



**Snowy Valleys  
Council**

## **Summary of Issues**

**Snowy Valleys Community Engagement**

**Special Rate Variation**

**January 2022**



#### Document status

Job #	Version	Approving Director	Date
7545	1	Stephen Bunting	July 2021
	2	Stephen Bunting	September 2021
	3	Stephen Bunting	December 2021
	4	Stephen Bunting	January 2022

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## Summary

Snowy Valleys Council ('Council') undertook the following consultation with its community on Council's financial sustainability and the need for a special rate variation (SRV). Summaries of the feedback received from each engagement process, in relation to the need for an SRV and/or views on the options to reduce the financial gap, are included below.

### IP&R community engagement

Initially, and separately from the engagement process facilitated by Morrison Low, Council commenced an Integrated Planning and Reporting (IP&R) community consultation process. The IP&R exhibition was from 26 March to 7 May 2021, and it involved:

- information on the Council website (no longer available on the website)
- social media
- newspaper advertisements during April 2021
- numerous articles in the papers during that time
- in-person town hall meetings held on 12 April (Tumut), 14 April (Tumbarumba), 23 April (Khancoban) and 5 May (Tumut) – mostly discussions around the SRV detailed in the IP&R documents.

Council received 580 submissions of which 549 were SRV related, through the IP&R community engagement process, which related to the SRV engagement that was run separately but over the same months. These submissions related to the different components of the IP&R engagement but had in common comments around the proposed or the proposed sustainability initiatives. As part of the 549 SRV related submissions, Council also received via hand delivery at the Tumut Community Meeting 495 signed letters opposing the introduction of an SRV.

All but a small number of these submissions opposed any SRV. A small number opposed service cuts and all, but a few, submissions did not express preference for any alternative actions to avoid an SRV. There was no consistent view on what actions to become financially sustainable could involve.

A summary of the submissions is attached as Appendix A.

### Phase 1 - community engagement on financial sustainability options

Council developed a comprehensive engagement program to inform the community on Council's financial sustainability and the need for a SRV and/or options to close the financial gap. This involved a selection of engagement types such as letter drops, website information publication and virtual community engagement meetings. Planned face to face meetings were not possible under COVID-19 restrictions, social distancing and lockdowns.

During the virtual community engagement held as part of phase one of this process, there was no consensus of views from the community members that attended. The virtual polling undertaken as part of the engagement sessions showed a wide range of opinions on the different closing the gap options suggested, with a slightly larger (although not conducive) proportion of community members preferring for assets to be rationalised and the range of services to be reduced/ceased/transferred.

The polling also showed that there was generally an even split across the different SRV options (this included an option of no SRV). There was often a fair amount of negativity around either the need for an SRV or the options to close the financial gap, however there were no viable alternative solutions offered and often no consistent view even within individual meetings.

## Phase 2 - community engagement on proposed SRV

Following the engagement on financial sustainability, and once Council had reviewed the community feedback and come to a view around the proposed SRV percentage that it would be applying for, Council then undertook further engagement with the community on the proposed SRV. This included further website updates and print advertisements, for example, alongside an additional virtual engagement session.

The polling undertaken as part of the virtual engagement indicated that there was a split in feeling regarding whether sufficient information on the proposed SRV had been received and whether community members supported or opposed Council's proposed SRV. Due to the low turnout, it was hard to make any solid assumptions on the strength of community feeling either way in relation to both of the polled questions and the questions raised/feedback received.

The majority of submissions received via Council's website, as part of this section of the engagement process, opposed the proposed SRV, with many relating the proposed increase to the services that they do or do not already receive. A small number of responses didn't directly oppose the SRV but did raise questions about whether there were alternative options and the effect that the SRV would have on lower-income earners. One respondent agreed with the need for an SRV but felt it should be a lower percentage.

## Special rate variation community engagement

A comprehensive engagement program was developed by Snowy Valleys Council to inform the community on Council's financial sustainability and the need for a special rate variation (SRV) and/or options to close the financial gap. The planned process involved:

- Establishing a Council webpage with all SRV information live from 5 July 2021 – this was updated to include further information following Council's decision on a preferred SRV option.
- Creating information on the page including SRV summary, five detailed background papers, community Q&A, recording of the community meeting presentation, a survey, feedback form and rates calculator.
- Advertisements in print news relating to both phases one and two.
- Social media posts.
- A brochure letterbox drop delivered to households, businesses, roadside mailboxes and post boxes for both phases one and two.

The virtual/face-to-face engagement program included the following phases:

- Phase 1a - eight online general community meetings. Invitations through social media, Council's website, advertisement and direct mail. Feedback and submissions were also invited through Council's website.
- Phase 1b - online focus group discussion with invited stakeholder groups, by direct invitation.

- Phase 1c - Community Strategic Plan drop-in days (postponed due to Covid).
- Phase 1d - community face to face meetings (cancelled due to timing and Covid restrictions).
- Phase 2 – online community meetings on Council’s preferred SRV option. Invitations through Council’s website. Feedback and submissions were also invited through Council’s website.

In addition, a candidates information session was held for candidates for the December 2021 local government election. This session enabled candidates to view the presentation and information presented to the community and ask questions regarding the information and proposal.

## Background papers

Prior to the virtual engagement activities, Morrison Low developed a set of key messages for targeted and background papers to inform the general engagement activity. Key messages were important to flow through the engagement to ensure that messages were consistent and reinforced by councillors, staff and the consultant throughout the process. This was to help avoid confusion and conflicting advice as much as possible.

The community and Council was not starting from a blank canvas. The community does and will face a number of challenges or opportunities over the next ten years, as highlighted by Council in its LTFP but also in the Deloitte report to the Boundaries Commission and Morrison Low. These challenges set the scene for the community engagement process and, to enable the right debate to occur, needed to be at the forefront of informing the community prior to the engagement process.

For this reason Morrison Low prepared five background papers on the actions taken so far, the remaining issues, opportunities and choices that Council has when considering and determining if an SRV is necessary. The background papers were then available to download from Council’s website at <https://yourvoice.svc.nsw.gov.au/srv>.

The background papers included:

- Sustainability Overview
- Financial Overview
- Assessment of Options
- Council Comparison
- Glossary.

All five background papers are included as Appendix B.

Councillor and staff information meetings were held to engage and inform internal stakeholders in advance of the community sessions, with at least one meeting used as a dry run for these community meetings.

These online presentations featured:

- participants not muted
- presentation of 30 minutes
- questions/suggestions.

## Phase 1a - virtual community engagement

Due to the COVID-19 restrictions, the originally scheduled face-to-face meetings and engagement sessions were no longer possible and so Zoom was used as the platform to facilitate online staff, community and stakeholder engagement meetings. The meetings were held in a presentation style format, with Morrison Low presenting a structured MS PowerPoint to the participants (refer to Appendix C).

The engagement meeting presentation covered:

- introductions
- how the meetings run and how participants can participate (i.e. ask questions or express views)
- what the meeting is about, the objectives and importantly what it's not about
- what Council's financial sustainability obligations are
- Morrison Low's independent assessment of the situation and causes
- what some of the options and choices are to resolve the problem
- feedback from the participants on the options via Zoom polls
- opportunities for questions from participants
- where to from here – expressing views and next steps.

For this phase, general community meetings, of approximately one hour duration, were held with the following features:

- all participants muted without video (to limit background distractions)
- presentation of 30 minutes by Morrison Low
- questions or issues submitted via text, chat and verbal/raising a virtual hand
- questions responded to on Council's website and where possible by presenter or Council representative
- polls conducted on options
- opportunity to ask questions at the end of each presentation
- each session was recorded, with the link included on Council's website after each meeting.

Invited focus group meetings (industry), of approximately one hour duration, were also held, featuring:

- participants not muted
- presentation of 30 minutes
- chat function or whiteboard to record issues/questions
- questions responded to by presenter or Council representatives
- polls conducted on options.

## Summary of virtual community engagement meetings

Due to the COVID-19 restrictions, the community engagement meetings were held virtually via Zoom, facilitated by Morrison Low, and the meeting links were advertised on Council's website ahead of the meetings. Six virtual meetings were held over the course of eight days, at varying times of the day to optimise engagement. An additional two meetings were then scheduled for September, held at different times on the same day.

The format of these meetings included:

- presentation on the SRV process, options, and implications (Appendix C)
- polls to capture attendee preferences on the available options
- questions raised either through the meeting chat function, via text message or verbally/via virtual hand-raising.

Each meeting was recorded and the links to the recordings were included on Council's website following each meeting.

### Poll questions

Six polls were used towards the end of the presentation to give attendees the ability to inform Council on their preferences around the suggested options. The questions polled were:

1. On a scale of 1-5 (with 1 being not important at all and 5 being very important), how important is it, to you, for Council to maintain the current range of assets it provides?
2. On a scale of 1-5 (with 1 being not important at all and 5 being very important), how important is it, to you, for Council to maintain current levels of service?
3. On a scale of 1-5 (with 1 being not important at all and 5 being very important), how important is it, to you, for Council to provide the current range of services?
4. On a scale of 1-5 (with 1 being not important at all and 5 being very important), how important is it, to you, for Council to maintain fees and charges at the current levels?
5. Of the closing the gap options outlined, which are the two options that you would prefer Council to use? (Options: asset rationalisation, change in service levels, reduced range of services, increased fees and charges)
6. Which option do you prefer out of the following options?
  - a. Option A (32.25% SRV and no closing the gap options)
  - b. Option B (26.66% SRV and \$700,000 closing the gap options)
  - c. Option C (15.56% SRV and \$1.7 million of closing the gap options)
  - d. Option D (no SRV – reduce and stop services and make savings).



## Summary of poll results

We have included the individual poll results for each meeting within the meeting breakdowns. The summaries of all poll results are as follows:

### Importance of maintaining current area:

Poll question	Option 1 – not important	Option 2 – slightly important	Option 3 – important	Option 4 – somewhat important	Option 5 – very important
1. Range of assets	8	4	2	8	5
2. Current levels of service	6	6	1	7	9
3. Range of services	10	5	3	4	7
4. Fees and charges	5	9	3	9	3

### Preferred closing the gap options (participants selected two options):

Poll question	Asset rationalisation	Change service levels	Reduce or cease services	Increase fees and charges
5. Preferred closing the gap tool	19	6	14	7

### Preferred SRV and closing the gap combination:

Poll question	Option A	Option B	Option C	Option D
6. Preferred SRV and closing the gap option	3	7	7	6

## Meeting 1 - 19 July 2021 at 12:30pm

Three community members were in attendance (an additional person logged in and left immediately).

The polling indicated that attendees in this meeting were quite spread on views related to the importance they placed on the different closing the gap options, however no attendees preferred the option of reducing service levels as a means to make savings. Two attendees preferred Option B and one attendee preferred Option C.

Poll results were as follows:

### Importance of maintaining current area:

Poll question	Option 1 – not important	Option 2 – slightly important	Option 3 – important	Option 4 – somewhat important	Option 5 – very important
1. Range of assets	0	1	2	0	0
2. Current levels of service	0	2	0	0	1
3. Range of services	1	1	0	1	0
4. Fees and charges	0	2	0	1	0

**Preferred closing the gap options (participants selected two options):**

Poll question	Asset rationalisation	Change service levels	Reduce or cease services	Increase fees and charges
5. Preferred closing the gap tool	3	0	2	1

**Preferred SRV and closing the gap combination:**

Poll question	Option A	Option B	Option C	Option D
6. Preferred SRV and closing the gap option	0	2	1	0

No questions or concerns were raised at this meeting.

The meeting recording can be found at: [https://us06web.zoom.us/rec/share/PbAhDj1D\\_MD9i5E-HxVb\\_DO\\_IK8CAaskm0056HNbqZ\\_Plwxyda4xy86nPE-YDftZE.P3SzBmqGU6-wUyNX](https://us06web.zoom.us/rec/share/PbAhDj1D_MD9i5E-HxVb_DO_IK8CAaskm0056HNbqZ_Plwxyda4xy86nPE-YDftZE.P3SzBmqGU6-wUyNX) (passcode: fFSB!f3u).

## Meeting 2 - 19 July 2021 at 6:00pm

Two community members were in attendance (an additional person logged in and left immediately).

The polling indicated that for the attendees in this meeting the closing the gap options were generally not viewed positively, however no attendees preferred the option of reducing service levels as a means to make savings. All attendees preferred Option B.

Poll results were as follows:

**Importance of maintaining current area:**

Poll question	Option 1 – not important	Option 2 – slightly important	Option 3 – important	Option 4 – somewhat important	Option 5 – very important
1. Range of assets	2	0	0	1	0
2. Current levels of service	0	2	0	1	0
3. Range of services	1	1	1	0	0
4. Fees and charges	0	2	1	0	0

**Preferred closing the gap options (participants selected two options):**

Poll question	Asset rationalisation	Change service levels	Reduce or cease services	Increase fees and charges
5. Preferred closing the gap tool	3	0	2	1

**Preferred SRV and closing the gap combination:**

Poll question	Option A	Option B	Option C	Option D
6. Preferred SRV and closing the gap option	0	3	0	0

No questions or concerns were raised at this meeting.

The meeting recording can be found at:

[https://us06web.zoom.us/rec/share/nCXkd\\_n914sl82iRoVjl7nODtNmwcqo-WmxOQLckHMolFFWdW9q5aOwE5aBhWcgC.L\\_xWo3fq7J17qwqk](https://us06web.zoom.us/rec/share/nCXkd_n914sl82iRoVjl7nODtNmwcqo-WmxOQLckHMolFFWdW9q5aOwE5aBhWcgC.L_xWo3fq7J17qwqk) (passcode: 7=%aut9U).

### Meeting 3 - 20 July 2021 at 12:30pm

Six community members were in attendance (an additional person logged in but then left after a few minutes).

The polling indicated that for the attendees in this meeting, the closing the gap options were generally not viewed positively and some to a lot of importance was placed on maintaining the status quo in relation to Council's range of assets, levels of service and range of services. Slightly less importance was placed on fees and charges, but it was still considered generally somewhat important. Views on the SRV options were equally spread, however it is noted that two attendees did not wish to respond due to negativity felt towards the options.

