dollars) will vary for residents across the shire. The reason for this is that Council uses the land value of properties throughout the shire to determine the level of rates each property owner should pay.

In other words, land value determines how Council's total rate income will be collected from each property owner. To allow residents to understand the impact of the SRV the following table shows the proposed rate increases based on the average land value for each rating category and sub category. This represents a 95% cumulative increase in the total average rate.

Balranald Average Rates Table

Category	Ave Land Value	Average Rates per Property	Average Rates Year1 SRV	Average Rates Year 4 SRV	Average Rates Year 7 SRV
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
Residential - Balranald	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
Business - Balranald	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
Total Average	159,973	861	947	1260	1678

Visit our website www.balranald.nsw.gov.au and click on the Special Rate Variation link for further details.

Could some areas of Council become more efficient?

We continue to drive organisational efficiencies with the significant improvement being the reduction in depreciation costs as a result of the revaluation of council assets. This is currently saving ratepayers \$2million per year. We are committed to service review program to ensure we deliver services and facilities that meet our community's needs in the most efficient way. Council will also review its current rating structure, undertake service reviews and fees and charges income.

Despite these savings, we still do not have sufficient funds to meet the costs of providing the current service levels.

Can Council use grant funds to meet costs such as the infrastructure backlog?

There are substantial legislative restrictions over Council's funds. The Local Government Act 1993 (Section 409) states that funding granted to / collected by Council for one purpose cannot then be utilised for another purpose. In other words, a grant secured for sporting fields cannot be spent on roads. Only limited grant funding opportunities exist and are available for road asset renewal and upgrades and these generally have to compete on a State or Federal basis.

Is there an opportunity for Council to change its mind about a special rate variation?

Any council considering a rate increase must comply with the requirements set out in IPART guidelines, including a notification confirming their 'intention to apply' while they continue with consultation. Balranald Shire Council will consider whether to notify IPART after the community consultation has concluded in November 2017. The actual application (due in February 2018) cannot be submitted until Council makes a formal resolution to do so. Council will make this decision at a Council meeting in February 2018.

Why aren't the water and sewer services included in these documents?

The Local Government Act requires councils to fund water and sewer as separate functions. This is the reason why water and sewer rates and user charges are shown separately on your Council rates notice.

The proposed Special Rate Variation is for General Operations only. As this does not apply to water and sewer rates and user charges, they have been excluded from these documents.

How do our rates compare with others? Many residents have asked us how we compare to other councils in terms of the average rate bill. The table below illustrates this comparison.

Category	Balranald	Hay Shire	Wentworth	Balranald Year 7 SRV
Farmland	1,946	4,131	1,581	3791
Residential	283	597	747	551
Business	960	1,679	1,137	1871

The last column in the table above is the average category rate for Balranald ratepayers at the conclusion of the SRV increases.

What is happening with the two proposed mineral sands mines?

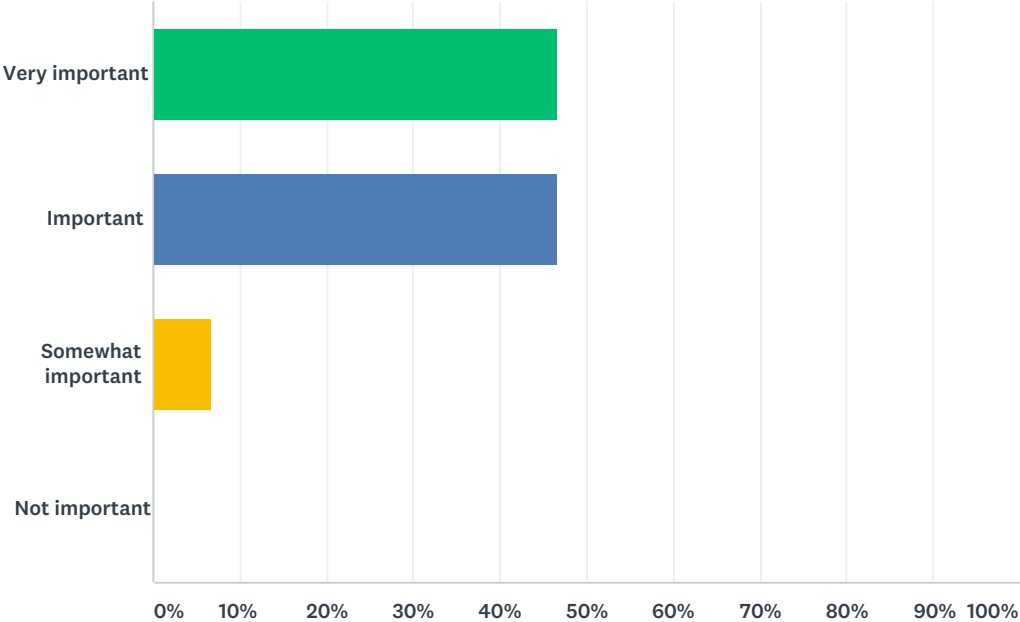
At this stage neither mine has commenced production and therefore Council is not able to charge rates. Council is preparing for when the mines commence operation by establishing a rationale to charge rates. It is also proposing to create a mineral sands mining rating category and make a rate for 2018/19. It should be noted that the mines have a defined life of 16 to 20 years and therefore the rates will only be charged for that period. The mineral sands rate burden will not be redistributed to ratepayers once the operations cease. Details of the rating rationale, costs to provide additional services and maintain assets and estimate rates can be found in the Long Term Financial Plan.



Appendix D – Community Survey and Results

Q1 How important is Council's Sustainability to you?

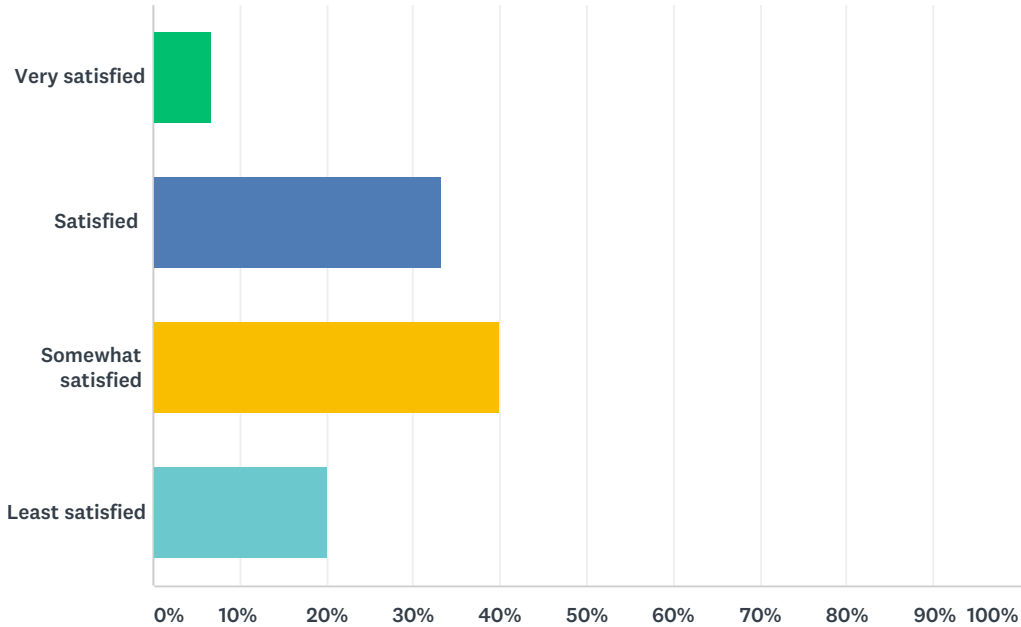
Answered: 15 Skipped: 0



ANSWER CHOICES	RESPONSES
Very important	46.67% 7
Important	46.67% 7
Somewhat important	6.67% 1
Not important	0.00% 0
TOTAL	15

Q2 Overall, how satisfied are you with the current services provided by the Council?

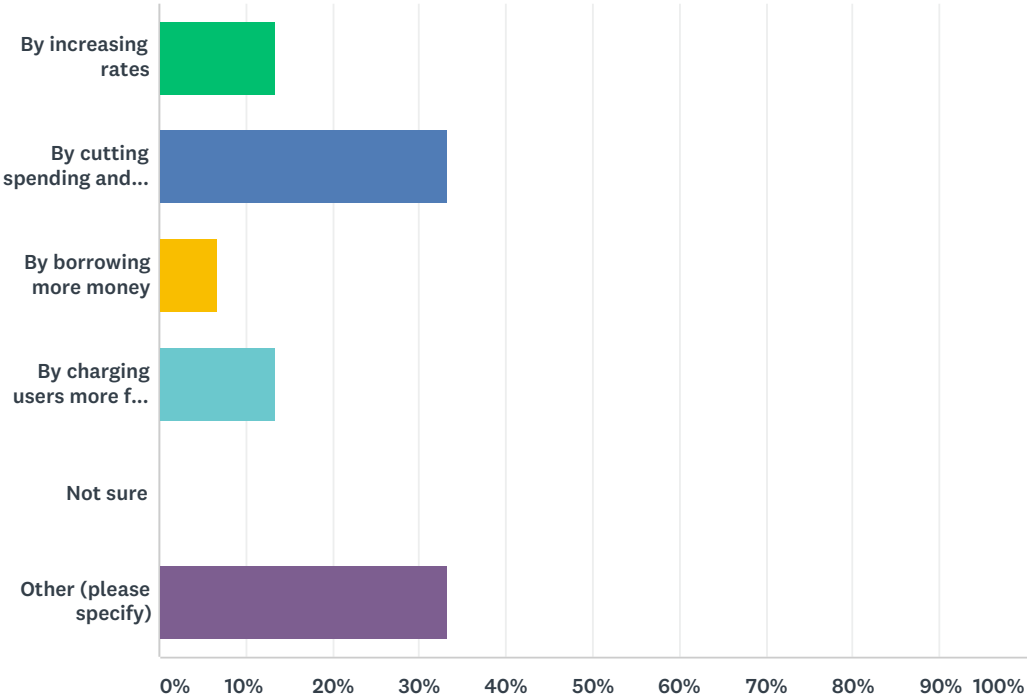
Answered: 15 Skipped: 0



ANSWER CHOICES	RESPONSES
Very satisfied	6.67% 1
Satisfied	33.33% 5
Somewhat satisfied	40.00% 6
Least satisfied	20.00% 3
TOTAL	15

Q3 Council has been running in operating deficit over a number of years which is impacting its spend on services. How do you think this money should be raised?

