

04) SPECIAL RATE VARIATION**Department:** Executive Services**Author:** General Manager**CSP Link:** 2. Build the Capacity and Capability of Local Governance and Finance**File No:** RV.FC.2

Recommendation:

Two options are put forward for Councils consideration:

Option 1

That Council:

1. Note the feedback received in the 28 submissions from the community engagement process relating to the updated Long Term Financial Plan (LTFP) and the proposed Special Rate Variation (SRV), appended at *Attachment 2*.
2. Note the Community Awareness and Engagement Report on the proposed Special Rate Variation, appended at *Attachment 3*.
3. Having considered the issues raised in the community engagement process, proceed to make application to the Independent Pricing and Regulatory Tribunal (IPART), under section 508(A) of the Local Government Act 1993 for increases to the ordinary rate income of:
 - i. 10% in 2024/25 (including the rate peg),
 - ii. 10% in 2025/26 (including the rate peg),
 - iii. 10% in 2026/27 (including the rate peg).Representing a total cumulative increase of 33.1% over the three-year period, with that increase to be a permanent increase retained within the rate base.
4. Include the 28 submissions received during the community engagement process relating to the proposed SRV, referred to in Item 1, as part of the application(s) to IPART referred to in Item 3 above.
5. Adopt the updated 2024/25 – 2033/34 Long-Term Financial Plan (LTFP), Scenario four – Sustainability three-year SV option, as part of the Updated Resourcing Strategy, appended at *Attachment 4*.
6. Adopt the revised 2023-24 to 2026-27 Delivery Program and 2023-24 Operating Plan (DP/OP), appended at *Attachment 5*.
7. Adopt the revised: Strategic Asset Management Plan, Transport Asset Management Plan and Buildings Asset Management Plan, appended at *Attachments; 6, 7 and 8*.

8. Adopt the: Capacity to Pay Report and Organisational Sustainability Review and Improvement Plan, appended at *Attachments; 9 and 10.*

or

Option 2

That Council:

1. Note the feedback received in the 28 submissions from the community engagement process relating to the updated Long Term Financial Plan (LTFP) and the proposed Special Rate Variation (SRV), appended at *Attachment 2.*
2. Note the Blayney Shire Council, Special Rate Variation, Community Awareness and Engagement Report, appended at *Attachment 3.*
3. Following the community engagement, not proceed to make application to the Independent Pricing and Regulatory Tribunal (IPART) for a Special Rate Variation.
4. Note the unsustainability of the forecast operational deficiency of approximately \$2m per annum and request a report identifying:
 - i. Additional sources of operational revenue,
 - ii. Expenditure reductions,
 - iii. Service level reductions,Seeking to eliminate the deficit within 3 years.

Reason for Report:

For Council to consider the feedback received during the community consultation undertaken regarding a proposed Special Rate Variation (SRV).

For Council to resolve whether to proceed to make application to the NSW Independent Pricing and Regulatory Tribunal (IPART) for a proposed permanent SRV.

Report:

Council at its meeting of 9 November 2023 considered a detailed report regarding Council's financial position and resolved to undertake community consultation on a proposed Special Rate Variation.

A copy of the 9 November 2023 Council Meeting Report is attached to this report at *Attachment 1.*

Following consideration of the report, Council subsequently resolved (**resolution number 2311/E002**);

“That Council

1. *Endorse the updated 2024/25 – 2033/34 Long-Term Financial Plan (LTFP) as part of the Updated Resourcing Strategy, appended at Attachment 2, for public exhibition until 15 December 2023.*

2. Endorse the commencement of community consultation on a potential application to the Independent Pricing and Regulatory Tribunal for a proposed permanent Special Rate Variation (SRV) of;
 - c) 10 per cent in 2024-25 (including the forecasted rate peg of 3.5 per cent), 10 per cent in 2025-26 (including the forecasted rate peg of 2.5 per cent) and 10 per cent in 2026-27 (including the forecasted rate peg of 2.5 per cent), representing a cumulative Special Variation of 33.1 per cent over three years, which is the Scenario 4 - Sustainability – Three-year SRV option in the updated Long Term Financial Plan.
3. Endorse the revised 2023-24 to 2026-27 Delivery Program and 2023-24 Operating Plan (DP/OP), appended at Attachment 7, for public exhibition until 15 December 2023.
4. Receive a further report regarding community consultation undertaken to determine any final application to be made to the Independent Pricing and Regulatory Tribunal for a Special Rate Variation.”

Four options, which included 3 SRV options, were presented to Council. The options presented at the 9 November 2023 Council meeting are shown in Table 1 and Figure 1 respectfully.