Poll results were as follows:

#### Importance of maintaining current area:

Poll question	Option 1 – not important	Option 2 – slightly important	Option 3 – important	Option 4 – somewhat important	Option 5 – very important
1. Range of assets	0	0	0	4	1
2. Current levels of service	0	0	0	4	2
3. Range of services	0	0	0	3	2
4. Fees and charges	0	0	1	5	0

#### Preferred closing the gap options (participants selected two options):

Poll question	Asset rationalisation	Change service levels	Reduce or cease services	Increase fees and charges
5. Preferred closing the gap tool	3	1	1	1

#### Preferred SRV and closing the gap combination:

Poll question	Option A	Option B	Option C	Option D
6. Preferred SRV and closing the gap option	1	1	1	1

The key issues and concerns raised at the meeting were:

- where the previous community feedback had come from relating to the LTFP SRV scenario
- general negativity towards the suggested options
- whether the community actually considers that assets are underutilised/redundant
- that it's tricky to provide feedback without knowing which assets will be impacted
- how Council came to be in this position
- concern around low number of people voting.

The meeting recording can be found at:

[https://us06web.zoom.us/rec/share/sDszn95cWXOQGw391Tqg8e0MzhjofVqlqt4A5oilz4KAzpKPnp\\_bqBqy8Cn234.EKRpSpoFqh1GWuTk](https://us06web.zoom.us/rec/share/sDszn95cWXOQGw391Tqg8e0MzhjofVqlqt4A5oilz4KAzpKPnp_bqBqy8Cn234.EKRpSpoFqh1GWuTk) (passcode: 9Qb0^yDm).

## Meeting 4 - 20 July 2021 at 6:00pm

Two community members were in attendance (two additional community members logged in but then left after a few minutes).

The polling indicated that for the attendees in this meeting, maintaining the current range of assets, levels of service and range of service were not important at all, maintaining fees and charges was slightly more important, but still on the lower end of the scale. All attendees preferred Option D.

Poll results were as follows:

### Importance of maintaining current area:

Poll question	Option 1 – not important	Option 2 – slightly important	Option 3 – important	Option 4 – somewhat important	Option 5 – very important
1. Range of assets	1	0	0	0	0
2. Current levels of service	1	0	0	0	0
3. Range of services	2	0	0	0	0
4. Fees and charges	0	1	1	0	0

### Preferred closing the gap options (participants selected two options):

Poll question	Asset rationalisation	Change service levels	Reduce or cease services	Increase fees and charges
5. Preferred closing the gap tool	2	1	1	0

### Preferred SRV and closing the gap combination:

Poll question	Option A	Option B	Option C	Option D
6. Preferred SRV and closing the gap option	0	0	0	2

The key issues and concerns raised at the meeting were:

- questions around items that were then addressed through the presentation
- wanting to ensure council commitment to its efficiency gains, how these will be monitored and who ensures they are accountable and achieving these
- wanting to ensure aggregate poll responses are made public.

The meeting recording can be found at:

[https://us06web.zoom.us/rec/share/TxIWrs0SGnNok\\_2Fq1Nz9R\\_xk1qCmIJHXlfXlwZ5TA6rSuN0kyWMUaIBa57ez4jq.q4OYk2\\_7K9iDkhtc](https://us06web.zoom.us/rec/share/TxIWrs0SGnNok_2Fq1Nz9R_xk1qCmIJHXlfXlwZ5TA6rSuN0kyWMUaIBa57ez4jq.q4OYk2_7K9iDkhtc) (passcode: W@Y^3h9Q).

## Meeting 5 - 23 July 2021 at 12:30pm

Seven community members were in attendance.

The polling indicated that, for the majority of attendees in this meeting who wanted to take part in the polling, maintaining the current range of assets and levels of service were not important at all, however one person did feel that they were both very important. There was more of a split regarding maintaining the current range of services and fees and charges, with the majority still not finding it important at all, but a couple of attendees polling that it was somewhat to very important. The preferred closing the gap options for the majority of attendees were asset rationalisation, reducing service levels and reducing the range of services; with only one attendee selecting to increase fees and charges. For the SRV options, all attendees selected either Option C or Option D.

Poll results were as follows:

### Importance of maintaining current area:

Poll question	Option 1 – not important	Option 2 – slightly important	Option 3 – important	Option 4 – somewhat important	Option 5 – very important
1. Range of assets	3	1	0	0	1
2. Current levels of service	3	1	0	0	1
3. Range of services	3	0	1	0	1
4. Fees and charges	3	0	0	2	0

### Preferred closing the gap options (participants selected two options):

Poll question	Asset rationalisation	Change service levels	Reduce or cease services	Increase fees and charges
5. Preferred closing the gap tool	3	3	3	1

### Preferred SRV and closing the gap combination:

Poll question	Option A	Option B	Option C	Option D
6. Preferred SRV and closing the gap option	0	0	3	2

The key issues and concerns raised at the meeting were:

- whether it would be a permanent or temporary SRV - this question was addressed within the presentation
- why Council had indicated it could only make \$600,000 of internal savings, why could it not make more
- why had the situation occurred and why did Council apply for grant funding to build assets that they could not afford to run or maintain
- whether the calculation of services included running costs
- query on the number of services that could be handed back to government - this was passed on to Council
- query more related to the spending of rates and individual circumstance - this was passed on to Council.

The meeting recording can be found at:

[https://us06web.zoom.us/rec/share/kkY9XvcOz\\_rnN4q87f3Re9GZokjUVEyyru5zZ1l\\_2fZW3qs3SqtPIldsYM2kJqbN.ILTlckU2BAdBv2R-](https://us06web.zoom.us/rec/share/kkY9XvcOz_rnN4q87f3Re9GZokjUVEyyru5zZ1l_2fZW3qs3SqtPIldsYM2kJqbN.ILTlckU2BAdBv2R-) (passcode: &mpdT0!E).

## Meeting 6 - 26 July 2021 at 6:00pm

One community member was in attendance.

No polling was undertaken for this meeting, as a more general discussion was had. The community member had read all of the background papers and understood the principles behind the process and why it was happening. Morrison Low did not give the full presentation, instead a more informal discussion was held around the problem and some more individual issues.

**Note:** although no polling was undertaken in this session, the attendee's verbalised preference for Option A (relating to the preferred SRV and closing the gap option) is included in the table showing the summary of poll results.

The key themes discussed at the meeting were:

- the preference for a full SRV, as opposed to a combination of closing the gap options
- the understanding and acceptance on why an SRV is needed
- the importance that money is spent on providing services
- that the attendee was understanding of Council's situation
- some individual circumstances that weren't able to be answered as part of this engagement process – advice on Council contact detail was given.

The meeting recording can be found at:

[https://us06web.zoom.us/rec/share/kD63Ut9AYcNN2U7KqBLzGI5gRnrj038At-rNehxWY1uFxF7Lb7\\_YqeaEODkLEf-mZ.pvk7RjJgRhwk6V1q](https://us06web.zoom.us/rec/share/kD63Ut9AYcNN2U7KqBLzGI5gRnrj038At-rNehxWY1uFxF7Lb7_YqeaEODkLEf-mZ.pvk7RjJgRhwk6V1q) (passcode: 45F%SMsX).

## Meeting 7 - 15 September 2021 at 12:00pm

Eight community members were in attendance, although not all joined for the full session.

Two to three community members took part in the polling. The polling indicated that there were fairly mixed views on maintaining the current range of assets, levels of service and fees and charges, with a spread across not important to somewhat important for all three. There was slightly more agreement relating to the levels of service, where all attendees selected the lower levels of importance for this question. The preferred closing the gap options for the majority of attendees were asset rationalisation and reducing the range of services; with only one attendee selecting to increase fees and charges and no attendees selecting to reduce the current levels of service. For the SRV options, two attendees each selected Option C or Option D and the third attendee preferred not to cast a vote.

Poll results were as follows:

**Importance of maintaining current area:**

Poll question	Option 1 – not important	Option 2 – slightly important	Option 3 – important	Option 4 – somewhat important	Option 5 – very important
1. Range of assets	1	1	0	1	0
2. Current levels of service	1	0	1	1	0
3. Range of services	1	1	1	0	0
4. Fees and charges	0	2	0	1	0

**Preferred closing the gap options (participants selected two options):**

Poll question	Asset rationalisation	Change service levels	Reduce or cease services	Increase fees and charges
5. Preferred closing the gap tool	3	0	2	1

**Preferred SRV and closing the gap combination:**

Poll question	Option A	Option B	Option C	Option D
6. Preferred SRV and closing the gap option	0	0	1	1

The key themes discussed at the meeting were:

- why Council is accepting infrastructure funding that it knows will then increase expenditure long-term and why isn't it an option in the polls for the community to vote to turn down this funding
- questions around the differences between temporary and permanent SRVs
- specific questions relating to individual's rates - these were passed on to Council
- questions around ceasing/transferring specific facilities and the knock-on effects, particularly in relation to evacuation centres - these questions were addressed during the meeting by Council representatives.

The meeting recording can be found at:

<https://us06web.zoom.us/rec/share/J93D0VcEMz7tQUnSDxD7bQ4imKfliAE2BEqpOQ7fLZfhupHKlcs9XrVyK7Lc5k6.otfT3Q5UVAjwXhg5> (passcode: J5\$6ekZ).

## Meeting 8 - 15 September 2021 at 5:30pm

Eleven community members were in attendance, although not all joined for the full session.

Between three and eight community members took part in the polling at various times. The polling indicated that there was quite a split of feeling, with half of the attendees voting that maintaining the current range of services and fees and charges were either somewhat important or very important, and half voting that they were either not important or slightly important. There was a bigger swing towards maintaining the current range of assets and levels of service, with the majority of attendees voting that it was either somewhat or very important for both of those options. The preferred closing the gap options for the majority of attendees were also quite split, with reducing the range of services being the slightly more favoured option and reducing the level of service being the slightly less favoured option. Less attendees took part in the voting on this question, with some advising they did not want to participate. For the SRV options, three attendees took part and one each selected Option A, B and C.

Poll results were as follows:

### Importance of maintaining current area:

Poll question	Option 1 – not important	Option 2 – slightly important	Option 3 – important	Option 4 – somewhat important	Option 5 – very important
1. Range of assets	1	1	0	2	3
2. Current levels of service	1	1	0	1	5
3. Range of services	2	2	0	0	4
4. Fees and charges	2	2	0	1	3

### Preferred closing the gap options (participants selected two options):

Poll question	Asset rationalisation	Change service levels	Reduce or cease services	Increase fees and charges
5. Preferred closing the gap tool	2	1	3	2

### Preferred SRV and closing the gap combination:

Poll question	Option A	Option B	Option C	Option D
6. Preferred SRV and closing the gap option	1	1	1	0

The key themes discussed at the meeting were:

- several legal questions and questions about specific individual situations or issues not directly linked to the presentation - these were passed on to Council
- whether Council could be looking at instead chasing further revenue raising options
- which assets are included on Council's list to be ceased
- what the definition of 'core services' is and who defined it
- queries on general rate increases
- concern about the chat function not being visible to all



- comments from one attendee around the community not wanting an SRV at all and how no-SRV should be an option - this was addressed towards the end of the presentation
- how the SRV is applied each year.

The meeting recording can be found at:

<https://us06web.zoom.us/rec/share/dGuHZGmAzkxaHfyD4GFrVpdRpcmAateprGYWc0FuSjzTqdM8edaqRz9S2LvVc4Y.ybScCPiANhee7kTe> (passcode: 7.2Fqdr).

## Summary of SRV website submissions

Fifteen online submissions were received to the phase one SRV engagement process through the website. The majority of these submission did not favour an SRV, with the remainder favouring the smaller SRV options. Only one submission supported a full SRV to address the financial gap.

There was no consistent view on, or preferences for, actions by Council to close the funding gap, but many included personal suggestions. Many asked questions or expressed opinions relating to the information provided.

A summary of the submissions is attached as Appendix D.

## Summary of SRV website poll

The website poll indicated most of those responding (62) considered maintaining the range of assets, service levels, range of services and levels of fees and charges important or higher. Of the options presented, range of assets, service levels, range of services suggest these is some flexibility to use these as tools to reduce the funding gap.

Over half the respondents favoured the lowest SRV (noting no SRV was not an option), while 25% favoured the largest SRV which avoided larger service reductions.

Poll results were as follows:

### Importance of maintaining current area:

Poll question	Option 1 – not important	Option 2 – slightly important	Option 3 – important	Option 4 – somewhat important	Option 5 – very important
1. Range of assets	11	10	9	15	17
2. Current levels of service	6	10	13	13	20
3. Range of services	8	15	8	14	17
4. Fees and charges	4	4	11	12	31

### Preferred SRV and closing the gap combination:

Poll question	Option A	Option B	Option C
5. Preferred SRV and closing the gap option	16	9	37

## Phase 2 - community engagement feedback for proposed SRV

Due to the continuing COVID-19 restrictions, Zoom was used as the platform to facilitate a further community engagement meeting on Council's preferred SRV option. This meeting was held in a presentation style format, with Morrison Low presenting a structured MS PowerPoint to the participants (this was a shortened version of the previous presentation attached as Appendix C).

The engagement meeting presentation covered:

- introductions
- how the meetings run and how participants can participate (i.e. ask questions or express views)
- what the meeting is about, the objectives and importantly what it's not about
- what Council's financial sustainability obligations are
- Morrison Low's independent assessment of the situation and causes
- what some of the options and choices were to resolve the problem
- what Council's preferred SRV option is
- feedback from the participants via Zoom polls
- opportunities for questions from participants
- where to from here - expressing views and next steps.

For this phase, general community meetings, of approximately one hour duration, were held with the following features:

- all participants muted without video (to limit background distractions)
- presentation of 30 minutes by Morrison Low
- questions or issues submitted via chat and verbal
- polls conducted
- opportunity to ask questions at the end of the presentation
- session was recorded, with the link included on Council's website after each meeting.