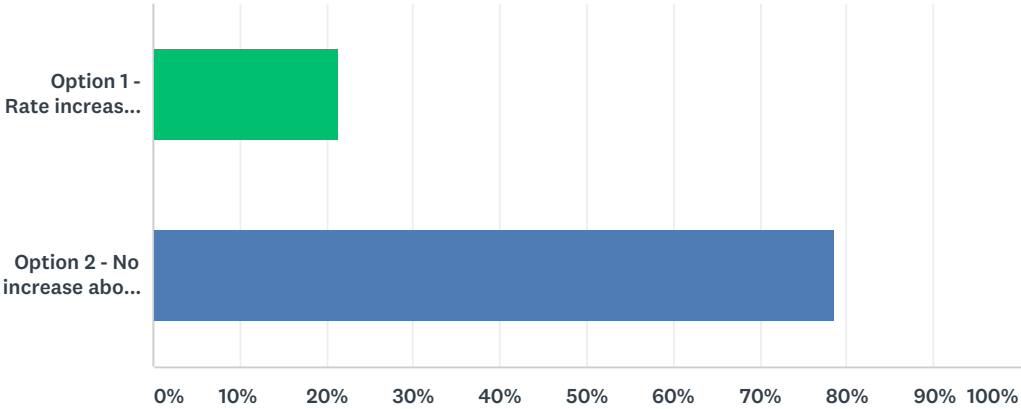
Answered: 15 Skipped: 0



ANSWER CHOICES	RESPONSES	
By increasing rates	13.33%	2
By cutting spending and reducing service levels in some areas	33.33%	5
By borrowing more money	6.67%	1
By charging users more for the services they use	13.33%	2
Not sure	0.00%	0
Other (please specify)	33.33%	5
TOTAL		15

Q4 Council is seeking feedback on two options available that would impact infrastructure condition across shire. We encourage you to review each option and provide feedback about your preferred option.

Answered: 14 Skipped: 1



ANSWER CHOICES	RESPONSES	
Option 1 - Rate increase of 10% per year (including rate peg) for seven years to maintain services and assets at current levels and to ensure the financial sustainability of Council.	21.43%	3
Option 2 - No increase above rate peg. This option will lead to reduction in service levels and unsustainable Council.	78.57%	11
TOTAL		14



Appendix E – Presentation to Focus Group



Focus Group Information

Balranald Shire Council

8th and 9th November 2017



Welcome and Introductions



Agenda

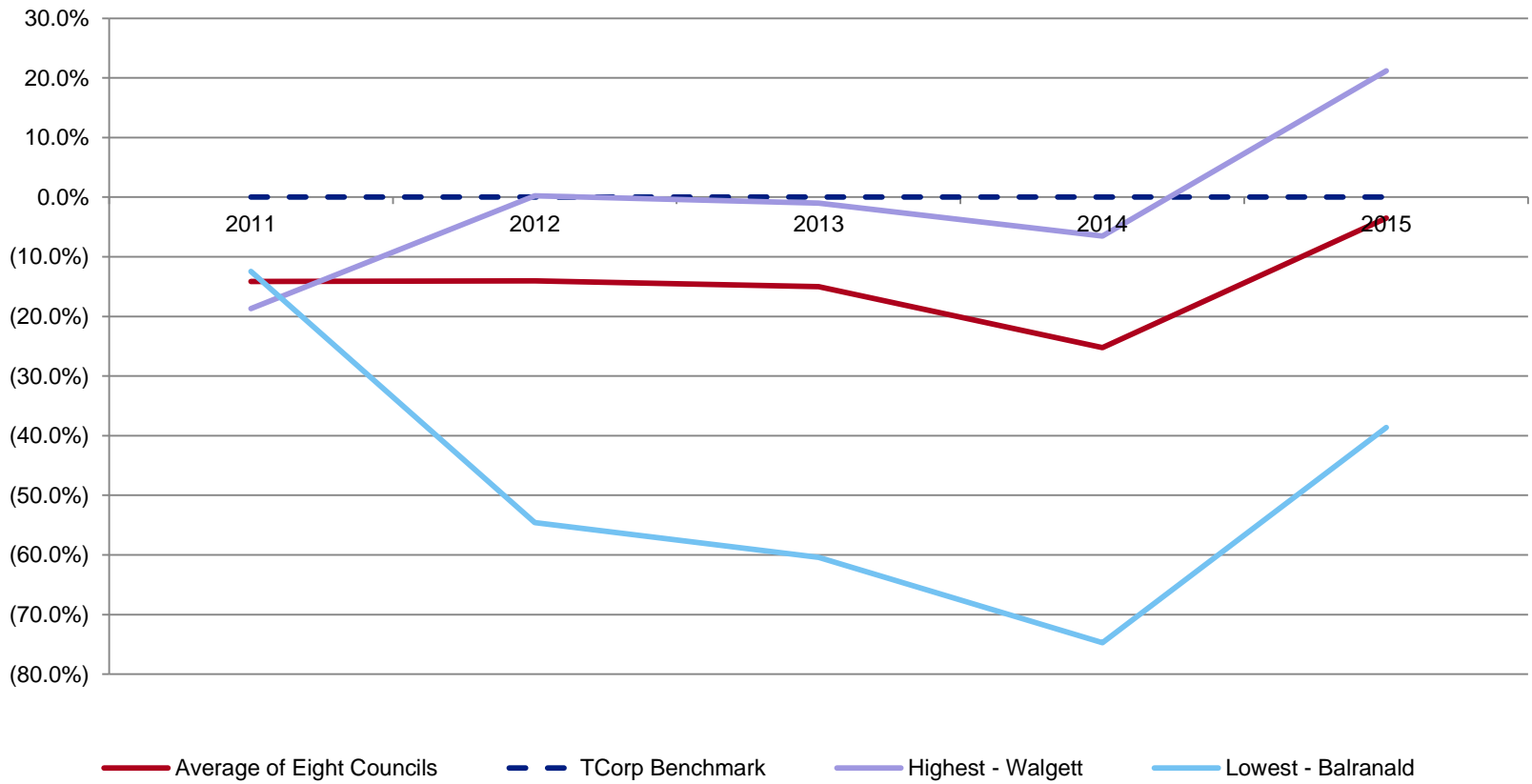
- Background and context
- Challenges for Balranald community and council
- Current Financial Status – Scenario 1
- Proposed Option – Scenario 2
- Proposed Option – Scenario 3
- Special Rate Variation (SRV) details

Background and context

- Council was issued Performance Improvement Order and 39 actions have been identified to address this order.
- One of the key actions is that Council prepare and adopt a Long Term Financial Plan with options to address Councils financial position.
- Council assessed its options to achieve ongoing financial viability.
- The Long Term Financial Plan adopted for community consultation