SRV Options	2024-25	2025-26	2026-27	Comparison over 3 years
1. Base Case	3.5%	2.5%	2.5%	8.7%
2. Sustainability – One-year SRV	26.5%	2.5%	2.5%	32.9%
3. Sustainability – Two-year SRV	14.0%	14.0%	2.5%	33.2%
4. Sustainability – Three-year SRV	10.0%	10.0%	10.0%	33.1%



Figure 1: Graphical representation of 4 scenarios (including 3 potential SRV options) presented to Council.

Council resolved to undertake community engagement on one option only, being; 3-year SRV of 10% p.a. (including rate peg), which is a cumulative increase of 33.1% over the period as a permanent rate yield increase.

Community Consultation

Community Engagement was undertaken based on the Community Engagement Plan endorsed by Council on 9 November 2023.

Community consultation commenced on Friday, 10 November 2023 and concluded Friday, 15 December 2023 (35 days).

A significant effort was made to effectively explain the proposed SRV, with a wide range of communication tools and platforms utilised to inform the community and explain how members of the community could participate and provide feedback on the proposed SRV put forward by Council, including;

Mechanism	Description	Reach
Website	A dedicated webpage was set up collating all relevant information on the proposed SRV. Information included a Message from the Mayor, relevant documents (e.g. LTFP, Improvement Plan, DP/OP), a series of FAQs, Drop-in session information (which was added to throughout the process), timeline and an online form to submit questions or put in a formal submission.	803 Page Visits
Letter from Mayor and Information Sheet	<p>A letter from the Mayor and two-page information sheet was sent to all ratepayers via Australia Post (priority post) the day following the Council meeting on 9 November 2023.</p> <p>The letter and information sheet contained information on what Council was proposing, the average increase, cumulative increase, dates for drop-in sessions and a QR Code to the webpage.</p> <p>The same information was provided to real estate agents requesting the information be forwarded onto tenants throughout the Blayney Shire.</p>	<p>3,456 Ratepayers</p> <p>8 Real Estate Agencies</p>
Email Newsletter	<p>An email newsletter was sent out to subscribers of Council's monthly e-newsletter at the commencement of the engagement period with the Mayor Message, information flyer, drop-in session information and link to the website.</p> <p>An SRV Update was also included in the December monthly newsletter.</p>	<p>627 Subscribers</p> <p>2 Newsletters</p>

Mechanism	Description	Reach
Facebook	<p>Council’s Facebook page was utilised to share various information on the SRV.</p> <p>All posts included the link to the SRV webpage for more information and were pinned to the top of the Facebook page during the engagement period.</p>	<p>12 Posts</p> <p>5,010 Followers</p> <p>10,281 Total Reach</p>
Media Release	<p>A media release was sent to local media outlets following the Council meeting. This resulted in a TV interview with Prime 7 at the beginning and end of the engagement period.</p> <p>There were also print articles in the Blayney Chronicle, Central Western Daily and The Orange App.</p> <p>Radio Interviews were also undertaken with 2BS Radio and ABC Central West.</p>	<p>25 Contacts</p> <p>3 Articles</p> <p>4 Interviews</p>
Print Advertisement	<p>Council’s weekly advert in the local newspaper ‘A Conversation with the GM’ in the Blayney Chronicle, provided weekly updates on the SRV process.</p> <p>These included; Mayor’s Message, an information flyer and various FAQs, which were updated following feedback, and questions received at the Drop-in Sessions.</p>	<p>6 Adverts</p> <p>Readers of the Blayney Chronicle</p>
Council Reception	<p>All documents, flyers and FAQs available on Council’s website were also printed in hardcopy form and available at the Council office reception.</p>	<p>All visitors to Council office reception</p>

	Summary	Engagements
Drop-in sessions	<p>11 drop-in sessions were held throughout the Blayney Shire, including all surrounding villages, providing an opportunity for the community to attend, seek information, ask direct and tailored questions on the proposed SRV.</p> <p>Sessions were held generally over a 3-hour period from 4pm – 7pm with additional morning sessions also held in Millthorpe and Blayney from 9am – 11am.</p> <p>The sessions had representatives from both Councillors and Council staff.</p>	<p>Millthorpe: 15 Millthorpe: 6 Blayney: 5 Newbridge: 5 Lyndhurst: 11 Blayney: 9 Blayney: 12 Neville: 11 Mandurama: 9 Carcoar: 10 Millthorpe: 2 Total: 95</p>
Requested Meetings	<p>Council staff informed representatives from Cadia Valley Operations, of the proposed SRV.</p> <p>Cadia are currently Council’s singular largest ratepayer (approximately 50% of Council’s rate base) and would bear the singular largest increase from the SRV, if approved.</p> <p>Council staff also informed representatives from the proposed McPhillamys Gold Project of the proposed SRV.</p> <p>Council Staff and Councillors also attended meetings when specifically requested. This included two meetings with NSW Farmers and one meeting with the Lyndhurst Village Committee, which included their members.</p>	<p>Cadia: 2 McPhillamys: 1 Lyndhurst: 10 NSW Farmers 1: 39 NSW Farmers 2: 50 (estimate)</p>
Submit a Question	<p>The dedicated webpage allowed for residents to submit questions on the SRV proposal.</p> <p>Council staff either called or emailed the residents and answered the questions submitted. Council staff also answered impromptu questions related to the SRV on the phone and at front office reception.</p>	<p>5 Online/email 10 Phone</p>