Council also updated their website with further information relating to the preferred SRV option and included opportunities for the community to submit feedback through the website.

### Summary of virtual community engagement meeting

The virtual community engagement meeting for phase two was facilitated by Morrison Low, and the meeting link was advertised on Council's website ahead of the meeting. One virtual meeting was held at 6pm to optimise engagement.

The format of these meeting included:

- presentation on the SRV process, options, Council's preferred option and implications (a shortened version of the presentation attached as Appendix C)
- polls to capture attendee feedback
- questions raised either through the meeting chat function or verbally.

The meeting was recorded and the link to the recordings was included on Council’s website following the meeting.

### Poll questions

1. Have you received sufficient information on the proposed SRV?
2. Do you support or oppose the SRV proposed by Council?

### Meeting 9 - 22 November 2021 at 6pm

A virtual community engagement session was held via Zoom in order to gather feedback from the community on the proposed SRV that Council was seeking to apply for. The session took a similar format to the previous virtual community engagement sessions, with questions asked via the chat function, polling used to assist in gathering feedback and microphones muted/cameras turned off. The polling function was used to indicate whether the community felt that sufficient information had been provided on the proposed SRV and whether those attending supported or opposed the SRV that is being proposed by Council.

Five community members were in attendance, although not all joined for the full session. Three community members took part in the polling. The polling indicated that there was a split in feeling, with two individuals agreeing that they had received sufficient information on the proposed SRV and one disagreeing. One of the community members attending the session supported the SRV proposed by Council and two members opposed the proposed SRV. Due to the low turnout, it was hard to make any solid assumptions on the strength of community feeling either way in relation to both of the polled questions and the questions raised/feedback received.

Poll results were as follows:

Poll question	Yes	No
1. Have you received sufficient information on the proposed SRV?	2	1
Poll question	Support	Oppose
2. Do you support or oppose the SRV proposed by Council?	1	2

The key themes discussed at the meeting were:

- that an attendee was considering the balancing of services with the current rates increase and therefore wasn’t sure how to respond to whether they supported the SRV
- whether Council could reduce high-level staff in order to increase savings within Council
- why the Council couldn’t try for efficiency dividends
- a comment on service levels that have already been reduced.

The meeting recording can be found at: [https://us06web.zoom.us/rec/share/ikBq\\_5PsD4-VfqCDHFViXQwLfo5dq5ZSsndZd0yLryyle071q4WB57zBV1YMZMA.4dNYxZR2RbfgmURY](https://us06web.zoom.us/rec/share/ikBq_5PsD4-VfqCDHFViXQwLfo5dq5ZSsndZd0yLryyle071q4WB57zBV1YMZMA.4dNYxZR2RbfgmURY) (passcode: QmU\*0n.e)

## Summary of website submissions

Council received 15 responses through the website submission process in relation to the proposed SRV. The majority of submissions opposed the proposed SRV, with many relating the proposed increase to the services that they do or do not already receive. A small number of responses didn't directly oppose the SRV but did raise questions about whether there were alternative options and the effect that the SRV would have on lower-income earners. One respondent agreed with the need for an SRV but felt it should be a lower percentage with Council then undertaking further cost-saving measures.

Many respondents felt that Council needed to make further cost-savings itself and some of the suggestions given did echo the closing the gap options suggested within the previous community engagement process. There were a variety of suggestions including reducing spending, selling assets, out-sourcing, reducing senior staff salaries and refusing grants for new infrastructure. There was also some confusion for one respondent around whether the SRV involved increased/improved services.

A summary of the submissions is attached as Appendix E.

## Appendix A Summary of SRV related feedback to IP&R engagement

Submission Summary
<p>No land or Housing available in Tumbarumba            SVC can't capture any benefits from Snowy 2.0 (Elliot Way remains impassable due to ineffective advocacy,            Inadequate tourism accommodation at Tumbarumba Caravan Park</p>
<p>Weekly 'red lidded' bin service will halve while our annual fee increase. It is preposterous that Council is sponsoring such waste in the context of a 'zero waste of landfill' strategy and a purported objective of reducing the effects of Climate Change.</p>
<p>Harmonisation will increase our rates by over 9% in the coming year. The proposed SRV on top (including rate cap) over the next 2 years will increase our rates by around 43% in total.</p>
<p>The Long Term Financial Plan, even with the proposed increases in rates, does not project a satisfactory financial position.</p>
<p>Does not approve of the 25% general rate increase. Does believe that Council has found a way to effectively engage the whole community</p>
<p>Does not support the IP&amp;R proposals as published in the suite of draft documents, especially plans to cut or outsource services, like childcare and age care, any staff reductions in the Tumbarumba area nor the re-establishment of the former Snowy Works services third party revenue raising proposal.</p>
<p>Does not support and will vigorously oppose any move by Council to seek a Special Rate Variation. Council has failed to provide sufficient detail to inform the community of the need for and extent of its proposed rate rise.</p>

### Submission Summary

Council is unable to present a combined operating & capital expenditure budget that does not show a substantial loss and this has been ongoing since its inception.

Whilst we all accept some fees & charges increase in time, does not agree when this happens because of a blatant inability to be financially responsible

The Council itself has said there will be an operating deficit after capital grants for the next ten years and goes onto say that scenario fails to meet the key principle of financial sustainability to achieve a balanced result.

Obviously, is far from satisfactory.

Point one: Why are you planning to charge GST on services when the current fee schedule has no GST?  
Point two: Waste bins are to be collected fortnightly, are we getting larger bins?

Doesn't understand the large discrepancy in the costs between Tumut & Tumbarumba to deposit septic waste. Concerned along with many others re the continuation of free entry to pools across SVC.

Objects strongly to the proposed 25% + proposed SRV  
SVC has not looked at genuine ways to reduce its spending into the future by having the courage to make tough (not popular) decisions by saying no to certain grants.

The operations of SVC in some aspects, go beyond community services and deviate from core operations. Childcare is one that I am perplexed about. The draft OP/Budget (pg40) indicates a loss from Education Services of 21,000. How is it that council run centres at a loss? Can this be deduced so that the childcare centres are run profitably.

Towns & Community Hall - What can be done to boost utilisation/reduce outgoings?

A strong supporter of the free swimming entry program. I strongly believe that the social good this initiative outweighs the small amount that could be raised by charging entry.

Been through the forecast with as much detail as I am able to and can see that some level of SRV is required. Can some of the capital costs be pushed back to the following year to 'smooth' out the Capital outlay and potentially absorb some of the cost into Council's own resources/Capacity?

Is there an ability to renegotiate debt terms with financiers in order to reduce the immediate cash flow dedicated to debt repayments.

A stronger education piece is needed to show the ratepayer what would actually happen to their rates?

1. I would like to see staff up skilled, and a change in job descriptions so that we don't need consultants, who are poorly regarded by the community.
2. There is no mention of climate change. The term sustainability is mainly being applied in a financial sense, not an environment imperative.
3. There is no mention of material cultural change. For example, the use of Aboriginal signage and place names for out towns and environmental features.

### Submission Summary

if rates are raise, can they spread out over a period of time, example 4 years?  
 What will happen to current plans if Councillors at present are not re-elected?

Rate Rise and service cuts are a direct result of the forced amalgamation.  
 After the fires Council adopted a list of priorities for grant applications. No projects were included for the former Tumbarumba Shire area, despite the fire impact and Council being advised of Tumbarumba priority projects. A staggering \$87.7 Million projects were prioritised for the former Tumut Shire area, many of which contributed nothing to fire recovery .

People might not like to see a decline in what is on offer however it does not assume that the rate payer can afford both an increase in rates and charges to such a high percentage - 25%. If Council had asked for a 10-15% rate rise that might be acceptable but 25% ongoing is beyond acceptability.

Most people would say it is not themselves who damage the bins but the contractor when emptying it.

Cannot comment as there are too many variables without seeing what information feeds into the plans at a lower level.

Such an increase would have a negative impact on those already struggling with drought, fires and high cost of living.  
 Had the Council asked the community for a one off payment it may have been consideration but to impose an ongoing burden on its residents is unforgivable.

Council should find the efficiency dividends in the consultants analysis. Any Council staff who has bonus based on consultations should not get that part of the bonus due to the inadequacy of this and other consultants. Council's criteria should be keep the rate rise below the government limit while keeping services at the current level and this should be reflected in determining bonuses. The thought of a special rate variation should be rejected immediately.

Strongly object to the SRV as outlined in the council papers and IP&R draft documents.  
 When harmonisation is accounted for the end result will be a rate increase of around 40-50%

Objects in the strongest possible terms to the proposed Long Term Financial Plan 2021-31 as published on the SVC Website.  
 Also objects to Council's endorsement of the proposed Special Rate Variation scenario.

## Submission Summary

Expresses disgust at the proposed SRV

Each year since the creation of SVC has made a significant operating loss and has been unable to even meet its approved budget. SVC has failed to meet the government's key financial objective of responsible and sustainable spending by aligning revenue and expenses.

Understand that rate increase are necessary to continue to provide service to a community but this SRV proposal is outrageous and unfair. It is time to get back to basics and make some major cutbacks in unnecessary expenditure so that your ratepayers aren't burdened by.

A sudden 25% rate rise indicates that we are suffering from that narrowness of vision. Wouldn't SVC be wise to refuse grants and other new projects for a time? How have they risen so fast that a sudden 25% jump in rates is needed?

Strongly oppose the 25% SRV and the 10% SRV (Optimistic Scenario). Preference is the continuation of existing budgeting (Baseline Scenario).

Council should review their current staffing and processes to find efficiencies.

Council should also eliminate services that are not essential such as garden pots in the main street.

Does not support and strongly oppose the Snowy Valley Council proposed SRV

Stop wasting money and get back to basics

Writing to voice opinion against the 25.44% rates rise that is likely to be implemented in 2022.

Totally opposes to Option 2 & 3 being 25% and 10% SRV and support a continuation of Option 1 which is a continuation of existing budgeting (baseline scenario) plus 2% rate peg along with fiscal restraint.



### Submission Summary

Does not accept the SRV scenario, 25.44% increase.  
Does not accept the Optimistic Scenario, 10% Increase.

Please note my objection to the proposed twenty five percent rate variation.

Strongly express complete opposition to the rate rise and variation proposed by the Council. I wish to continue with the current budget and current rates.

Objects in the strongest possible term to the proposed Long Term Financial 2021-31, and in particular to Council's endorsement of the proposed Special Rate Variation scenario as its preferred option.

I do not support an increase of 25%. If money is required then you should look to the National Parks and the Forestry NOT residents of the Shire

The variable rates increase is unacceptable.

Would like to be counted as a concerned rate payer in the SVC. Hopes there will be more targeted, informative opportunities to engage in this discussion.

Note that I strongly object to the 25% rate rise.

Submission Summary
Strongly object to the proposed 25% rates rise.
Objects strongly to the current proposal regarding a 25% special rate variation.
For Council to think that they are going to raise rates by 25% + over the next two years, they are dreaming.
Does not give approval for any rate increase above the allowable 2% cap and expect Council to cut their cloth and to adopt whatever measures necessary to meet outgoings as all businesses must do. If services are cut, then so-be it.
The merger model is unworkable.
Less services for a huge price. Not acceptable under any circumstances.
Too Unrealistic
Can Council guarantee that the services provided by the Multi-Service Outlet will NOT be cut or reduced, and that the administration and co-ordination will remain in Tumarumba. With regards to the childcare services, can council again guarantee that all services will continue to be fully funded and staffed.
Would be very happy for the Council to simply provide that basic necessitates as council's were designed to do. Water & Waste, let community groups fund their individual dreams and desires.

Submission Summary
Prefers SVC to reduce the amount of projects than to increase the rates
Rates should not increase. SVC should cut some services and stop capital projects which are contributing to this problem.
SVC should focus on projects which can deliver financial returns or cost savings and stop spending money which they don't have. This is preferable to increasing Rates
The Food & Organic waste project seems to be a waste of money. Energy and environment projects in SVC need to be economically justified. SVC does not have the funds to embark on such projects to otherwise increase spending in this area. Reducing these activities is preferable to increasing the rates.



## Appendix B      Background papers

## Your guide to understanding the terms we will use during the special rate variation conversations

What we say	What this means
Asset base	The sum total of all council's assets, including infrastructure - road infrastructure, bridges, drainage water, sewer, parks and buildings and non-infrastructure plant and equipment, library books, etc.
Asset rationalisation	The process used to sell, dispose of, or repurpose assets that are no longer fit for purpose, are underutilized or are surplus to future requirements.
Capital grants	Capital grants are grants that a council receives for replacing or acquiring new assets.
Cash deficit	Where a council has insufficient cash to meet its operating and/or statutory obligations.
Cash reserves	Money held in reserves by a council for specific purposes, however council has the discretion to resolve to use it for another purpose.
Community service obligation	Community service obligations (CSOs) are the non-commercial activities of a council for an identified social purpose. CSOs can be in response to a market failure to a response to a social issue or to provide the community or a targeted section of the community with social benefits at an affordable price or without charge and to an agreed standard or quality.
Consolidated Fund	The Consolidated Fund is the combination of all of a council's operating funds - General, Domestic Waste, Water and Sewer Funds. This provides a consolidated financial position for a council.
Cost shifting	Comes in two main forms, the transfer of responsibilities and increased compliance costs and responsibilities imposed on local government by state government.
Financially sustainable	A council is said to be financially sustainable when its long-term financial forecast shows a trend of income being equal to or in excess of expenditure that leads to having sufficient cash and cash reserves to fulfil the council's statutory obligations.
Financially unsustainable	A council is said to be financially unsustainable when its long-term financial forecast shows a trend of ongoing operating deficits that leads to having insufficient cash or cash reserves to fulfil the council's statutory obligations.
FTE	Full time equivalent. A term used to describe the hours worked by casual, part-time and full-time council staff as an equivalent full-time staff amount.
General Fund	The account that contains all monetary inflow and outflow for general operations of council and excludes special purpose accounts such as Water, Sewerage and Domestic Waste.
General rates	General rates are the rates levied for funding general operations.
Infrastructure backlog	Infrastructure backlog (cost to satisfactory) is the estimated cost required to bring poor performing/condition assets back to a level of service deemed satisfactory by council (this should not include any enhancements). This is often expressed as a ratio comparing the cost to satisfactory in proportion to the present worth of council's infrastructure. Councils are required to have a ratio below a benchmark of 2%.