Background and Context

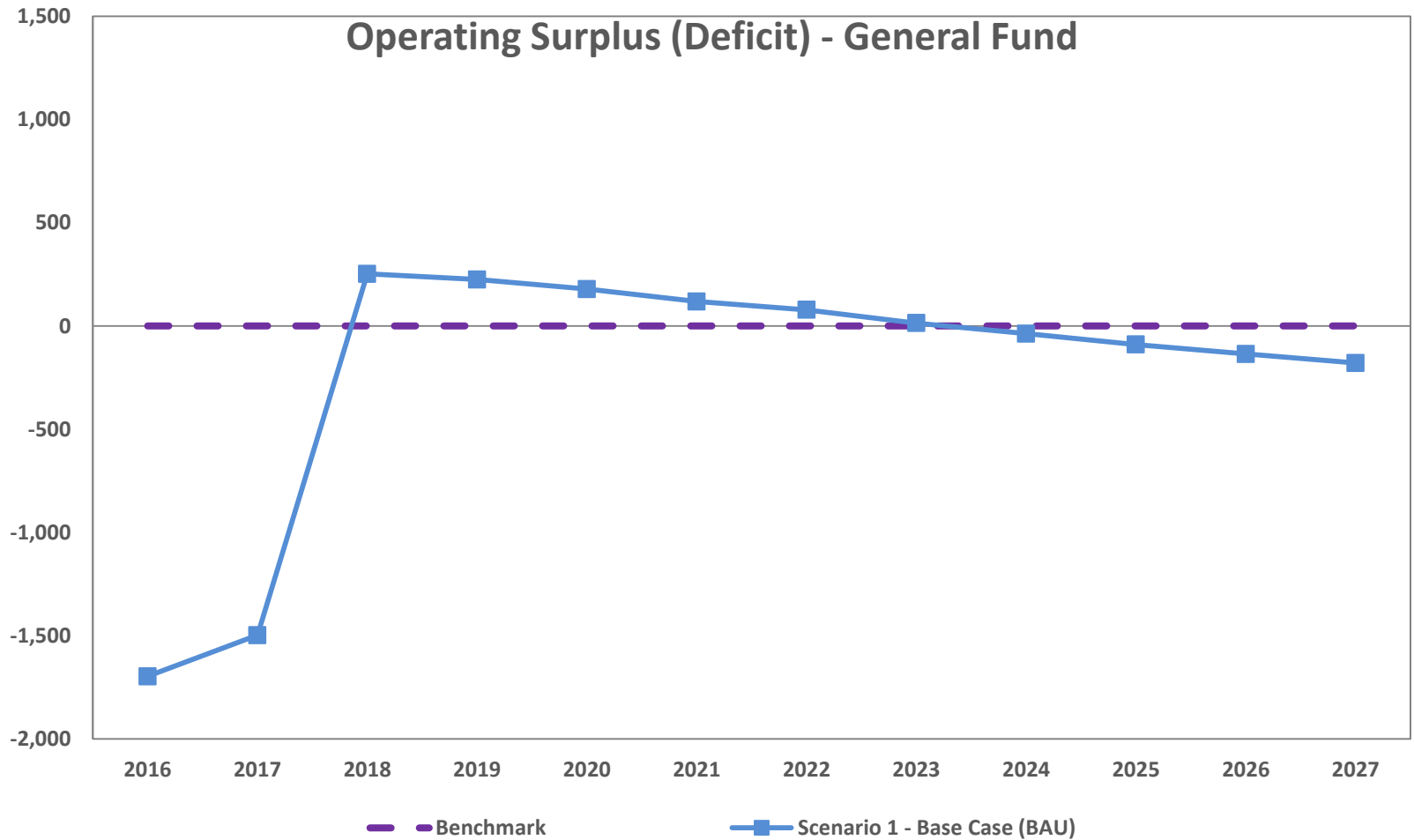
Operating Result – Tcorp Assessment – Dec 2015



Community and Council Challenges

- Estimated resident population at June 2016 was 2,250, expected to decline to 2,100 by 2031. Total households are expected to decrease by 5.3% over the same period.
- Council has a very low rate base to deliver the various services required of a modern council. As a consequence Balranald Shire Council struggles with compliance and legislative obligations.
- Council's location and size significantly increases the cost of service delivery.
- Total general rates is \$1.3m with services valued at \$13.7m delivered
- Extremely limited capacity to make savings through service level changes

Current Status – Operating Result

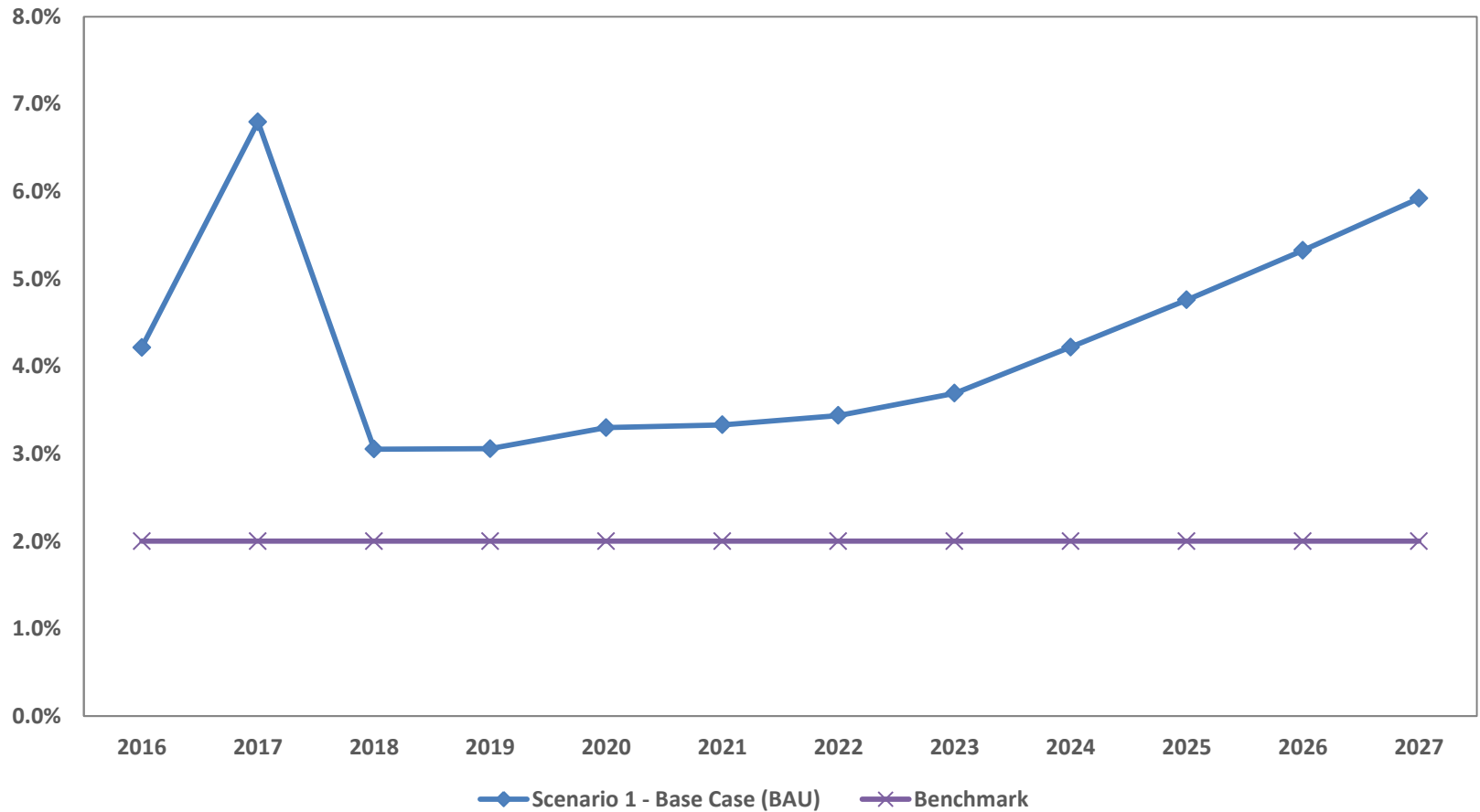


Current Status – Scenario 1

In our 2017/18 budget, which is the Scenario 1 base case, Council has taken the approach to reflect the current financial state, including the depreciation savings of \$2 million resulting in a very small surplus of \$252,000. Operating surpluses are not sustained beyond 2020/21. More importantly the current LTFP forecasts does not address the asset management challenges the Council faces with all indicators trending in the wrong direction.

Current Status – Backlog Ratio

Infrastructure Backlog Ratio (General Fund) - Annual Measure



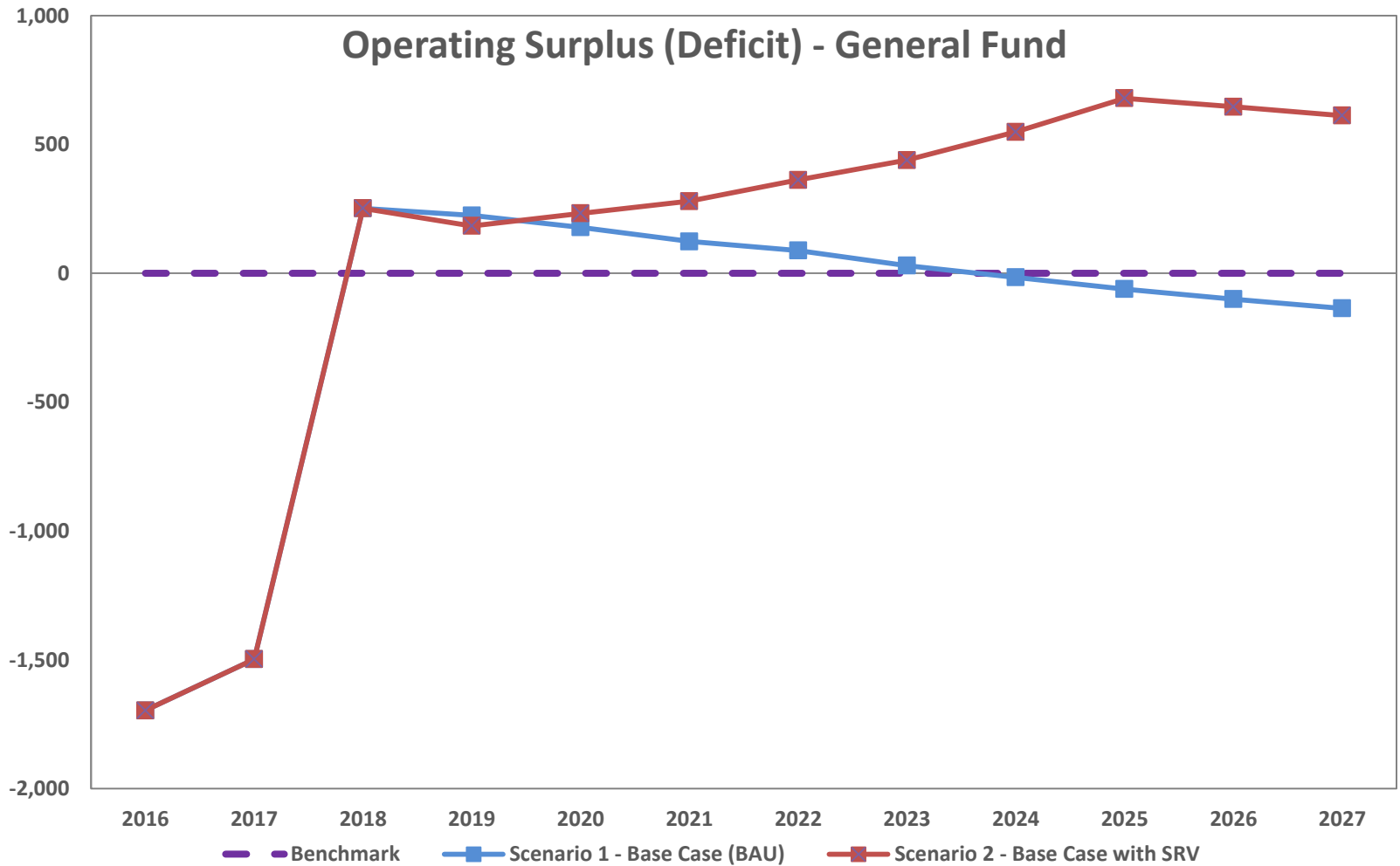
Need for a Special Rate Variation (SRV)