Feedback and Submissions

Council received 28 submissions in regard to the SRV as follows:

- 25 against the proposal
- 1 neutral
- 2 supportive

The 28 submissions are included as appendix B of the Community Awareness and Engagement Outcomes Report. The 28 submissions have also been appended at *Attachment 2* and will be provided to IPART.

The key themes and issues raised throughout the engagement were;

1. Affordability, hardship and cost of living pressures
2. Financial Impact on farmers
3. Council efficiencies and cost savings
4. Extent of proposed SRV amount
5. Importance of Council services
6. Importance of continuing current Council service levels

A Community Awareness and Engagement Outcomes Report, appended at *Attachment 3*, provides an overview of the engagement program delivered and communications activities undertaken to promote the engagement program, as well as the engagement findings and key issues raised.

Councillors were presented the submissions and a draft Community Awareness and Engagement Outcomes Report at a workshop on 20 December 2023.

Council identified actions

Through the community engagement process, Council has been able to identify additional measures / opportunities / activities that I can undertake to create greater financial resilience into the future for Council which directly also provides financial resilience to the entire Blayney Shire community.

- Financial Assistance Grants (FAG):
 - Seek the Australia Government return the FAG to 1% of Australia taxation revenue, and
 - Seek the New South Wales Government review and update FAG distribution methodology, ensuring equitable and appropriate distribution to small councils.
- NSW rating system:
 - Council notes the IPART Review of rate peg methodology, Final Report dated August 2023, in particular the key recommendation;

“that the NSW Government commission an independent review of the financial model for councils in NSW including the broader issues raised in that report.”

That Council seek the NSW Government commit as a matter of priority commence the independent review as recommended by IPART.

- Seek the NSW Government undertake a review of the current NSW Pensioner rate rebate provided in NSW.

- Grant funding:
 - Seek the NSW Government commit to providing regular and ongoing grant funding opportunities to support NSW councils impacted from mining operations and renewable energy developments.

- Communications:
 - Council to review its Community Engagement Strategy,
 - Council seek to establish a ‘Farmers Forum’ with a view to provide a direct line of communication and engagement to the Blayney Shire farming community.

- Ongoing Council efficiencies and improvements
 - Improvements and efficiencies that are investigated and/or undertaken are regularly reported to Council and the community.

Timeline

Subject to Council’s resolution at this meeting, should it resolve to proceed with making application to IPART for an SRV, the timeline is identified in the following table.

Timeframes	Responsibility	Community Engagement Activity
23 January 2024	Council	Receive report on community feedback. Resolve whether to proceed with SRV.
February 2024 – April 2024	IPART	IPART independently conduct community engagement activity.
April / May 2024	Council	Draft 2024-25 OP and Draft 2024-25 to 2027-DP including Revenue Policy on public exhibition (28 days).
May / June 2024	Council	Community Engagement Activity – DP/OP and Revenue Policy
May 2024	IPART	IPART Final report on SRV Assessment

June 2024	Council	Endorse final; 2024-25 OP including Revenue Policy and 2024-25 to 2027-28 DP
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Subject to councils resolution at this meeting, should it resolve to proceed with making application for an SRV. The application would include a copy of all 28 submissions received during the community engagement. IPART then proceed to assess the application including their own community consultation over February and March 2024.

See: <https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/Special-Variations>.

Specifically, IPART have developed a fact sheet on how the community can engage regarding the 2024/25 assessment process. The fact sheet is appended at *Attachment 11*.

Risk/Policy/Legislation Considerations:

What would happen if we don't proceed with the SRV application or if Councils application is not approved by IPART?

A funding shortfall of approximately \$2 million per annum would need to be offset with a reduction of ongoing services / costs, a source of alternative ongoing funding or both.

Without an SRV, Council would have to significantly reduce expenditure on its infrastructure (in particular: roads, bridges and culverts) and more widely reduce all services and increase fees and charges to hirers (mainly community and user groups).