What we say	What this means
Infrastructure maintenance	Council must maintain its infrastructure and assets to be fit for purpose and to ensure assets reach their economic lives. Councils are required to measure actual and estimated required annual asset maintenance expenditure. Councils are expected to allow for and fund 100% of infrastructure maintenance costs.
Infrastructure/asset renewal	Renewal is defined as the replacement of existing assets to equivalent capacity or performance capability, as opposed to the acquisition of new assets or enhancements to the existing assets. Councils are expected to renew assets at the rate that they deteriorate, i.e. a benchmark level of 100% has been set for the amount of expenditure on asset renewals in proportion to the amount of depreciation and impairment of assets.
IPART	Independent Pricing and Regulatory Tribunal (IPART) are the independent pricing regulator for water, public transport, local government, as well as the licence administrator of water, electricity and gas and the scheme administrator and regulator for the Energy Savings Scheme. IPART undertakes reviews and investigations into a wide range of economic and policy issues and perform a number of other roles at the NSW Government's request, including setting the rate cap and assessing and determining SRVs.
Net operating consolidated loss	A consolidated loss occurs when the total expenses of all council's accounts (General and Special Fund accounts) exceed the total income of those accounts (excluding all capital amounts).
Operating deficit	An operating deficit occurs when total expenses are greater than total income (excluding all capital amounts). This includes a council's day-to-day income and expenses.
Productivity and/or efficiency improvements	These improvements undertaken are a result of being more productive or more efficient. A productivity improvement generally means doing more with the same resources and an efficiency improvement means doing an activity more cost-effectively to save time or money.
Public good	Public good is the portion of a benefit that accrues to the wider community or general public, while the private good is the benefit received by an individual. For example, a sports field has a private benefit for the sporting club who uses it but also has public benefit to the general community for them to use at other times. The public good component is the opportunity or amenity value because the sports field exists.
Rate cap/capping	IPART is required to set the maximum percentage amount by which councils can increase their general income each year. This ceiling is known as the rate cap or rate peg.
Restricted reserves	Funds held by council for a specific purpose that cannot be used for other purposes.
Rural centre	A centre of population of 5,000 people or fewer and includes a geographical area that is considered to meet the definition as being a rural centre. Councils are limited and in the event of an amalgamation, councils are required to strive to maintain the same number of staff after an amalgamation in a rural centre.

What we say	What this means
Service delivery	The process or act of providing a service to the community where there is contact with the ratepayer or customer. These services should be delivered in an effective, predictable, reliable and customer-friendly manner.
Service levels	Are used to describe the amount of a particular service provided by council. Service levels can describe the quantity or quality of a service or both. An example of a service level would be public amenities that are cleaned once a day.
Special rate variation (SRV)	A special rate variation allows a council to increase its general income above the rate cap, under the provisions of the Local Government Act 1993 (NSW). Special variations can be for one or several years and can be temporary or permanently retained in the rates base. Each year, councils wishing to apply for a special variation apply to IPART in February. The applications are assessed against criteria listed in the Office of Local Government's guidelines.
User fees and charges	These are the fees and charges users of a service pay to use that particular service. An example is the cost of the purchase of a cemetery plot which is a specific fee for service. Council fees and charges may not cover the full cost of the service where there is a public good (see glossary) component.

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# Snowy Valleys Council Sustainability Overview

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## Introduction

Morrison Low Consultants has been engaged by Snowy Valleys Council's ('Council') to:

- review Council's current baseline budget and financial forecasts
- assess the contributors to Council's financial sustainability challenges
- independently assess and provide independent advice on the long-term financial sustainability of Council
- provide advice on options to close any financial sustainability gap
- provide information to the Snowy Valleys community and facilitate the community engagement process, so that Council can make an informed decision on the options to become financially sustainable.

Morrison Low has relied on a publicly available information and information provided by Council in its analysis, assessment of Council's position and in developing a series of background papers. There are four papers covering:

1. a *Sustainability Overview*
2. a *Financial Overview*
3. an *Assessment of Options*
4. a *Comparison with Similar Councils*.

All background papers are available on Council's website.

## About Morrison Low Consultants

Morrison Low is a multidisciplinary management consultancy specialising in providing advice to local government. It has extensive experience across Australia and New Zealand and in particular assisting councils with financial modelling to understand current and future sustainability challenges. Morrison Low has supported councils to become more sustainable through improvement programs and with preparing special rates variation (SRV) applications to the Independent Pricing and Regulatory Tribunal (IPART) where necessary.

Morrison Low undertakes community engagement on behalf of councils relating to SRVs, rates harmonisation, integrated planning and reporting and statutory engagement processes, where independence is important.

More information about Morrison Low can be found on our website: [www.morrisonlow.com](http://www.morrisonlow.com).



## Background

The Council has resolved to engage with the Snowy Valleys community on a possible SRV to make Council financially sustainable as required by legislation. Morrison Low is assisting by providing an independent review on Council's financial position and options to improve financial sustainability to inform this community engagement process. After analysing and assessing the information provided, Morrison Low has formed the view that the Council's financial position is unsustainable at the current levels of expenditure and income. This has occurred for a number of reasons discussed in this paper. Most of these reasons are unrelated to the 2016 merger and would have challenged the former councils at some point regardless.

We believe it is important not to apportion blame for the current deteriorating financial position, as former councils have made legitimate decisions in the best interests of their communities, which, over time when combined with other external influences and legislative restrictions, have gradually led to the problem which Council is now addressing this year.

We note Council has been making changes to become more sustainable, but these alone will not be sufficient. Apart from an internal continuous improvement journey, no decisions have been made around how to close this gap, as there are a number of options that could be adopted that singularly or jointly will ensure the Council becomes sustainable. Each of these options will impact the community differently and therefore Council is seeking community feedback before making any decisions. Council has already signalled it may be necessary to apply for an SRV to close the gap and Morrison Low analysis supports this view as the most viable option. This information paper provides a summary of why Council has become increasingly financially challenged, what the choices are to address the situation and how you can participate in the discussion and make your views heard.

## Council's obligation to be financially sustainable

Councils cannot ignore financial sustainability problems. The Local Government Act requires councils to apply sound financial management principles of being responsible and sustainable in aligning income and expenses, infrastructure investment, with effective financial and asset management performance management. The objectives are to:

- achieve a **fully funded operating position**
- **maintain sufficient cash reserves**
- have an appropriately **funded capital program**
- **maintain its asset base** 'fit for purpose'
- have adequate resources to meet ongoing **compliance obligations**.

If a council fails to meet these obligations, then the NSW Office of Local Government will start an improvement process which could ultimately see the decisions needed to become financially sustainable placed in the hands of a third-party financial controller or ultimately an administrator, if the elected council is removed.

## Current financial situation

### Operating deficits

The Council is producing deficit net operating results whilst maintaining, and in a lot of instances, expanding and improving services. Despite delivering efficiencies, Council has continued to produce significant operating losses. Contributing factors to this are detailed in the next section. In the previous two financial years, Council posted a net consolidated (General, Water, Sewer and Domestic Waste Funds) operating deficit of \$7.7 million and \$1.6 million respectively. For General Fund only, the net operating deficits were \$7.7 million and \$2.9 million. Repetitive operating deficits are unsustainable and lead to a cash deficit and depleted assets. Doing nothing is not an option.

The Office of Local Government require councils to meet an operating performance benchmark for spending within their income base, that is operating income equals operating expenses. It should be noted that grants and contributions for capital projects are excluded. Council's consolidated operating results, excluding capital grants and contributions, have not met the Office of Local Government benchmark and have resulted in a cumulative consolidated operating deficit of \$21 million since 2016.

### Low general rate income

In 2019/20, general rates contributed 18% of Snowy Valleys' General Fund total revenue, which is significantly lower than similar regional merged councils at 24%. The other major income streams for Council are user charges and fees at 24% and operating grants at 29%. With general rates income at a relatively low level, as a percentage of Council's General Fund revenue, with no change to service delivery, a rates increase is necessary to help mitigate budget imbalances.

In 2020 the Boundaries Commission engaged Deloitte to undertake a financial analysis of Council. The published summary findings concluded that Council was not financially sustainable in the medium- to long-term. It noted that a combination of initiatives is required to lead Council to a financially secure future:

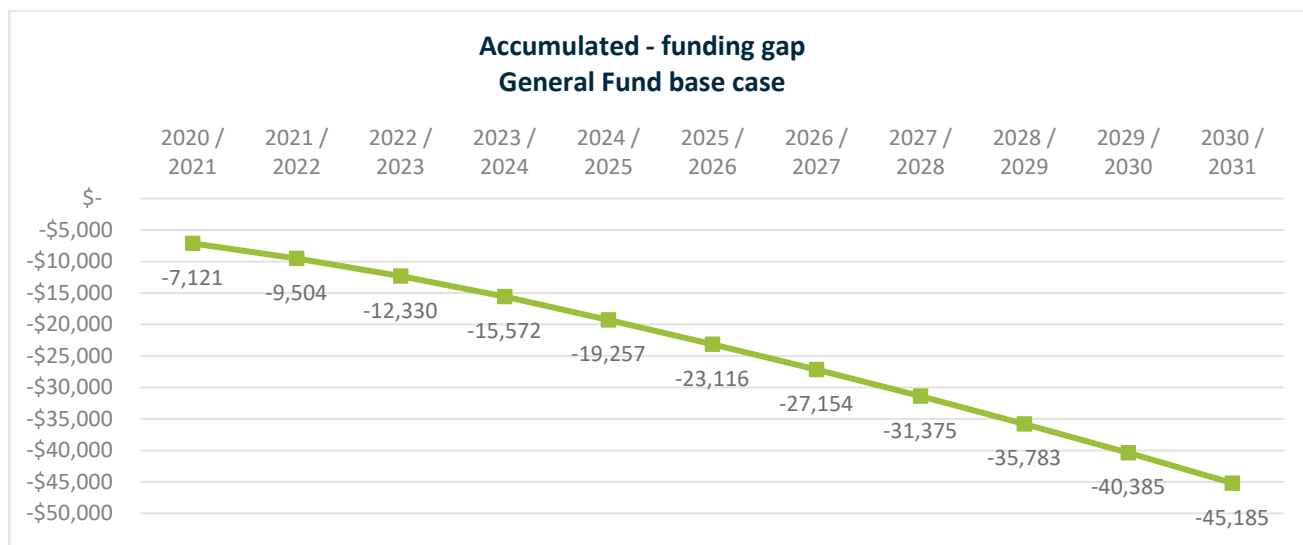
- securing additional operating grants or other revenue streams
- a special rate variation
- adjusting user fees and charges and achieving cost savings through staff reductions or implementation of alternative operating and service delivery models.

### High infrastructure spending

Council is in the fortunate position of having a very low infrastructure backlog, meaning that Council has been able to maintain assets at the agreed level over the years. This has been possible mainly due to external funding and running a deficit position that has prioritised infrastructure maintenance and renewal over budget surplus.

## Closing the funding gap

The following graph illustrates the current financial position for Council’s General Fund operations,<sup>1</sup> indicating a ten-year funding gap in the order of \$45 million. The key challenge for Council is to implement its current sustainability plan which aims to deliver efficiency improvements within Council over the next three to four years. To become fully sustainable, Council is also exploring a range of further options for consideration by the community. To illustrate if Council chooses not to implement any productivity improvements to close the financial gap, then a one off SRV increase of 37% would be required. This is not the approach Council is taking, as is detailed in the options section below.



There is a separate background paper explaining the financial overview in more detail, including options and the implications, on the ‘SRV’ page of Council’s website: [www.svc.nsw.gov.au/srv](http://www.svc.nsw.gov.au/srv).

## Why has Council become financially unsustainable?

In Morrison Low’s experience, all councils will face financial sustainability challenges on a cyclic basis, this is caused by the constraints and influences on local government. There are a number of contributors to this fact, some of which are outside of Council’s control and others which Council has some influence over. The contributors to Snowy Valleys Council’s challenges include the following.

### Outside of Council’s control

- **Rate capping** is a contributor. IPART has set the rate peg for NSW councils by taking the increase in the Local Government Cost Index (LGCI) and applying productivity gains or allowances for one-off events. This LGCI is like the Consumer Price Index but calculated based on the change in cost of the type of goods councils buy, like bitumen and fuel rather than fruit and vegetables. The LGCI does not recognise some cost increases that councils experience nor that some councils will experience cost increases higher than the average as a result of location or other events. Over time small shortfalls accumulate and councils generally respond by spending less on maintenance and services until they reach a point approaching failure.

<sup>1</sup> General Fund operations, which are all of council operations excluding water, sewer and domestic waste, are funded from the general rates and other income. Water, sewer and domestic waste are funded from a combination of annual charges and user fees and can only be used for the specific operational purpose.