- Council has limited opportunities to decrease expenditure or increase income from its current operations to become sustainable. So an SRV will
 - Create a financially sustainable Council
 - Build unrestricted cash, as currently Council has very limited financial capacity to meet ongoing commitments let alone unplanned opportunities
 - Provide sufficient resources to employ additional staff in order to deliver current services.
 - increase asset maintenance and capital renewal expenditure to ensure assets are 'Fit for Purpose'
 - address the PIO requirements/obligations

Proposed Option – Scenario 2

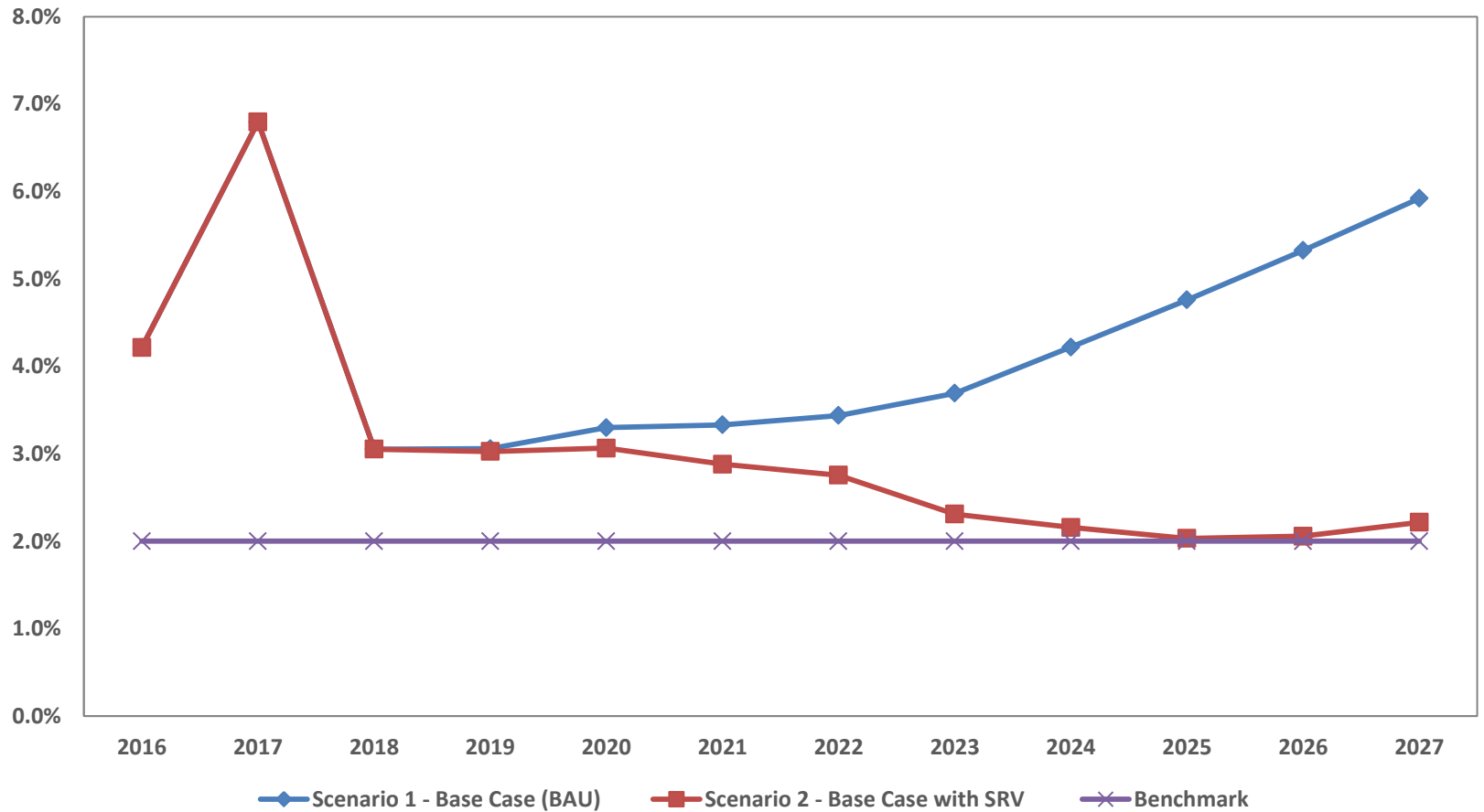
This takes the scenario 1 and adjusts the financial projections to include rating for solar farm activities and a proposed permanent SRV of 10% per year (including rate capping) each year for 7 years commencing in 2018/19. Productivity improvements from the service review program have also been considered along with the 39 actions to address the PIO. Based on the premise that the SRV is approved and the new solar farm activities commence in 2018/19 additional expenditure has been included for asset maintenance and renewal to address the FTF asset ratios.

Proposed Option – Scenario 2



Proposed Option – Scenario 2

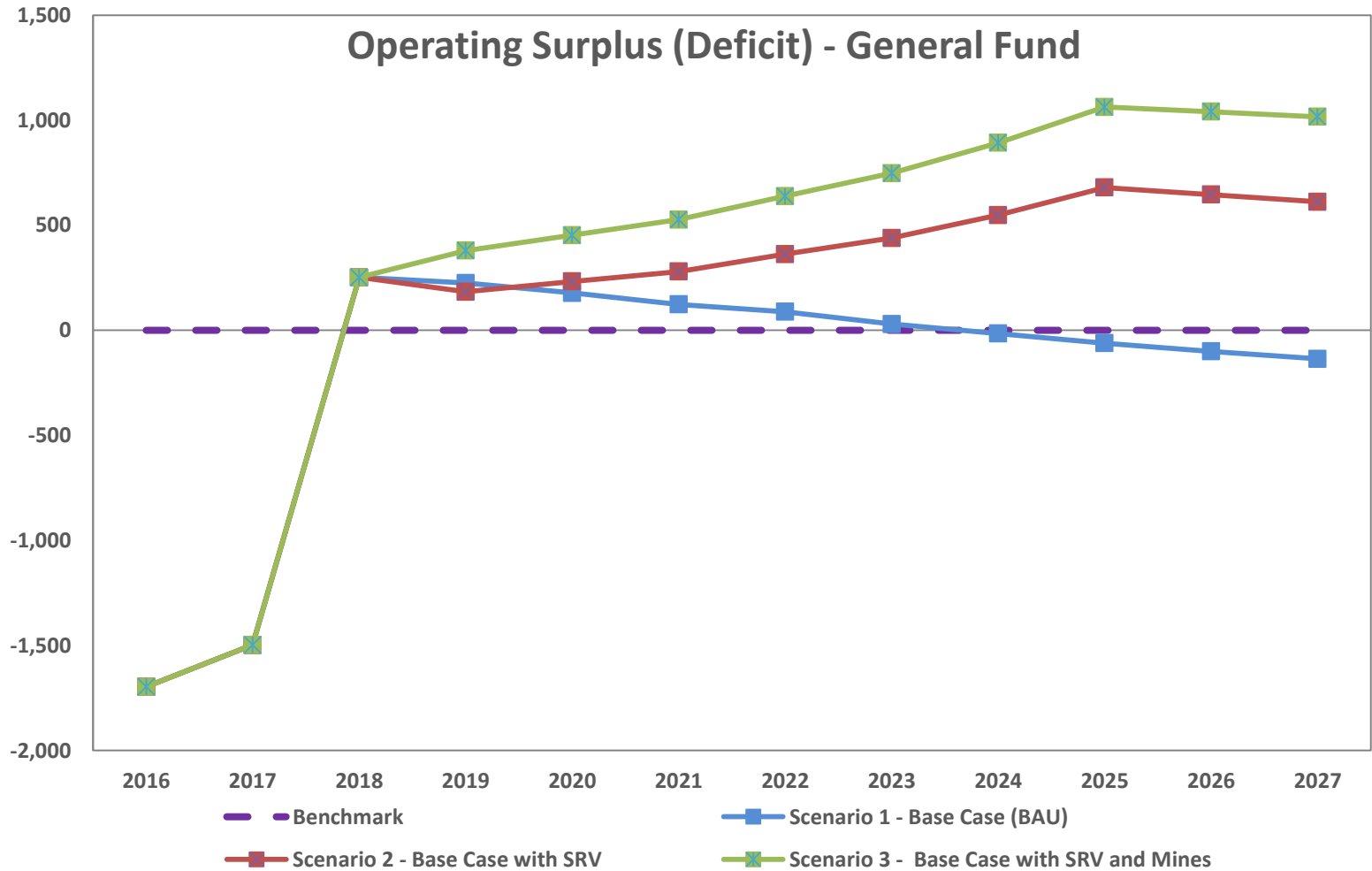
Infrastructure Backlog Ratio (General Fund) - Annual Measure



Proposed Option – Scenario 3

This option it takes scenario 2 and adjusts the financial projections to include rating for mineral sand mining activities from 2018/19. A proposed permanent SRV 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 expenditure to meet the demand of extra service provision, infrastructure operation and maintenance has been included. In addition each of the mines have agreed to a road contribution which has been deducted from the gross rate amount.