Council would have to rely on grant funding to maintain and upgrade assets (roads, bridges and culverts in particular) and consequently community infrastructure would deteriorate over time if our own funding were not available.

Local Government Act

Section 403 of the Local Government Act 1993 (the Act) requires Council to have a long-term strategy (called its resourcing strategy) for the provision of the resources required to perform its functions (including implementing the strategies set out in the community strategic plan).

The Office of Local Government provides guidelines for the preparation of an application for a special variation to general income which includes the criteria that IPART will assess in considering a council's SRV application.

IPART sets the rate peg and approves rate increases above the rate peg.

The Local Government Act 1993 sets out the following principles of sound financial management at Chapter 3, s.8B:

- a) *Council spending should be responsible and sustainable, aligning general revenue and expenses.*

- b) *Councils should invest in responsible and sustainable infrastructure for the benefit of the local community.*
- c) *Councils should have effective financial and asset management, including sound policies and processes for the following—*
 - (i) performance management and reporting,*
 - (ii) asset maintenance and enhancement,*
 - (iii) funding decisions,*
 - (iv) risk management practices.*
- d) *Councils should have regard to achieving intergenerational equity, including ensuring the following—*
 - (i) policy decisions are made after considering their financial effects on future generations,*
 - (ii) the current generation funds the cost of its services.*

All NSW councils are required under the Act to apply these principles in order to ultimately achieve a financially sustainable position.

Application of these principles means:

- Council must achieve a fully funded operating position.
- Council must maintain sufficient cash reserves.
- Council must have an appropriately funded capital program.
- Council must have adequate resources to meet ongoing compliance obligations.

Asset Management

Council is responsible for acquiring, maintaining, and renewing infrastructure assets with a gross replacement cost collectively worth over \$434 million.

As part of the Financial Sustainability Program, ML reviewed and updated the Blayney Shire Council Strategic Asset Management Plan (SAMP), Transportation Asset Management Plan and Buildings and Other Structures Asset Management Plan (being the main two General Fund asset classes).

This was undertaken to reflect asset values at 30 June 2023 and forecast asset renewal / maintenance expenditure to maintain Council's infrastructure to a satisfactory level that provides a basis to inform modelling for the SRV and updated LTFP.

The updated plans are attached to this report for endorsement and are not required to be exhibited. They are presented to Council for adoption as they were used to inform development of the SRV and updated LTFP. The Asset Management Plans for Councils other asset categories; being sewer and Parks and Gardens remain unchanged as they have previously been adopted by Council.

It is noted as part of the next iteration of the Integrated Planning and Reporting suite, which follows the 2024 Local Government election, Council will be required to review and update all Asset Management Plans.

Assumptions

It must be highlighted that the updated LTFP is based on a number of assumptions over which Council has no control. There are a number of other factors outside Council control that could directly impact (both positively and negatively) Council's updated LTFP.

The Council of the day will have to make informed decisions at those points in time, based on what has unfolded and forecast information at those points in time in the future.

Budget Implications:

A significant amount of work has been undertaken by ML, Council staff and Councillors in order to review and address Council's financial sustainability.

There is a budget allocation in the 2023/24 Operational Plan for specialist financial consulting.

Councillor and staff time will incur no additional expenditure allocated (general duties).

If Council's decision is to apply for a new SRV commencing in 2024/25, the outcome will not be known until very late in the 2024/25 budget preparation process. This will require the preparation of at least two Operational Plan and Budget scenarios to mitigate the risk if for some reason IPART do not approve the SRV application and to ensure Council complies with its statutory obligations.

Enclosures (following report)

Nil

Attachments (separate document)

1	Council Report 9 November 2023	15 Pages
2	Submissions	30 Pages
3	Community Awareness and Engagement Report	84 Pages
4	Updated Long Term Financial Plan 2023/24	60 Pages
5	2023/24 - 2026/27 Delivery Program and 2023/24 Operational Plan	89 Pages
6	Blayney Shire Council Strategic Asset Management Plan (SAMP)	60 Pages
7	Appendix A: Transportation Asset Management Plan	22 Pages
8	Appendix B: Buildings and Other Structures Asset Management Plan	23 Pages
9	Capacity to Pay Report	39 Pages
10	Organisation Sustainability Improvement Plan	17 Pages

- 11** Face Sheet Engaging with IPART About Special
Variation Applications 6 Pages

2401/003 **SPECIAL RATE VARIATION**

RESOLVED:

That Council:

1. Note the feedback received in the 28 submissions from the community engagement process relating to the updated Long Term Financial Plan (LTFP) and the proposed Special Rate Variation (SRV), appended at *Attachment 2*.
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(Reynolds/Somervaille)

CARRIED