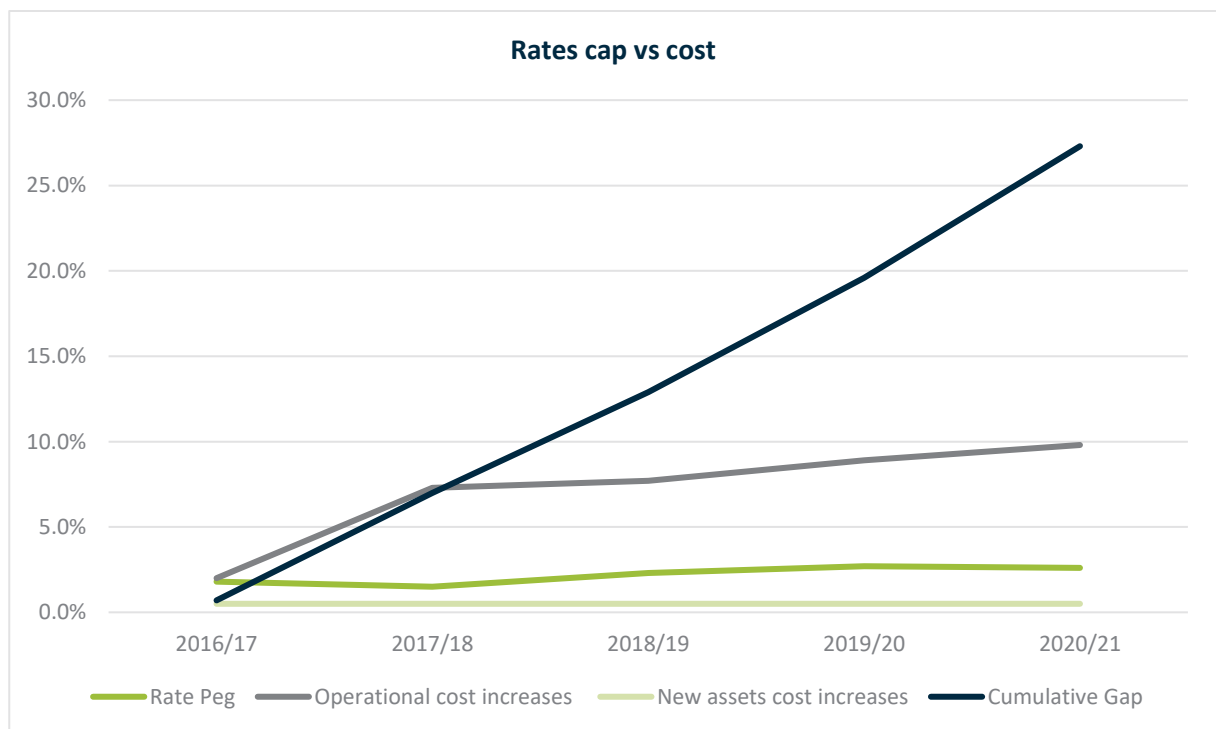
- **Cost shifting** comes in two main forms, the transfer of responsibilities and increased compliance costs and responsibilities imposed on local government by state government.

Over the last decade the NSW State Government, and a lesser extent the Australian Government, have transferred costs to local government without sufficient recompense. The Emergency Services Levy (formerly funded through insurance premiums) is a case in point, where the levy of \$748,000 in the current year 2020/21 represents 8.3% of total rates in 2020/21. Other major types of cost shifting included the withdrawal of financial support once a program is established, the transfer of assets without appropriate funding support, the requirement to provide concessions and rebates without compensation payments, increased regulatory and compliance arrangements and failure to provide for indexation of fees and charges for services prescribed under state legislation or regulation.

In a report to NSW Government in 2019, IPART reviewed compliance and enforcement obligations to reduce unnecessary regulatory burdens placed on businesses and the community by councils. IPART noted these increased compliance obligations increased costs to councils and recommended changes to reduce these costs. As yet no changes have been adopted.

An increased cost burden also comes with the expectations on the larger council. Snowy Valleys Council has to apply the same level of compliance across all its asset and services. We noted areas most impacted include waste, trade waste, plumbing, drainage, Roads and Maritime Services contracts, pool operations, depot management, audit and risk, to name a few, where a consistent approach to compliance has increased costs.

The chart below shows the percentage difference between the rate cap and some of the cost movements or cost shifts that Snowy Valleys Council has faced. In all cases costs exceed the rate cap when combined and contribute to a compounding deteriorating financial position.



- The **termination of an SRV** for the former Tumut Shire of \$621,000, creating a reduction in Council's general rating income for 2020/21. Tumut Shire Council was successful with two temporary rate variations - the first approved for an 8.53% increase to the 2004/05 general income, followed by a second for a 7.85% increase to the 2005/06 general income. The approvals were for 15 and 14 years respectively and this meant Council would need to reduce its general income in 2020/21 by \$620,961. This represents 6.8% of the total general rates for Snowy Valleys Council. This reduction had an adverse impact on Council's financial sustainability, as there was no resulting reduction in operating expenses.

## Within Council's control

- **New assets** are important for any community, especially when provided through federal and state government grant programs, however, they are discretionary as Council is generally not compelled to apply for or accept grant funding, even though it means valuable community infrastructure is funded by government. Whether the funding is as a result of bushfire, flood, drought recovery, or general infrastructure funding to simulate or boost the economy, all carry hidden costs. The rate cap does not allow for the new costs associated with the operation, maintenance, renewal and depreciation of new assets and Council has to fund these additional costs through its existing budget. Over time these costs eat into Council's sustainability as it funds more and more new asset costs from its existing budget.

Since 2016/17 to 2021/22, Snowy Valleys Council has delivered or programmed to deliver some \$35 million worth of new assets, with \$27 million or 77% delivered in the last three years (2019/20 to 2021/22). For these three years it represents an investment increase of 125% in new assets. The asset spend by asset type is buildings \$4.9 million, roads and bridges \$4.1 million, footpaths \$1.2 million, waste \$3.5 million and airport \$12 million.

The significant uplift in new asset spend, over the three-year period, will have a direct impact on Council's finances due to the increase in asset maintenance and depreciation costs. The industry average for non-metropolitan councils is 1% for maintenance and 1.4% for depreciation costs. Council normally creates \$2.6 million per annum of new assets, largely funded by grants, but this additional spend of \$19.2 million over the past three years creates an additional new cost of \$460,000 per year, which compounds over time to significantly impact Council's financial sustainability.

Total annual cost increase: \$460,000.

- **Service level improvements** have been made over recent years that have also contributed to the decline in Snowy Valleys Council's financial sustainability. We have reviewed a schedule of service levels that have increased and while some service level changes have delivered net benefit, the great majority have imposed additional costs. These additional costs amount to in excess of \$1.6 million per annum, which must be funded from general rates. Examples of service level improvements, such as free access to pools, improved pool heating, more public amenities, more playground infrastructure, improvements to open spaces, childcare services, licence fees and tourism, are part of a number of changes that have collectively added significant cost to Council without additional revenue and must be funded by ratepayers.

Total annual cost increase: \$1.6 million.

- The **breadth of services** provided by Snowy Valleys Council has placed increased pressure on Council's finances. In addition to what are considered traditional core (required by statute) services, the Council has continued to support and deliver the range of non-core (voluntary) community services offered by the former councils. Services like community grants, community transport, aged care services, children's services, tourism, economic development, community development, saleyards and swimming pools, are just a few of the wide range of services offered to the community that have a combined net cost to ratepayers of \$2.5 million per year. There is no doubt a large portion of the community rely on these services and do not see them as discretionary, however councils with a smaller service offering are subject to a smaller range of financial impacts. For those councils with larger voluntary service portfolios, it creates a need for more back of office support staff to support and deliver these services.

It is as a result of a combination of these influences over a period of time, that Council must now act with urgency to address the financial gap.

## What has Council been doing to address the problem?

Council adopted a *Road to Sustainability Plan* in early 2020 to set out the program of work of organisational improvements to reduce the financial sustainability gap. While some improvements have been completed, progress has been limited by the priorities of bushfire recovery. This plan has been refreshed and readopted in June 2021. Projected savings from the initiatives in this plan have been factored into the ten-year financial forecast, but this still leaves a funding shortfall.

As part of the sustainability plan, Council has committed to productivity savings that will result in savings in staff costs. This will generate a minimum of \$600,000 per annum in ongoing saving and has been included in the long-term financial forecast to reduce the funding gap.

A copy of the sustainability roadmap is published on Council's website at: [www.svc.nsw.gov.au/srv](http://www.svc.nsw.gov.au/srv)

## Additional options

The Council has indicated, and our assessment confirms, that an SRV is the most viable solution to the Council's financial sustainability challenges, but there are other options that have been considered to reduce the amount of any SRV and these are discussed in the background paper *Assessment of Options* on Council's website. The preferred options and choices are summarised below. Council can choose a mix of these options to close the financial gap.

These options are:

1. Asset rationalisation - selling or disposing of underutilised/redundant building assets will avoid ongoing maintenance and depreciation costs. Council has identified a range of underutilised or redundant building assets with a value of \$9.7 million. If Council disposed of half of these assets, it would save depreciation and maintenance costs of approximately \$220,000 per annum.
2. Transfer or cease services - this entails someone else providing the services or stopping services altogether. Services that could be considered for exit are non-core services and include some community services activities, community grants and donations, saleyards, events and promotions, and community development. Council currently spends \$2.5 million of general rates delivering discretionary services that could be transferred or closed. Transferring or ceasing 20% of these services would save \$500,000.

3. Reduce service levels - unlike transferring or ceasing services, under this option, Council would still deliver the service but reduce the amount of service it provides. It could reduce the operating hours for some services like libraries, swimming pools and customer service centres, etc. A reduction in service hours of six hours per week across a range of services would save approximately \$30,000 per annum. The types of services where hours could be reduced include:
  - community services - 155 hours per week across all services
  - visitor information centre - 43 hours per week
  - libraries - 118 hours per week across all libraries
  - customer centres - 64 hours per week across both centres
  - swimming pools - Council's five swimming pools' hours vary seasonally.
4. Increase fees and charges - this approach enables a larger recovery of the costs paid by the direct users/beneficiaries rather than general ratepayers. For example, a 10% increase in fees and charges would generate an addition \$64,000 in income. Typically, the type of fees and charges effected would be cemeteries, sporting facilities, community transport and the like.
5. Apply for a special rate variation to cover all or part of the funding gap.

Council has identified three possible options, with options B and C requiring increasing amounts of service savings or additional revenue to reduce the amount of any SRV.

	Option A	Option B	Option C
<b>Closing the gap through</b> <ul style="list-style-type: none"> <li>• asset rationalisation</li> <li>• change service levels</li> <li>• reduced services</li> <li>• increased fees and charges</li> </ul>	No service changes with a productivity saving of \$600,000.	\$600,000 productivity savings + savings of \$700,000 over three years from a combination of closing the gap options.	\$600,000 productivity savings + savings of \$1.7 million over three years from a combination of closing the gap options.
<b>Special rate variation</b>	An SRV of 30% spread over two years (32.25% compounded).	Plus an SRV of 25% spread over two years (26.66% compounded).	Plus an SRV of 15% spread over two years (15.56% compounded).

Asset rationalisation and increasing fees and charges are most likely to be the first levers used to close the gap, as they have the smallest overall community impact. Changing service levels and reducing services are normally the last levers used because they are generally the least acceptable.

The chart below is indicative of where the source of funding to close the gaps may need to come from.

Option A - example comprises:

- the proposed SRV, plus \$600,000 of productivity savings.

Option B - example comprises:

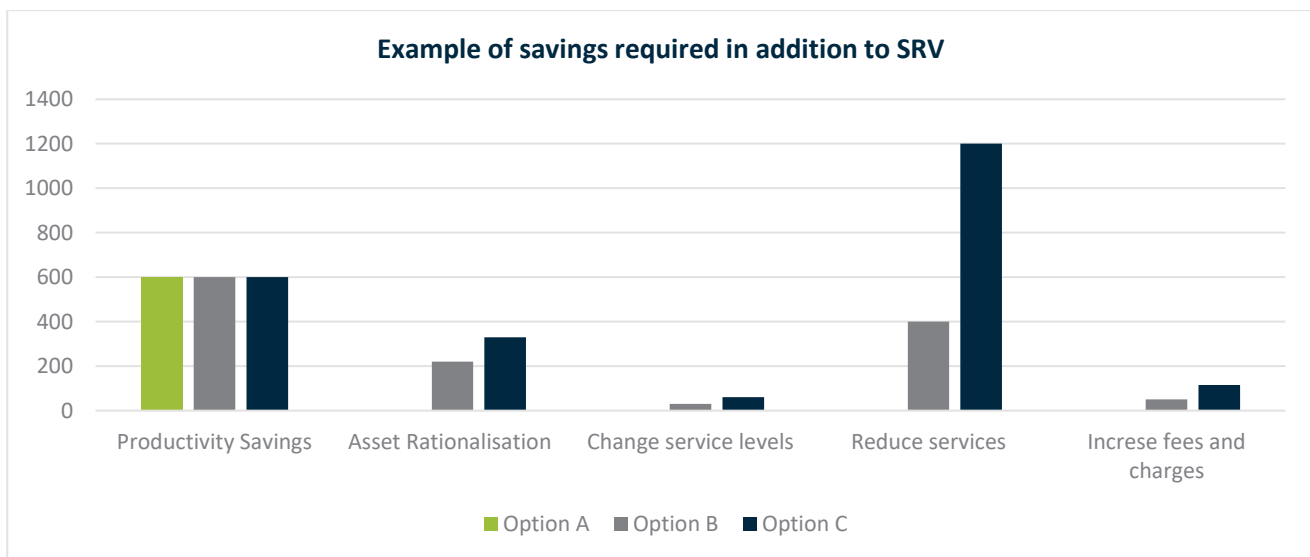
- the proposed SRV, plus \$600,000 of productivity savings, plus \$700,000 of savings/increased revenue made up of:
  - rationalising \$4.8 million of underutilised assets to reduce costs by \$220,000
  - six hours per week of service reductions to reduce costs by approximately \$30,000
  - transfer/cease services to reduce net costs by \$400,000
  - an 8% additional increase in fees and charges to generate a further \$50,000 in revenue.