Proposed Option – Scenario 3



What is an SRV ?

Councils can then have a conversation with the community as to whether the rate peg increase is sufficient to continue to deliver the existing range and standard of services available, whilst also ensuring there is sufficient funds to maintain and renew infrastructure. If they feel the increase is insufficient, Council can request an increase above the rate peg limit. These increases are known as a Special Rate Variation (SRV). Applications for increases above the rate peg limit are assessed by IPART. IPART has stringent criteria which a council must meet before approving any application.

Proposed Special Rate Variation

- The proposed SRV is 10% per year rate (compounded) for the next seven years **including** rate peg @2.5%
- Current total rates \$1.3m
- Total rates after 7 years \$2.6m
- 95% cumulative increase
- Number of SRV made by other Councils

Year	Number of Councils	Number years	Cumulative Increase %
2014/15	35	1-7 years	7.1% - 63.2%
2015/16	22	1-5 years	4.5% - 50.7%
2016/17	10	1-4 years	2.8% - 45.3%

Impact of SRV on Average Rates

Impact of Average Rates by Category					
Category	Ave Land Value	Average Rates per Property	Average Rates Year1 SRV	Average Rates Year 4 SRV	Average Rates Year 7 SRV
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
Residential - Balranald	40,536	299	329	438	583
Residential - Euston	51,740	293	322	429	570
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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
Total Average	159,973	861	947	1260	1678

Total cumulative increase over 7 years in the average rate is 95% - \$861 to \$1678 pa.

How do my rates compare to other Councils ?

Average Rates for a range of Councils

Council>	Balranald 2017/18	Hay Shire 2017/18	Swan Hill 2017/18	Wentworth 2017/18	Balranald Year 7 SRV
Category					
Farmland	1,946	4,131	3355	1,581	3791
Residential	283	597	1366	747	551
Business	960	1,679	3566	1,137	1871

What will the SRV be spent on ?

The impact of the SRV on the Long Term Financial Plan of Balranald Shire Council will be an increase of \$950,000, excluding rate peg amount, after year 7, along with a \$14 million saving in depreciation that will be allocated to our assets backlog and maintenance issues and current service provision including:

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

Comments/Questions





Attachment 8

Current Delivery Program

<http://www.balranald.nsw.gov.au/wp-content/uploads/2014/03/FINAL-Delivery-Program-2017-2021-1.pdf>

Attachment 9

Revised Delivery Program (currently on public exhibition)

<http://www.balranald.nsw.gov.au/wp-content/uploads/2018/02/Revised-Delivery-Program.pdf>



Attachment 10

Overarching Asset Management Plan Balranald Shire Council July 2017

<http://www.balranald.nsw.gov.au/wp-content/uploads/2018/02/Balranald-Overarching-Asset-Management-Plan-17-07-17.pdf>



Attachment 11

Council resolution to submit a Special Variation Application

Item C – 2 SPECIAL RATE VARIATION

File number: 130

Reporting Officer: Acting General Manger - RK Stewart

Operational Plan Objective: Pillar 6: Our Leadership – Provide good governance, prudent financial management and effective support services for all its activities.

Officer Recommendation:

That Council resolve to:

1. Adopt the updated LTFP which includes the SRV of 10% per year (including rate capping) each year for seven years and incorporate the approved 17/18 - 2-3% rate peg increase following Community consultation and consideration of IPART comments.
2. Adopt the Asset Management Plan as per the recommendation of the Infrastructure Committee Meeting 9 October 2017
3. Adopt the revised Delivery Program and place on public exhibition seeking submissions for 28 days from Friday 9 February 2018
4. Make an application to IPART for a Special Rate Variation (Option 2) to commence 2018/19 whereby Council seeks a permanent SRV of 10%, including the rate cap per year for seven years.

02.18.4207 RESOLVED as per motion of Cr Ugarte and Roberts that the report be received and recommendation be adopted.

Cr Jolliffe entered the meeting at 3.04pm

Director Corporate & Community Development Terri Bilske and Director Infrastructure & Development entered the meeting at 3.06pm

Cr O'Halloran voted against the motion.

02.18.4208 RESOLVED as per motion of Cr Ugarte and Jolliffe a detailed explanatory diagram regarding Special Rate Variation be included in the next Council Newsletter.

Purpose of Report

To finalise Councils submission to apply for a special rate variation so that it may be lodged with IPART by the 12 February 2018.



Attachment 12

Business Improvement Plan – 39 PIO Actions

Balranald Shire Council Implementation Plan that addresses the findings and recommendations from the Office of Local Government's Report titled "Balranald Shire Council report on Preliminary Enquiries dated August 2016"

	OLG REPORT RECOMMENDATIONS	PROPOSED OUTCOMES	ACTION BY	STATUS AT 10 August 2017	ADDITIONAL RESOURCES (IF REQUIRED)	COMPLETION DATE
1	That Council finalise and resolve to adopt a LTFP that has clear links to Council's asset management plans.	Asset Management Plans are being developed and will be completed by 28 July 2017. Council has resolved that the LTFP be reported to the August 2017 Council meeting.	GM	Morrison Low are undertaking the preparation of the LTFP in conjunction with the rating review and SRV process. The project plan proposes that Council adopt the 2018/19 LTFP for community consultation on 17 Oct with the final LTFP being adopted on 21 November 2017.	Morrison Low are preparing Council's Asset Management Plans & a former General Manager from the surrounding district is preparing the LTFP which will be provided to the August Council meeting.	30-Nov-17
2	That Council reviews its Quarterly Budget Review Statement with Councillors to ensure accuracy and relevance for decision-making at a strategic level.	Councillors review the Quarterly Budget Review Statement at the November 2016 meeting.	DCCD	Reviewed at November 2016 Council meeting. Completed	In-house	15-Nov-16
3	That all elected councillors undertake financial and code of conduct training directly after the next Council election.	LG NSW organised training day for Code of Conduct scheduled for 19 January 2017 and Finance Training Day on 10 March 2017.	GM	All Councillors attended the Code of Conduct training held on 19 January 2017 along with the Finance Training day held on 10 March 2017. Completed.	LGNSW	10-Mar-17
4	That Council undertake a comprehensive review of all its policies and ensure they are submitted to Council for adoption.	All of Council Policies to be reviewed and adopted by Council at the February 2017 Council meeting. In doing so identify any critical outstanding policies and included them for adoption.	GM	A total of 40 policies were adopted by Council at the February 2017 Council meeting. There are approximately 6 more relevant policies to be presented to Council.	A consultant with 20+years' experience in governance undertook the review for Council.	21-Feb-17
5	That Council develop a plan to improve its document management processes and system which will meet the requirements of the <i>State Records Act 1998</i> .	Electronic Management System installed, dedicated staff member appointed to manage the system and staff provided training to utilise the system.	DCCD	Project Manager appointed in May 2017 & Casual receptionist 5days/fortnight to allow receptionist to assist project manager. Council accepted a quote from Kapish on 21 June to supply and install Trim (which is utilised by the surrounding Councils). Installation commenced on 3 July and the dedicated position has filled.	External Project Manager appointed to Project Manage the whole project.	29-Sep-17
6	That until Council has an audit committee, councillors review responses to the issues raised in the external auditor's management letters on an annual basis at a Council meeting.	External auditor's management letters Reported to the February 2017 Council Meeting	DCCD	External auditor's management letters Reported to the 21 February 2017 Council Meeting. The Inaugural Audit Committee Meeting was held on 1 June 2017 with a progress report to the June 2017 Council meeting. Completed.	In-house	1-Jun-17
7	That Council's progress in implementing the recommendations from the external auditor's management letter is reported to Council each month.	A monthly progress report be provided to Council up to and including the December 2017 meeting.	DCCD	Audit management letters were reported to the December 2016 and February 2017 meetings with a monthly progress report being reported to the June & July 2017 Council meetings.	In-house	22-Dec-17
8	Council should establish an audit committee and an internal audit framework pursuant to OLG's <i>Internal Audit Guidelines</i> .	Internal audit framework established and first Audit Committee meeting held prior to 30 June 2017.	GM	Internal Audit Framework adopted at the February 2017 Council meeting. External members were appointed at the April Council meeting and the inaugural Audit Committee meeting was held on 1 June 2017. Completed.	In-house	1-Jun-17
9	That Council develop a fraud and corruption policy and conduct a fraud risk assessment.	Fraud and corruption policy adopted by Council and Consultant undertake a fraud risk assessment by 31 August 2017.	GM	Policy adopted at the February 2017 Council meeting. Crowe Horwath have undertaken a survey of all management staff against the key areas of fraud control & will provide a Fraud Risk Assessment Spreadsheet by 18 August.	Crowe Horwath of Albury have been appointed to undertake an Independent fraud risk assessment	31-Aug-17
10	That in addition to the current arrangements, credit card statements for the Mayor and General Manager be reviewed, approved and signed off by another councillor in line with expenditure that has been approved within Council's budget.	Implement Report Recommendation.	GM	Process implemented 15 November 2016 where all relevant staff have been informed in writing of the process and the DCCD will audit. Completed.	In-house	15-Nov-16
11	That for any staff provided with a credit card, their transactions are signed off and approved by the General Manager and the Finance Coordinator.	Implement Report Recommendation.	GM	Process implemented 15 November 2016 where all relevant staff have been informed in writing of the process and the DCCD will audit. Completed.	In-house	15-Nov-16
12	That Council develop an end of year plan to complete and finalise Council's audited financial statements each year and report regularly to a Council meeting on its progress.	End of year plan reported to the June Council meeting with a progress report to the following 3 Council meetings.	DCCD	Initial report provided to February 2017 Council meeting with a follow up report to the June 2017 Council meeting.	In-house	29-Sep-17
13	That Council pursue unrepresented payments including several EFT payments and cheques dating back to August 2014 and February 2014, respectively.	As per report recommendation	DCCD	4 Cheques have been cancelled and reissued 15/11/16. Council's financial system provider rectified the EFT payments. Completed.	In-house	15-Nov-16

23-Jun-17

Shaded box indicates completed action

Note: GM - General Manager, DCCD – Director Corporate & Community Development, DID – Director of Infrastructure & Development

Balranald Shire Council Implementation Plan that addresses the findings and recommendations from the Office of Local Government's Report titled "Balranald Shire Council report on Preliminary Enquiries dated August 2016"

	OLG REPORT RECOMMENDATIONS	PROPOSED OUTCOMES	ACTION BY	STATUS AT 10 August 2017	ADDITIONAL RESOURCES (IF REQUIRED)	COMPLETION DATE
14	That Council ensure an authentic and informed LTFP is presented to Council in August 2017.	Adoption of Long term Financial Plan	GM	Morrison Low are undertaking the preparation of the LTFP in conjunction with the rating review and SRV process. The project plan proposes that Council adopt the 2018/19 LTFP for community consultation on 17 Oct with the final LTFP being adopted on 21 November 2017.	Consultant – Morrison Low	30 November 2017
15	That Council consider the future operations of the Balranald Caravan Park to ensure the Park continues to be a major asset for the District and produces realistic income with minimum risk.	Options for future management of the Caravan Park considered and implemented by Council.	GM	Sustainable Park Solutions were appointed by Council at the June meeting to prepare a Master Plan and Business Plan for the Balranald Caravan Park. Furthermore, Council resolved to not to renew the current lease.	Consultant – Sustainable Park Solutions	31 December 2017
16	That Council consider divesting the management and possibly ownership of the Bidgee Haven Hostel in Balranald to ensure income losses do not impact on Council's limited budget and risks to Council are minimized.	Options for the future ownership and management of the facility considered and Council decision made.	DCCD	Report with options being present to the August meeting. Decision on way forward expected at that meeting	In-House	30 September 2017
17	That regardless of the success or otherwise of the application for IWCM business plans be prepared for the Water and Sewer Funds.	Adoption of a IWCM strategy including business plans for the Water & Sewer Funds.	DID	Funding sought from government program for 2017/2018. Council has budgeted \$120k in the budget with the offset of grant income of \$60k	Consultant (estimate \$60k extra if grant not received)	31 December 2018
18	That the "sugar hit" from the sale of the Caltex Service Station be applied to current areas of deficiency (such as staff levels) or modernisation of approaches (such as a Document Management System) or building up Reserves. Council should determine a plan of where the proceeds will be applied or conserved.	Sale of site and funds reserved for specific purposes	DCCD	Council divesting ownership now imminent (contracts exchanged), Council conscious of the need for judicious expenditure of the sale proceeds	In-house	30 November 2017
19	That Council undertake a rates review to ensure the correct categorisation of properties to ensure equity and income maximization.	Review completed in this calendar year	GM	Morrison Low have been engaged to complete the review in addition to a SRV	Consultant Morrison Low Budgeted \$89,500, which includes the SRV work below	30 November 2017
20	That preparations commence for a general Special Rates Variation (SRV) and that Council look at the possibility of SRVs for mines and solar farms approved or planned.	SRV preparation work undertaken and SRV application submitted	GM	Morrison Low have been engaged to undertake the SRV process (refer to attached project timeline)	Consultant – Morrison Low, as above	31 January 2018
21	That Council embed the recently adopted Business Improvement Plan into its operations.	Recognition of the importance of the Business improvement plan and regularly reporting to Council.	GM	The business improvement plan will be considered quarterly by Council. Where relevant reference will be made to the plan in staff reports. General Manager's performance assessment will be aligned to the Plan.	In-house	Ongoing
22	That Council look to adopting S.94 or S.94A plans to ensure future income opportunities are not lost.	Council is in a position to readily assess impacts of major developments in the shire	DID	To be actioned.	Consultant (estimate \$10k)	30 June 2018
23	That a review of all fees and charges be undertaken, before the next Budget, with a view to establishing full cost recovery or identifying the reasons for not pursuing full cost recovery.	Maximize Council's income from these sources.	DCCD	To be actioned.	In-House	30 April 2018.
24	That a review of plant charges and on costs be made, before the next Budget, to ensure profitability is maximized and all overheads are correctly charged and recovered.	Maximize Council's income from these sources.	DID	To be actioned.	In-House	30 April 2018.
25	That Council recognize that approaches in previous years of not funding depreciation have reduced the cash position of Council and Council commit to cash funding of depreciation.	Council's budgeting process allows for depreciation to be funded.	DCCD	The recent road revaluation reduced Council's total annual depreciation by the amount of \$2.2M. The LTFP will address the situation.	In-House	30 November 2017
26	That a long term financial and improvement plan be prepared for the Visitors Information Centre.	Council adopts a precinct management plan for the Visitor Information Centre and surrounds	DCCD	The plan is currently being prepared in house	In-House	30 October 2017

Shaded box indicates completed action

Note: GM - General Manager, DCCD – Director Corporate & Community Development, DID – Director of Infrastructure & Development

Balranald Shire Council Implementation Plan that addresses the findings and recommendations from the Office of Local Government's Report titled "Balranald Shire Council report on Preliminary Enquiries dated August 2016"

	OLG REPORT RECOMMENDATIONS	PROPOSED OUTCOMES	ACTION BY	STATUS AT 10 August 2017	ADDITIONAL RESOURCES (IF REQUIRED)	COMPLETION DATE
27	That Council move quickly to fill staff vacancies as identified in the latest staff structures as presented to Council.	A full complement of suitability qualified staff	GM	Structure presented to Consultative committee and discussion with staff commenced	In-House	28 February 2018
28	That Directors of Council be given more security of tenure.	Directors appointed permanently to positions	GM	Director of Infrastructure & Development appointed permanently and the Director of Corporate & Community Development position currently advertised	In-House	30 October 2017
29	That Council consider a Staff Education Assistance and Encouragement Policy.	Adoption of a formal Staff Education policy	DCCD	To be actioned.	In-House	31 December 2017
30	That Council look to a succession planning approach with staff.	Adopted Workforce Plan that addresses staff succession issues	DCCD	The proposed currently in consultation provides a career path for staff which combined with staff education and training will address succession planning issues.	In-House	31 March 2018
31	That Council monitor Secondary Employment to ensure worker safety is paramount, work obligations are not compromised and conflicts of interest are minimized.	Ongoing monitoring & development of a secondary employment policy	DCCD	Code of conduct training provided to all staff to make them aware of their responsibilities in relation to secondary employment. Reminders issued to staff.	In-House	30 October 2017
32	That Council require the General Manager and Directors to undergo personality profiling and follow up interviews to align their personalities with the rigors of the roles.	Profiling of General Manager and Directors completed	GM	To be actioned.	Consultant – online, approximate cost \$3,000	31 December 2017
33	That Council's newly appointed Performance Review Panel conduct two formal assessments annually and also meet quarterly for discussions with the General Manager.	Action to be implemented	GM	The General Manager has ½ yearly reviews with a facilitator. Quarterly meetings will be implemented.	Consultant for ½ yearly and In-house for the quarterly meetings	30 November 2017
34	That the General Manager's Performance Agreement be a meaningful agreement which reflects the aspirations and obligations of Council including subscribing to Fit for the Future requirements, adherence to the Business Improvement Plan, strategic planning and community engagement.	New Performance Agreement to be established.	GM	Consultant (LGMS Solutions) is now working on this following a recent review.	Consultant – within budget	30 November 2017
35	That Council undertake a definite and sustained campaign of community engagement.	Appointment of a 0.5FTE communication officer	DCCD	Structure that is currently under consideration includes the 0.5FTE communication officer with Position Description complete. The CSP and SRV will demand more sustained communication.	In-house & budgeted for	Ongoing & according to requirements
36	That Council undertake a service level review to inform the planning documents.	Service Levels established for key delivery areas	GM	To be actioned.	Consultants & In-house Estimate of \$50k	31 December 2018.
37	That Councillors recognise the dignity and authority of the position of Mayor at all times.	Awareness of the appropriate relationships emanating from the Code of Conduct, Code of Meeting Practice and Councillor/Staff Interaction Policy.	GM	Appropriate policies are established, polices to be reinforced from time to time.	In-house	ongoing
38	That the Mayor preside over all gatherings where Councillors are present. (Meetings and Workshops). Further that the Mayor familiarise himself with the respective Codes governing behaviour by Councillors and Staff (Code of Conduct, Code of Meeting Practice and Councillor/Staff Interaction Policy) and enforce good behavioural practices.	Authority of Mayor established.	GM	This recommendation has been implemented.	In-house	ongoing
39	That Council do more to "sell itself" by promoting positive news and achievements.	Improved communication and public relation	DCCD	To be actioned following the appointment of a communications officer	In-house	ongoing

Shaded box indicates completed action

Note: GM - General Manager, DCCD – Director Corporate & Community Development, DID – Director of Infrastructure & Development



Attachment 13

Media Coverage – Proposed SV copy of newspaper article and advertisement.