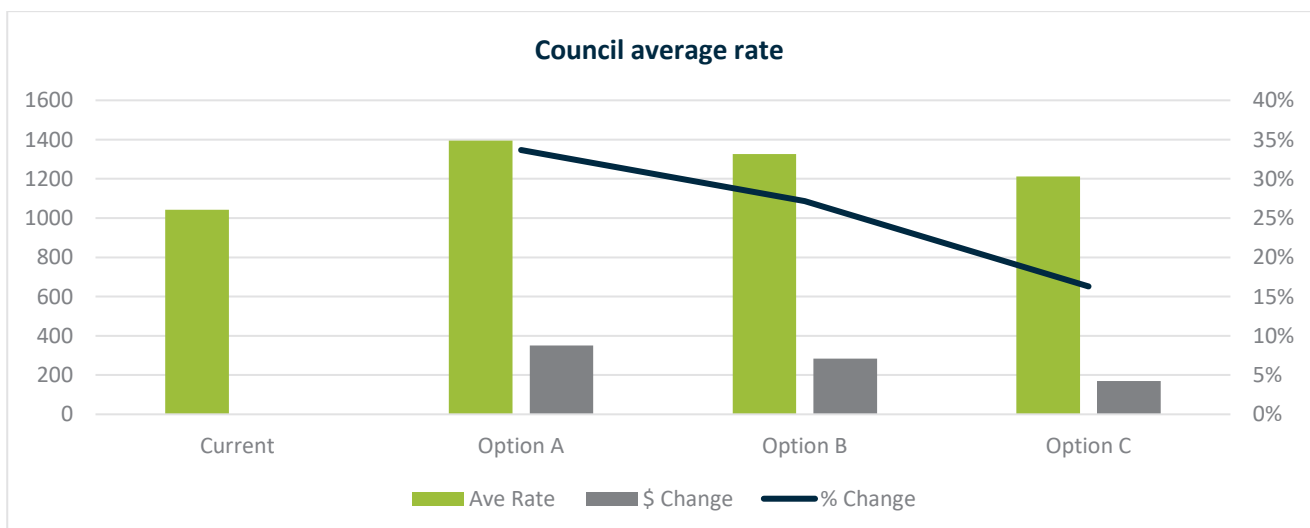
Option C - example comprises:

- the proposed SRV, plus \$600,000 of productivity savings, plus \$1.7 million of savings/increased revenue made up of:
  - rationalising \$7.3 million of underutilised assets to reduce costs by \$330,000
  - 12 hours per week of service reductions to reduce costs by approximately \$60,000
  - transfer/cease services to reduce net costs by approximately \$1.2 million
  - an 18% additional increase in fees and charges to generate a further \$110,000 in revenue.

As the amount of savings required increases, the impact on services must increase.



The impact on ratepayers will vary depending upon the level of savings generated from the options detailed above. The following graph illustrates the change in Council’s average rate and, as you would expect, the higher the SRV the greater the increase in the average rate.





## What is a special rate variation?

With rate capping, almost all NSW councils will be faced with having to apply for a special rate variation at some point. Councils go through cycles of SRVs, largely for the reasons set out earlier in this paper.

There are two types of SRVs:

- a temporary SRV for a fixed amount over a fixed period of time
- a permanent SRV for a fixed amount that remains in the rate base.

When a temporary SRV expires, rates return to the original level at the conclusion of the approval period and are usually approved to fund specific one-off projects like infrastructure renewal or reducing the infrastructure backlog. Snowy Valleys Council's financial challenges are more general and a temporary SRV would not solve the problem.

Permanent SRVs can be for a single year or every year for an approved period.

Council must apply to IPART for approval to increase rates through an SRV. Before doing so, Council must demonstrate that it has engaged the community about the possibility of an SRV and consider its views. IPART will also seek community feedback.

More information on SRVs can be found on IPART's website:

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

## Where can I get more information?

- From one of the virtual community meetings:
  - Monday 19 July: 12.30pm
  - Monday 19 July: 6pm
  - Tuesday 20 July: 6pm
  - Tuesday 20 July: 12.30pm
  - Friday 23 July: 12.30pm
  - Monday 26 July: 6pm
  - Wednesday 28 July: Tumut Drop-in Day - anticipated to be held in person
  - Thursday 29 July: Tumbarumba Drop-in Day - anticipated to be held in person
  - early August Q+A wrap up.
- The 'SRV' page of Council's website: [www.svc.nsw.gov.au/srv](http://www.svc.nsw.gov.au/srv)
- From IPART's website: <https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/Special-Variations>.
- By speaking with your local councillor.
- By calling Council's information line.

Council would like your views on some of the options, or other suggestions you may have.

## Have your say

Council is seeking your feedback on the three options proposed to close the funding gap, along with your view on how important the options being considered to close the gap are to you.

To have your say, scan the QR code on Council’s website to complete a short survey.

**Or**

Forward a written submission:

Post it to:	Drop it in at a Service Centre:	Email it to:
Snowy Valleys Council 76 Capper St Tumut NSW 2720	<b>Tumbarumba Office</b> (Monday to Friday 8.30am to 4.30pm) - Bridge Street, Tumbarumba.  <b>Tumut Office</b> (Monday to Friday 8.30am to 4.30pm) - 76 Capper Street, Tumut.	<a href="mailto:info@svc.nsw.gov.au">info@svc.nsw.gov.au</a>

## What happens after this?

### August 2021

Submissions close.

Council will consider all submissions and decide its preferred solutions to become financially sustainable.

### November 2021

If an SRV is part of this solution, it will notify IPART of its intent to apply for an SRV in late November, stating a preferred amount (percentage increase) and whether it will seek a temporary or permanent SRV and for how long it will seek the increase.

### December 2021 and January 2022

Council will seek community input on this intention to apply for the SRV prior finally to deciding whether to proceed with the SRV application.

### February 2022

Council will make its final decision on whether to proceed with lodgement as proposed or amended.

### March and April 2022

IPART will invite submissions and evaluate the application.

### May 2022

IPART will make its binding determination.

### July 2022

Any approved SRV will apply.

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## Snowy Valleys Council Background Paper - Financial Situation

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Morrison Low Consultants has been engaged by Snowy Valleys Council's ('Council') to:

- review Council's current baseline budget and financial forecasts
- assess the contributors to Council's financial sustainability challenges
- independently assess and provide independent advice on the long-term financial sustainability of Council
- provide advice on options to close any financial sustainability gap
- provide information to the Snowy Valleys community and facilitate the community engagement process, so that Council can make an informed decision on the options to become financially sustainable.

Morrison Low has relied on a publicly available information and information provided by Council in its analysis, assessment of Council position and in developing a series of background papers. This background paper covers our assessment of the financial situation.

The Council's financial position is unsustainable at the current levels of expenditure and income. This has occurred for a number of reasons and most of these reasons are unrelated to the 2016 merger and would have challenged the former councils at some point in the future regardless.

Council has been making changes to become more sustainable, but these alone will not be sufficient. Apart from an internal continuous improvement journey, no decisions have been made around how to close this gap, as there are a number of options that could be adopted that singularly or jointly will ensure that Council becomes sustainable.

The Local Government Act requires councils to apply sound financial management principles of being responsible and sustainable in aligning income and expenses, infrastructure investment, with effective financial and asset management performance management. The objectives are to:

- achieve a **fully funded operating position**
- **maintain sufficient cash reserves**
- have an appropriately **funded capital program**
- **maintain its asset base** 'fit for purpose'
- have adequate resources to meet ongoing **compliance obligations**.

These objectives are the foundation for sound financial management and a financially sustainable Council that has the financial capacity to deliver the services to its community over the long term.

## Current situation

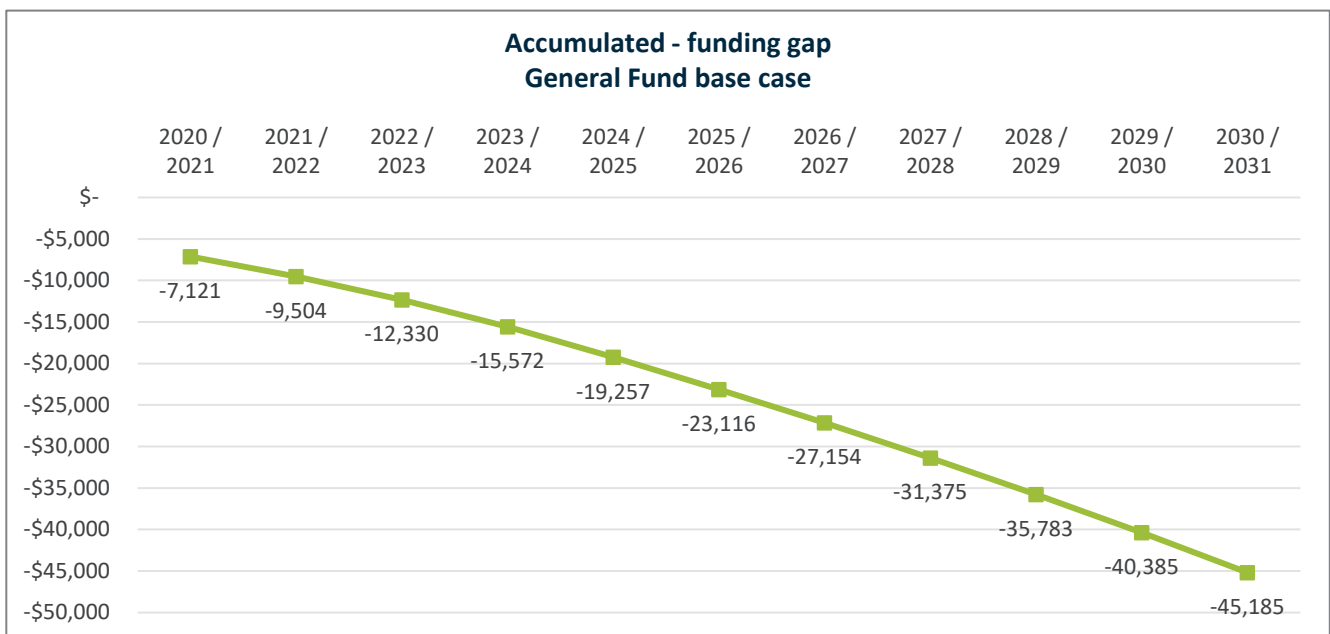
The Council is producing deficit net operating results whilst maintaining, and in a lot of instances, expanding and improving services. Despite delivering efficiencies, Council has continued to produce significant operating losses. Contributing factors to this are detailed in the next section. In the previous two financial years, Council posted a net consolidated (General, Water, Sewer and Domestic Waste Funds) operating deficit of \$7.7 million and \$1.6 million respectively. For General Fund operations<sup>1</sup> only, the net operating deficits were \$7.7 million and \$2.9 million. Repetitive operating deficits are unsustainable and lead to a cash deficit and depleted assets. Doing nothing is not an option.

The Office of Local Government require councils to meet an operating performance benchmark for spending within their income base, that is operating income equals operating expenses. It should be noted that grants and contributions for capital projects are excluded. Council’s consolidated operating results, excluding capital grants and contributions, have not met the Office of Local Government benchmark and have resulted in a cumulative consolidated operating deficit of \$21 million since 2016.

In 2019/20 general rates contributed 18% of Snowy Valleys General Fund total revenue, which is significantly lower than similar regional merged councils at 24%. The other major income streams for Council are user charges and fees at 24% and operating grants at 29%. With general rates income at a relatively low level, as a percentage of Council’s General Fund revenue, with no change to service delivery, a rates increase is necessary to help mitigate budget imbalances.

In 2020 the Boundaries Commission engaged Deloitte to undertake a financial analysis of Council. The published summary findings concluded that Council was not financially sustainable in the medium- to long-term and suggested a range of strategies to address Council’s financial sustainability issue.

A financial analysis of Council’s General Fund operation’s current position is illustrated in the following graph.



<sup>1</sup> General Fund operations, which are all Council operations excluding water, sewer and domestic waste, are funded from the general rates and other income. Water, sewer and domestic waste are funded from a combination of annual charges and user fees and can only be used for the specific operational purpose.

This analysis indicates a ten-year funding gap in the order of \$45 million. This is a result of year-on-year net operating deficits for General Fund, without any initiatives to improve the financial situation. As a result, it does not achieve a **fully funded operating position**.

To fund the ongoing operating deficits, there is a need to use Council's cash reserves to enable the delivery of services and management of assets. From the current financial analysis, the total cash reserves are estimated to decrease by some 65%, \$29.2 million, over ten years, placing further financial pressure on Council to **maintain sufficient cash reserves**.

Council has a good infrastructure backlog at 0.23% (2019/20 Financial Statements), bettering the target of 2%. This means that Council has been able to maintain its assets at the agreed level over the years **and maintain its asset base** 'fit for purpose'.

This has been achieved through a combination of external funds, grants and internal funding. Deloitte, in their report to the Boundaries Commission, noted that since 2016 approximately \$62 million has been invested in capital projects, including new infrastructure, asset renewal and maintenance. As a result, Council's infrastructure backlog ratio has reduced to minimal levels and the average quality rating for assets across the region has improved.<sup>2</sup>

This has allowed Council to renew its asset base in a timely manner by having an appropriately **funded capital program**.

Council has received significant grant funding for new and upgrade assets, which increases the costs to the community to maintain and renew these assets over their lifetime. Recently Council has been advised they were successful in obtaining an additional \$14 million in grants for new assets and upgrades to assets, namely a new emergency evacuation centre and upgrades to three swimming pools. To keep these assets fit for purpose, there will be an estimated increase in costs of \$350,000 per year for asset maintenance and depreciation and decreased investment income, which have been included in the financial modelling.

Other factors that will constrain Council's ability to achieve financial sustainability are:

- the minimum full-time equivalent (FTE) requirements in place for Tumberumba, Adelong and Batlow due to merger obligations for a rural centre
- community expectations of consistent service levels across the towns and villages in the LGA
- due to the geography and LGA size limit, asset and service consolidation opportunities
- the current level of spending on asset renewal given the good condition of Council's asset base.

The key challenge for Council is to implement its current sustainability plan, which aims to deliver efficiency improvements within Council of over the next three to four years. To become fully sustainable, Council will need to explore a range of further options for consideration by the community. By way of illustration, should Council not implement any sustainability improvements, then a one-off special rate variation (SRV) increase of 37% would be required.

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<sup>2</sup> Local Government Boundaries Commission and Deloitte, 'Proposal To "Demerge" the Existing Snowy Valleys Council - Summary of Key Findings Report', October 2020, p.4.