Newspaper Article not published due to copyright concerns

Title: Council propose rate rise

Newspaper: The Guardian, Balranald News Extra

Date: November 1, 2017



BALRANALD SHIRE COUNCIL

DRAFT LONG TERM FINANCIAL PLAN

Council has prepared a draft Long Term Financial Plan (LTFP) which includes a proposed special rate variation of 10% per year for 7 years and has placed it on public exhibition.

The Long Term Financial Plan can be viewed on Council's website and Council will consider submissions from the Balranald Shire Community.

Hard copies of the Long Term Financial Plan are available for inspection at the following Locations:

- Euston Post Office
- Balranald Council Office
- Balranald Library

Submissions in relation to the Long Term Financial Plan should be addressed to **The General Manager, P.O. Box 120, BALRANALD NSW 2715** and be posted or delivered so as to reach the Council's office not later than 12noon on Friday 17th November 2017.

Attachment 14

Council Policy for assistance with payment of rates, fees and charges as a result of financial hardship

<http://www.balranald.nsw.gov.au/wp-content/uploads/2014/03/Assistance-with-payment-of-rates-fees-charges-as-a-result-of-financial-hardship.pdf>



Attachment 15

Council Policy Collection-of-outstanding-rates

<http://www.balranald.nsw.gov.au/wp-content/uploads/2014/03/Rates-Recovery-Policy-1.pdf>



Attachment 16

Media 2017 IP&R process – copy of newsletter sent to all householders and owners that don't live in the Shire and advertisement

Rubbish Tip Hours

BARRALD

1st October - 30th April
 Tuesday 5:00 - 7:00pm
 Thursday 5:00 - 7:00pm
 Saturday 10:00am - 1:00pm
 Sunday 10:00am - 3:00pm

1st May - 30th September
 Tuesday 3:00 - 5:00pm
 Thursday 3:00 - 5:00pm
 Saturday 10:00am - 1:00pm
 Sunday 10:00am - 3:00pm

Tip Takers \$1100

and available from
 Councils office
 Visitor Information Centre
 Calver Market Street
 Gairloch
 Gairloch
 Euston Post Office & Takeaway

Fees start from \$11 per
 one game trailer or utility

Garbage Collection



Please don't over fill
 your bins!

Residents, please note:

As previously advised,
 waste must be confined to allow
 the bin lid to fully close at the
 kerbside pickup.

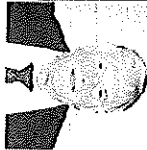
Overfilled bins result in littering
 and will not be collected by the
 contractor.
 Your help is appreciated.



LID MUST
 CLOSE

**From the
 Mayor's Office**

Mayor
 Leigh Byron



I am very proud of the communities in our Shire
 after the tremendous support and attendance at all of
 our ANZAC Day ceremonies, especially with the
 inclement weather.

I wish to congratulate the teams of the Robinvale-
 Euston Football club and Barrauld Football Club on
 their recent wins. The Barrauld Netball girls have
 also had great wins. Congratulations to all and keep
 up your winning ways.

There has been some minor complaints regarding
 the recent State Police blitz. The chances of people
 being pulled over increases ten-fold during peak or
 holiday periods. Please be aware and stay safe.

I would like to thank the Deputy Mayor, Alan Purhill
 for filling in for me whilst I was away.

I encourage you all to take some time to read the
 Draft Operational Plan, which includes the 2017/18
 Budget and Revenue Policy as this affects us all.

From July 1st, the NSW Government will introduce a
 new system to collect the Fire & Emergency Services
 Property Levy. Under the new system, all property
 owners will contribute to the cost of those services
 and although it is not a Council charge, these fees
 will be collected with Council Rates notices instead
 of your property insurance premiums.

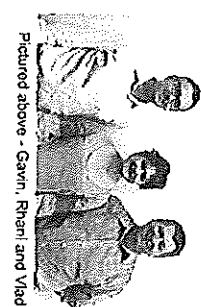
Please don't hesitate to contact Council if you have
 any queries.

Next Ordinary Meeting of Council

Thursday 22nd June 2017

Council welcomes new staff

Barrauld Shire Council has welcomed Mr Gavin
 Holopland, Mr Rianhi Neville and Mr Vivid Adamak to
 the staff. Gavin fills the position of Engineering
 Coordinator while Rianhi is the Finance and
 Governance Officer and Vivid is the new Works
 Engineer / Coordinator.



Pictured above - Gavin, Rianhi and Vivid

**Integrated Planning and
 Reporting Framework -
 What is it?**

This is the legislated framework within which all
 councils in NSW undertake their planning,
 implementation and reporting of service delivery.

To comply with the legislation, Council has produced
 the following documents:

- Community Strategic Plan (10 years)
- Delivery Program (4 years)
- Operational Plan (1 year)

About the Delivery Plan

The Draft Delivery Plan 2017-2021 identifies those
 parts of the Community Strategic Plan that it is
 proposed to implement or work towards over the
 next four years.

About the Operational Plan 2017-2018

The Draft Operational Plan 2017-2018 is Council's
 "Action Plan" for the next 12 months. It sets out
 those parts of the Delivery Plan that will be delivered
 in the 2017-18 financial year.

The operational plan underpins our future to:

- Achieve financial sustainability
- Build an organisation to meet contemporary
 local government standards
- Detail service standards and required resources
- Maintain our existing assets before building new
 ones.

The 17/18 Draft Operational Plan highlights

- Allocation of \$225,000 to meet the
 requirements of the Performance Order issued
 by the Minister.
- Installation of an Electronic Records
 Management System.
- Continuation of Councils road construction and
 maintenance program including approved works
 required from 2015 floods - \$4.6M.
- Major sewer mains renewal
- Preparation of a Strategic Plan for water and
 sewer services covering the next 30 years.
- Commencing the process to seek a special rate
 variation which includes extensive community
 consultation prior to a IFAKT application.
- Upgrading our light vehicle fleet.
- Review of our Fees and Charges including:
 ⇒ Increase the typical residential sewer bill by
 \$107/annum
- ⇒ Increase the typical residential water bill by
 \$113/annum
- ⇒ Increase Waste Collection charges by CPI -
 \$10/annum
- ⇒ Council Rate increase by 1.5%

**Business Improvement Order issued to
 Barrauld Shire Council**

Council was advised in November of the Minister for
 Local Government's intention to issue a Business
 Improvement Order. Council has now received this
 Order. A copy of this Improvement Order is available
 on Council's Website.

This Order presents Council with a great opportunity
 to review its business processes and the way it
 delivers its services. We welcome the appointment
 of Mr Alan McCormick, an experienced Local
 Government Practitioner, as Temporary Advisor to
 assist Council with the review and in addressing
 issues identified.

Since the initial advice received in November,
 Council has started work on improving its business
 processes, including the development and adoption
 of a business improvement plan, and adoption
 of measures to address issues identified. Over the next
 few weeks, this implementation plan will be further
 developed for submission to the Minister for
 approval. Once this implementation plan has been
 approved.

**Barrauld St Vincent de
 Paul Society says thank
 you to Betty Blake**

Mrs Betty Blake, pictured below, has recently retired
 from the St Vincent de Paul Society. Betty joined St
 Vincent de Paul Society Centre as a volunteer in 1982
 to assist with the operation of the second hand goods
 store in Barrauld.

Betty has, throughout her years, held all positions on
 the committee and has dedicated many years sorting
 and serving our Community.

In 1987 some members of the Barrauld community
 decided to re-form the St Vincent de Paul Conference
 which assists any person in need of help. Betty joined
 this committee and over the past 20 years has given
 her time freely to assist those in need.

The St Vincent de Paul Society and Barrauld
 community wish Betty great health in her retirement
 and say a huge THANK YOU for all her years of
 service to the community of Barrauld and beyond -
 her knowledge, skills and integrity will be greatly
 missed.



**Barrauld Shire Council
 Performance Improvement
 Order at a pre-meeting workshop and at its April
 Council meeting and resolved to:**

- Acknowledge the Minister's letter and
 accompanying Performance Improvement Order
 and
- Agree to cooperate fully with the Minister and
 Office of Local Government to ensure Council's
 business processes meet best practice and are
 fully compliant with the requirements of the
 Minister's Order.

Deputy Mayor, Councillor Purhill, acknowledged this
 is a great opportunity for Council to continue work on
 improving it's business processes. The outcomes of
 this work will be incorporated into Council's 4 year
 Delivery Plan and its work practices going forward.

**Barrauld
 Police Update**



Narelle Tucker, Sergeant

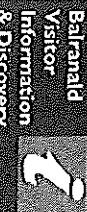
SKATE PARK BEHAVIOUR - Barrauld Police
 would like to remind skate park users to ensure their
 conduct and behaviour at the skate park is
 acceptable. Police have issued Banning Notices to
 people in the past for inappropriate behaviour. If
 Banning Notices are not complied with, an
 infringement notice for Trespass will be issued.

Alcohol Free Zones - police would like to remind
 the public that ALL RESIDENTIAL AREAS IN
 BARRALD TOWNSHIP are an Alcohol Free
 Zone. When leaving licensed premises you are not
 to carry opened alcohol from the location. Please
 contact the Council office if you wish to see the map
 showing the designated Alcohol Free Zone areas.