## Closing the gap

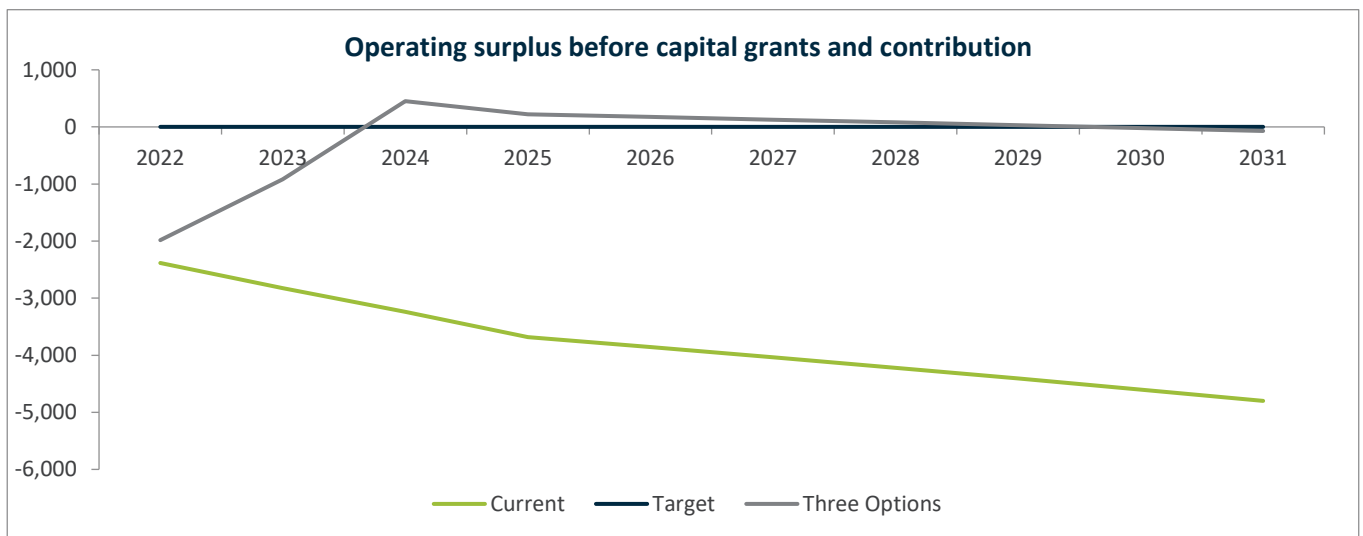
Currently the General Fund operation has an estimated ten-year financial gap of \$45 million. For 2021/21 there is an estimated operating deficit of \$2.4 million, increasing to \$4.8 million in 2030/31, with each year having a deficit result. The likelihood is that this position could get worse, with the impact of grant funded new assets and increases in service costs and/or levels, without any actions to improve Council’s financial performance.

Given the current circumstances, three options have been developed for community consideration, being:

1. Option A - 30% SRV over two years (15%, 15%) = \$3.1 million (is the compounded amount ~32.25%) + implementing the productivity gains<sup>3</sup> of \$600,000 over three years.
2. Option B - 25% SRV over two years (12.5%, 12.5%) = \$2.5 million (is the compounded amount ~ 26.66%) + productivity gains \$600k over three years + \$700,000 service savings over three years.
3. Option C - 15% SRV over two years (7.5%, 7.5%) = \$1.5 million (is the compounded amount ~ 15.56%) + productivity gains \$600,000 over three years + \$1.7 million service savings over three years.

Noting the rate peg increase needs to be added to the SRV percentage increase. For example, if the rate peg increase was 2.1% for 2022/23, this would need to be added to the first year SRV percentages for the options above, i.e. option B year 1 - 12.5% + 2.1% = total increase of 14.6%.

The following graph shows the outcomes of the three options compared to the current situation and includes an estimated rate peg increase.



As detailed above, Council’s assets are in a good condition, however there is significant pressure on the cash reserves of Council.

An SRV is a viable solution to the Council’s financial sustainability challenges, however there are other options that Council can consider, to reduce the amount of any SRV. The options and choices that Morrison Low considers most suitable for consideration are listed on the following page. It is most likely that no single option will provide the solution.

<sup>3</sup> Productivity gains will result in a \$600,000 saving in staff costs.

These options are:

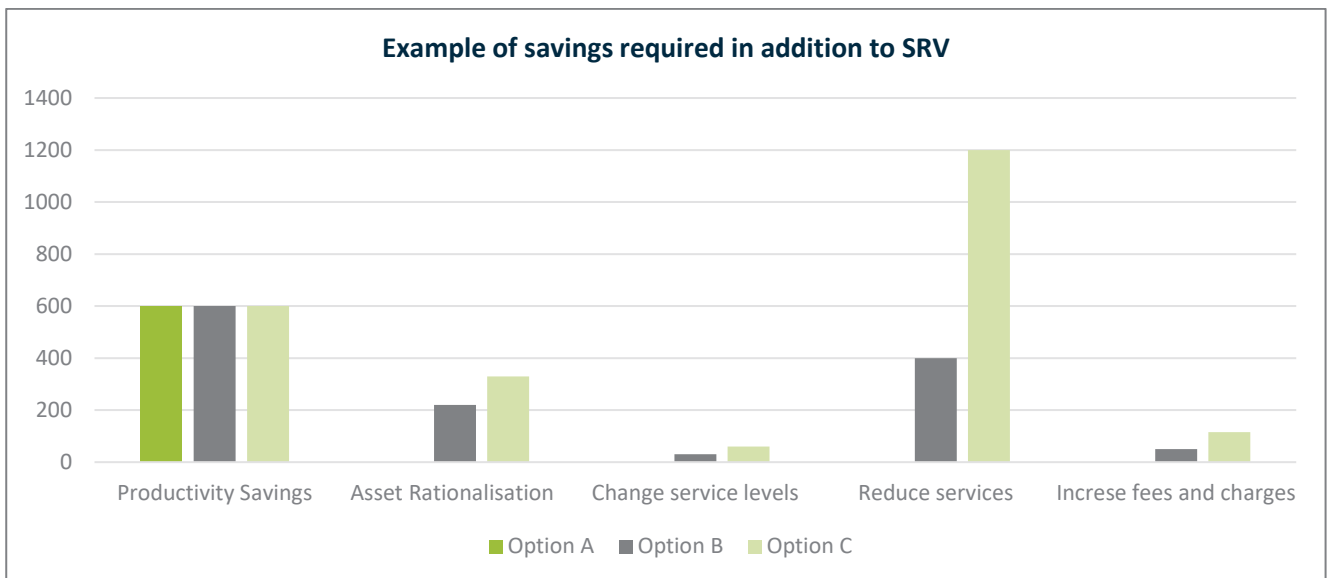
1. Asset rationalisation - selling or disposing of underutilised/redundant building assets will avoid ongoing maintenance and depreciation costs. Council has identified a range of underutilised or redundant building assets with a value of \$9.7 million. If Council disposed of \$2.25 million of assets it would save \$100,000 per annum.
2. Transfer or cease services - this entails someone else providing the services or stopping services altogether. Services that could be considered for exit are non-core services and include some community services activities, community grants and donations, saleyards, events and promotions, and community development. Council currently spends \$2.5 million of general rates delivering discretionary services that could be transferred or closed. Transferring or ceasing 20% of these services would save \$500,000.
3. Reduce service levels - unlike transferring or ceasing services, under this option, Council would still deliver the service but reduce the amount of service it provides. It could reduce the operating hours for some services like libraries, swimming pools and customer service centres, etc. A reduction in service hours of 12 per week, on average, across a range of services would save an estimated \$60,000 per annum. The types of services where hours could be reduced include:
  - community services - 155 hours per week across all services
  - visitor information centre - 43 hours per week
  - libraries - 118 hours per week across all libraries
  - customer centres - 64 hours per week across both centres
  - swimming pools – Council’s five swimming pools’ hours vary seasonally.
4. Increase fees and charges - this approach enables a larger recovery of the costs paid by the direct users/beneficiaries rather than general ratepayers. For example, a 10% increase in fees and charges would generate an addition \$64,000 in income. Typically, the type of fees and charges effected would be cemeteries, sporting facilities, community transport and the like.
5. Apply for a special rate variation to cover all or part of the funding gap.

Council has identified three possible options, with option A requiring productivity savings within Council operations and options B and C requiring, in addition to productivity savings, increasing amounts of service savings and/or additional revenue to reduce the amount of any SRV.

Following are the options for consideration:

	Option A	Option B	Option C
Closing the gap through: <ul style="list-style-type: none"> <li>asset rationalisation</li> <li>change service levels</li> <li>reduced services</li> <li>increased fees and charges.</li> </ul>	No service changes, with a productivity saving of \$600,000. See example of apportionment for option A in the chart below	\$600,000 productivity savings + savings of \$700,000 over three years from a combination of closing the gap options. See example of apportionment for option B in the chart below.	\$600,000 productivity savings + savings of \$1.7 million over three years from a combination of closing the gap options. See example of apportionment for option C in the chart below.
Special rate variation	An SRV of 30% spread over two years (32.25% compounded).	An SRV of 25% spread over two years (26.66% compounded).	An SRV of 15% spread over two years (15.56% compounded).

Asset rationalisation and increasing fees and charges are most likely to be the first levers used to close the gap, but realistically provide the smallest impact. Changing service levels and reducing services are normally the last levers used because they are the least acceptable, but they do provide the largest impact. The following chart is indicative of where the source of funding to close the gap may need to come from in options A, B and C. As the amount of savings required increases, the impact on services must increase.



Illustrated in the above chart following is an indication of where the source of funding to close the gaps may need to come from for each option.

Option A - example comprises:

- the proposed SRV, plus \$600,000 of productivity savings.



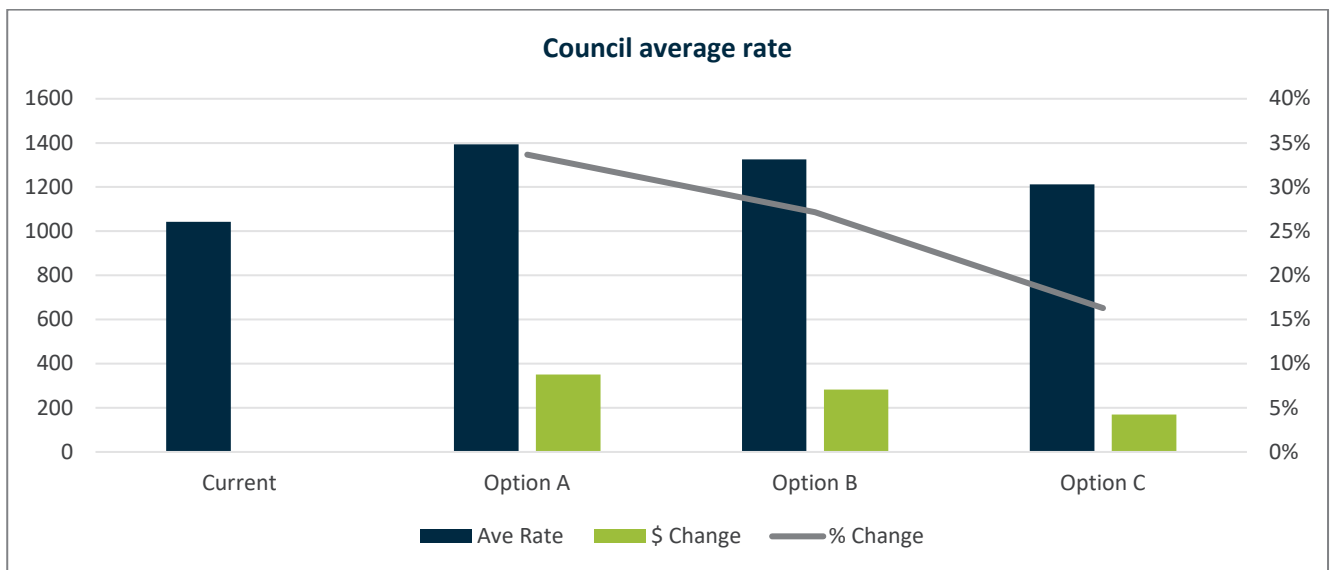
Option B - example comprises:

- the proposed SRV, plus \$600,000 of productivity savings, plus \$700,000 of savings/increased revenue made up of:
  - rationalising \$4.8 million of underutilised asset to reduce costs by \$220,000
  - six hours per week of service reductions to reduce costs by approximately \$30,000
  - transfer/cease services to reduce net costs by \$400,000
  - an 8% additional increase in fees and charges to generate a further \$50,000 in revenue.

Option C - example comprises:

- the proposed SRV, plus \$600,000 of productivity savings, plus \$1.7 million of savings/increased revenue made up of:
  - rationalising \$7.3 million of underutilised asset to reduce costs by \$330,000
  - 12 hours per week of service reductions to reduce costs by approximately \$60,000
  - transfer/cease services to reduce net costs by approximately \$1.2 million
  - an 18% additional increase in fees and charges to generate a further \$110,000 in revenue.

The impact on ratepayers will vary, depending upon the level of savings generated from the options detailed above. The following graph illustrates the change in Council’s average rate and, as you would expect, the higher the SRV the greater the increase in the average rate.



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## Snowy Valleys Council

### Background Paper - Assessment of Options

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Morrison Low Consultants has been engaged by Snowy Valleys Council's ('Council') to:

- review Council's current baseline budget and financial forecasts
- assess the contributors to Council's financial sustainability challenges
- independently assess and provide independent advice on the long-term financial sustainability of Council
- provide advice on options to close any financial sustainability gap
- provide information to the Snowy Valleys community and facilitate the community engagement process, so that Council can make an informed decision on the options to become financially sustainable.

Morrison Low has relied on a publicly available information and information provided by Council for its analysis, assessment of Council position and to develop a series of background papers.