On 23rd of April a male person failed to leave the
 Shamrock Hotel when requested to, the male
 person was issued an infringement notice for \$550.

On 30th of April a learner driver was stopped on
 Court St Barrauld for an RBT. The learner did not
 have a supervising driver with him at the time. The
 learner was issued an infringement notice for \$630

On 3rd of May a boat was located at Kyralie. Please
 contact Barrauld Police if you have any information.
 If anyone has any information in relation to drug
 activity in the Barrauld area could they please
 contact other Barrauld Police on 03 5020 1404 or
 Crime Stoppers 1800 333 000.



Barrauld
 Visitor
 Information
 & Discovery
 Centre

Car Park and River Street

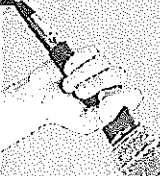
Open Daily
 10:00am to 4:00pm
 Phone: 03 5020 1599

CountryLink tickets and
 fishing licences can be
 purchased from the
 Visitor Information Centre

**Barrauld Shire
 Cultural
 Committee
 presents its
 annual**

**Variety
 Concert**

Friday 26 May 2017
 From 7.00pm



DRAFT COUNCIL PLANS OPEN FOR COMMENT

Community feedback is sought for the following DRAFT documents currently on public exhibition:

- **DRAFT 2017 – 2021 Delivery Program**
- **DRAFT Operational Plan incorporating the 2017/18 Budget & Revenue Policy**

Copies of both plans will be located on Councils website - www.balranald.nsw.gov.au and hard copies will be available to view at Balranald Shire Council Office, Balranald Library and Euston Post Office.

Written comments and feedback are to be received at Council no later than **5.00pm, Thursday 15 June 2017** and addressed to:

The General Manager
P.O. Box 120,
BALRANALD NSW 2715



Balranald Shire Council, 70 Market Street, (PO Box 120) Balranald 2715

Phone 03 5020 1300 Fax 03 5020 1620 www.balranald.nsw.gov.au

NOTICE OF EXTRAORDINARY COUNCIL MEETING

Notice is hereby given that an **Extraordinary Meeting** of Council has been called to discuss amendments to the 2017/18 DRAFT Operational Plan

At 10am on Wednesday 31st May 2017

in the Council Chambers, 70 Market Street, Balranald.

Members of the public are
welcome to attend.



Balranald Shire Council, 70 Market Street, (PO Box 120) Balranald 2715
Phone 03 5020 1300 Fax 03 5020 1620 www.balranald.nsw.gov.au

Extraction 1

Strategic Objective 3.3: Lobby and facilitate the community gaining its fair share from regional investment to ensure sustainable provision of appropriate social, cultural and physical infrastructure.

Strategies:		Priorities & Actions:	Responsibility	Council's Role
3.3.1 Prepare an Economic Development Strategy	a.	Prepare an Economic Development Strategy.	BSC	Leader
3.3.2 Utilise the Trade Training Centre to enhance the range of local training programs.	a.	Build a strong working relationship with Balranald Central School.	Education Providers, Business Community	Advocate
	b.	Audit local industry and business training needs.	Community	Advocate
	c.	Identify relevant training funding sources.	Community	Advocate
	d.	Develop a calendar of training programs.	Community	Advocate
	e.	Establish collaborative training arrangements with accredited trainers (MADEC, Riverina TAFE, and MMT).	Community	Advocate
	f.	Instigate small business training courses.	Community	Advocate
3.3.3 Instigate an Organics Centre of Excellence.	a.	Establish an Organics Task Force to prepare project plan.	Community	Advocate
	b.	Audit the current and potential involvement in organic farming.	Community, RDA Murray	Advocate
	c.	Market the region for its connection with organic farming.	Community	Advocate
3.3.4 Maximise regional development opportunities	a.	Investigate opportunities to ensure developers contribute to local economy and infrastructure.	BSC	Leader
	b.	Instigate regular dialogue with companies and Government agencies.	BSC	Leader
	c.	Report on benefits of joining NSW Mining Related Councils.	BSC	Leader
	d.	Seek Special Rate variation for Business Mining Rate and General Rates increase.	BSC	Leader

5.2.2 Prepare Strategic Plans for Water And Sewer supply	a. Make application to undertake Integrated Water Cycle Management Strategy.	BSC	Leader
5.2.3 Prepare and implement plans and strategies in support of maintaining health standards in the Shire	a. Implement public health programs.	BSC	Leader

Strategic Objective 5.3: Plan, maintain and develop key transport, energy and community infrastructure.

Strategies	Priorities & Actions	Responsibility	Council's Role
5.3.1 Identify and lobby for key transport and road infrastructure improvements.	a. Lobby for the sealing of the Mungo access and loop roads.	BSC	Leader
	b. Investigate traffic calming mechanisms for Market Street.	BSC, RMS	Leader
	c. Pursue opportunities to improve public transport options.	BSC, DT	Leader
5.3.2 Provide for more and improved footpaths, bike paths and mobility scooter paved concrete paths.	a. Review the Pedestrian Access Management Policy.	BSC	Leader
	b. Identify funding sources.	BSC	Leader
	c. Finalise Disability Inclusion Action Plan.	BSC	Leader
5.3.3 Identify potential access to new energy technologies and infrastructure.	a. Investigate natural gas and solar technology opportunities.	BSC	Leader
	b. Facilitate development of solar farms.	BSC	Leader
5.3.4 Create more tourism opportunities and offers with the existing Aerodrome & other transport facilities	a. Implement an audit to identifying the requirements to make the Aerodrome more tourism ready to align with strategy 3.7 of the Shire's Tourism Strategy Plan: To create more tourism opportunities and offers with existing function venues.	BSC	Leader
5.3.5 Provide community infrastructure	a. Provide and maintain infrastructure.	BSC	Leader
	b. Fund improvements from Special Rate Variation.	BSC	Leader

Extraction 2

On behalf of Balranald Shire Council, I am pleased to present the Delivery Program 2017/2021 and the Operational Plan 2017/2018.

In 2012 Council engaged with its community and developed the Community Strategic Plan – Balranald 2022 which established the community's vision and has guided the direction of the Shire. After the September 2016 elections, Council reviewed the Balranald Community Strategic Plan (CSP) and consulted with the community to test the validity and currency of the plan. Subsequently, Council developed the Balranald Community Strategic Plan 2027 which was advertised for public comment and it was adopted by Council at its meeting on 27th April 2017.

The Delivery Program 2017/2021 details all the activities outlined in the CSP that are proposed to be undertaken by Council during their elected term of office. The Operational Plan 2017 – 2018 details the annual income and expenditure that Council will use to fund these activities the upcoming financial year.

Both of these plans underpin Council's commitment to achieve organisational financial sustainability, build an organisation to meet contemporary local government standards, achieve agreed community service vision, maintain our current assets before building new ones and engaging with and advocating for our community.

Council is currently subject to an Improvement Order issued by the Minister for Local Government and we have developed a Business Improvement Plan to address the concerns. Simply put we have to change the way the Council does its business, and I am confident that Councillors and staff will meet the challenge.

Like many councils in the state our assets such as parks and gardens, sporting facilities, community buildings, roads, water and sewer services require maintenance and upgrades to ensure they continue to meet the needs of the community. Council's revenue is limited by "rate pegging". Each year the Independent Pricing and Regulatory Tribunal set the annual rate peg which limits the amount of revenue by which a Council can increase its rate revenue from year to year.

Unfortunately, the rate peg has not kept pace with the cost to provide services to the community thus we cannot continue to maintain and renew existing assets. We do not have the flexibility in our budget to build new infrastructure or provide new services. The Community Strategic Plan flags the need for Council to apply for a Special Rate Variation to increase the rate above the approved rate peg. Over the next 12 months we will begin the conversation to seek community input into our projects and services.

We understand that a rate rise is never welcome however we believe that a Special Rate Variation is necessary to meet the needs of the community and the long term financial sustainability of Council. As part of the community conversation to develop the Special Rate Variation application we will finalise the Long Term Financial Plan for the next 10 years and the Asset Management Plans.

I would encourage all residents interested in the future of our Shire to become involved in this process as your views are important in the decision making process. The next twelve months will be challenging as we undertake organisational changes to build a sustainable, modern, efficient and effective Council that will meet the needs of our community.



Foreword by the Mayor

**Cr Leigh Byron
MAYOR**

Pillar Three: OUR ECONOMY

DELIVERY PLAN		OPERATIONAL PLAN				
DP Action	Code	Action	Performance Measure	Timeframe	Responsibility	Status
CSP 3.3.4: Maximise regional development opportunities						
<i>Instigate regular dialogue with companies undertaking development to maximise local opportunities</i>	a	Hold regular meetings	Meetings held and reported to Council	June 2018	GM	
<i>Research other Shires experiencing new mining activities</i>	b	Research other Shires	Report to Council	November 2018	GM	
<i>Investigate membership of Association of Mining Related Councils</i>	c	Contact association to determine membership requirements	Report to Council	November 2018	GM	
<i>Apply to IPART for Special Rate Variation and mining rate introduction to improve Council revenue base</i>	e	Prepare application	Submission prepared and lodged with IPART	February 2018	GM	

Extraction 3

Pillar Five: OUR INFRASTRUCTURE

DELIVERY PLAN		OPERATIONAL PLAN				
DP Action	Code	Action	Performance Measure	Timeframe	Responsibility	Status
CSP 5.3.5: Provide community infrastructure						
<i>Finalise Council Asset Management Plans</i>	c	Finalise all Asset Management Plans	Asset Management Plans adopted and incorporated into Long Term Financial Plan (LTFP)	August 2018	GM	