This background paper discusses a range of options to improve Council's financial sustainability and their advantage and disadvantages. This paper has been used to inform the preferred options discussed in the *Sustainability Overview* and *Financial Overview*.

Morrison Low is mindful that some options are extremely difficult to predict or rely on, while others can substantially impact communities and individuals differently. Each of these options have advantages and disadvantages and this paper discusses these.

We note that Council has already adopted a sustainability plan, which forecasts savings that Council plans to make and reduces the financial gap and therefore the potential special rates variation (SRV) requirement. Council has committed to a \$600,000 annual saving.

Snowy Valleys Council is largely a project or service driven organisation, either building or maintaining community assets or providing services to the community. Like other councils, over 40% of Council's budget is made up of employee costs and it is important to bear this in mind when considering the options. Where there is a service level reduction or a service is to cease, as way of reducing costs to improve financial sustainability, it cannot be achieved without corresponding staff reductions.

Where a service change (cease or reduce) is referred to, the specific services that may be affected have not been decided. Council would consult the community prior to any decision on actual service changes.

Some of the options Council can consider are as follows.

#### **Cease to provide or transfer services**

This means Council would stop providing some discretionary services, find an alternative provider or a volunteer group within the community to deliver the service. Discretionary services, such as community development, aged care, youth, economic development, tourism, swimming pools, are services Council is not legally bound to provide and are not considered discretionary by some parts of the community. They are often highly valued by all or parts of the community and can only be provided by the council in the absence of a private provider market. Many community services fall into this category and are essential parts of the fabric that make the Snowy Valleys community liveable and desirable.

#### Advantages:

- does not impact Council's core service obligations
- simple to implement, no legislative barriers to ceasing or transferring these services
- does not impact most community assets
- can generate large savings for ratepayers.

#### Disadvantages:

- some communities and individuals more impacted than others
- impacts community liveability
- relies on the willingness of volunteers or other providers to deliver services
- to close the financial gap changes would need to be significant and most likely in conjunction with another option.

### Reduce some services/levels

Reducing a service level would change access to services or impact other noticeable outcomes, like access to services or beautification and town amenity values. Council is required to maintain its assets fit for purpose but the amount, quality and quantity of the services it delivers is flexible and can be adjusted at Council's discretion, based on community expectations for service levels. For example, the hours that some services are open, like swimming pools or services centres, could be reduced, or the frequency some services are performed could be reduced, such as mowing reserves or cleaning facilities, to improve the Council's financial sustainability gap.

#### Advantages:

- does not impact Council's core service obligations
- simple to implement, no legislative barriers to reducing these services
- can generate some savings for ratepayers.

#### Disadvantages:

- some communities and individuals more impacted than others
- impacts community liveability
- still need to maintain the assets even though they are utilised less
- to close the financial gap, changes would need to be significant and most likely in conjunction with another option.

### Increase fees and charges

Council collects fees and charges for the use of some services with the balance of the cost of providing these services normally funded from the general rate. Council can move further towards a full user-payer model of fees and charges, where the direct user of the service pays more, thus community service obligation decreases, which is the component paid by ratepayers.

#### Advantages:

- does not impact Council's core service obligations
- simple to implement, few legislative barriers to ceasing these services
- transfers costs from ratepayers to users who can choose to use the service or not.

#### Disadvantages:

- individuals and users more impacted
- to close the financial gap, changes would need to be significant increases and most likely in conjunction with another option
- if usage declines because the user costs are too high, so does revenue.

### Rationalise and selling assets

Council can dispose of surplus or underutilised assets. Selling assets reduces costs but only marginally, by the amount of the maintenance and depreciation costs, normally around 4.5% of asset value for buildings. Selling assets with a value of \$1,000,000 would reduce Council's cost by an estimated \$45,000 per annum, so to save substantial costs Council would need to sell a lot of assets.

#### Advantages:

- does not impact Council's core service obligations
- improves Council's cash position
- simple to implement for Council owned assets.

#### Disadvantages:

- a small number of users impacted
- assets, while underutilised, can have an important historical or community significance
- to close the financial gap, Council would need to sell a lot of assets, most likely in conjunction with another option
- there needs to be a market for the assets to be sold.

### Invest in revenue generating opportunities

This option is only available where Council has cash to invest or is able to sell underperforming assets and invest the money elsewhere. Given Council's current financial position, this is **not a viable option**.

### Apply for more operational grant funding

Council could seek additional operational funding from the state or federal government. While this is theoretically possible, **Council has no influence over the outcome** and could not assume to be treated differently than any other council that is financially stressed, therefore there is little chance of success. This would also acknowledge that the Council is unsustainable and more likely result in the NSW State Government using one of the existing mechanisms, such as assigning financial decisions to an administrator or financial controller, to make the necessary decisions to become financially sustainable.

#### Advantages:

- operational funding provided from elsewhere.

#### Disadvantages:

- likelihood of additional funding is low
- additional funding not guaranteed longer term

- 
- may produce unintended negative consequences.

## Special rate variation

The SRV process is governed and managed by the Independent Pricing and Regulatory Tribunal (IPART) on behalf of the NSW State Government. It is the sector mechanism for pegging rate increases and increasing rates above the peg when a council can demonstrate that it is necessary, after it has made as many efficiency gains as possible and consulted its community. It is important to note that councils are required to consult but can still proceed even if some of the community is opposed to the SRV. IPART can still approve an SRV if it considers it necessary.

Advantages:

- simple to implement
- known outcomes
- permanent SRVs are a more sustainable longer-term solution.

Disadvantages:

- all ratepayers impacted
- does not take into account the ability to pay.

The options discussed all have advantages and disadvantages and, to close a significant funding gap, can be applied in combination.

## Snowy Valleys Council Background Paper - Comparison to Other Councils

Morrison Low Consultants has been engaged by Snowy Valleys Council's ('Council') to:

- review Council's current baseline budget and financial forecasts
- assess the contributors to Council's financial sustainability challenges
- independently assess and provide independent advice on the long-term financial sustainability of Council
- provide advice on options to close any financial sustainability gap
- provide information to the Snowy Valleys community and facilitate the community engagement process, so that Council can make an informed decision on the options to become financially sustainable.

Morrison Low has relied on a publicly available information and information provided by Council for its analysis, assessment of Council position and to develop a series of background papers. This paper compares Council to its peer group.

### How does Snowy Valleys Council compare to other Councils?

Snowy Valleys Council is classified as a Group 11 Council by the Office of Local Government (OLG). Other councils in this category include Bellingen, Cabonne, Cowra, Federation, Greater Hume, Gunnedah, Hilltops, Inverell, Leeton, Moree Plains, Muswellbrook, Nambucca, Narrabri, Parkes, Upper Hunter, Yass Valley and Warrumbungle.

It is important to recognise that each Council has different priorities, and no two councils provide the same services or to the same level. For example, Snowy Valleys Council provides a greater range of community, aged care and children's services, which increase the full-time equivalent (FTE) staff count and expenses. The decisions are precisely why councils are formed to represent and provide for the needs of local communities. As such there is no target performance expectation, except those set by the Office of Local Government.

**Table 1 Income from continuing operations**

2019/2020 Income from continuing operations	Snowy Valleys Council	OLG 11 Council average
Rates and annual charges	27%	35%
User charges and fees	24%	19%
Other revenues	3%	2%
Grants and contributions provided for operating purposes	24%	22%
Grants and contributions provided for capital purposes	19%	18%
Interest and investment revenue	1%	2%
Rental income	2%	1%

**Table 2 Expenses from continuing operations**

2019/2020 Expenses from continuing operations	Snowy Valleys Council	OLG 11 Council average
Employee benefits and on-costs	35%	34%
Borrowing costs	1%	2%
Materials and contracts	31%	26%
Depreciation and amortisation	20%	25%
Other expenses	9%	11%
Net losses from the disposal of assets	3%	3%

**Table 3 Full-time equivalent staff**

2019/2020 FTEs	Snowy Valleys Council	OLG 11 Council average
Number of 'full-time equivalent' employees (FTE) at year end	209	138

**Table 4 Cash and investments**

2019/2020 Cash and investments \$,000s	Snowy Valleys Council	OLG 11 Council average
Unrestricted	1,955	2,279
Internal restrictions	12,578	13,028
External restrictions	27,324	23,588
Total cash, cash equivalents and investment securities	41,857	38,895

**Table 5 Operating results**

2019/2020 Operating results \$,000s	Snowy Valleys Council	OLG 11 Council average
Surplus/(deficit)	4,031	11,182
Surplus/(deficit) before capital income	-7,693	2,154

**Table 6 Ratios**

2019/2020 Ratios	Snowy Valleys Council	OLG 11 Council average	OLG performance indicators	Snowy Valleys performance against benchmark
1. Operating performance ratio	-11%	1%	>0%	✘
2. Own source operating revenue ratio	57%	60%	60%	✘
3. Unrestricted current ratio	335%	264%	150%	✓
4. Debt service cover ratio	343%	479%	200%	✓
5. Rates, annual charges, interest and extra charges o/s	7%	8%	<10%	✓
6. Cash expense cover ratio	992%	1190%	Greater than 3 months	

**Table 7 Infrastructure ratios**

2019/2020 Infrastructure ratios	Snowy Valleys Council	OLG 11 Council average	OLG performance indicators	Snowy Valleys performance against benchmark
1. Infrastructure renewals ratio	126%	95%	100%	✓
2. Infrastructure backlog ratio	0.23%	3%	Less than 2%	✓
3. Asset maintenance ratio	100%	102%	100%	✓
4. Cost to bring assets to agreed service level	0%	3%	N/A	N/A





## Appendix C      SRV community presentation

# Snowy Valleys Council

## Online Engagement - Financial Sustainability and Special Rate Variation

July and August 2021



# Introduction

- Welcome
- This session will be recorded
- Who are Morrison Low?
  - We are a local government focused management consultancy with expertise in helping councils address sustainability challenges.
  - Morrison Low have independently reviewed Snowy Valleys Council's financial position and modelled options to close the financial gap to become more sustainable.
- We are facilitating these community meetings as the first step of a multistep decision-making process to close the gap.
- Purpose of today is to commence informing the community, to enable participation in some key decisions Council is facing.
- By the end of this meeting you should be more informed to form and express your views on the challenges ahead.

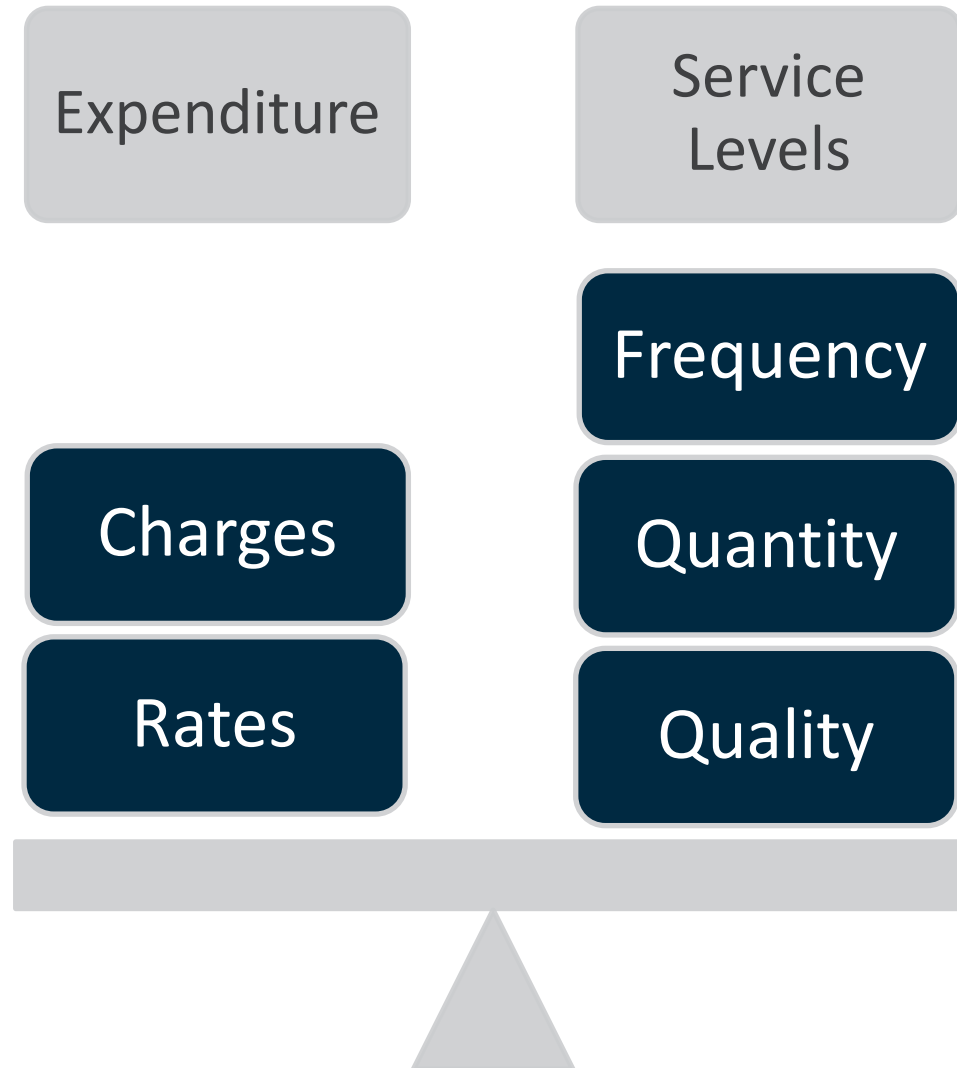
# Today's process

- Participants start muted, with video off and attendance is largely anonymous. Background noise and other distractions can affect other participants, so muting is important.
- You can use speaker view to adjust the presentation size.
- Please wait until the presentation is completed or questions are invited before asking questions, as your question may be answered further along in the presentation.
- But if you do wish to ask a question or make a comment, please write it in the chat box. **You can write in the chat box at any stage, or raise your virtual hand, or text 0418124437.** Where a question is related to this presentation we will endeavour to answer it today, but if not then a post, with the question and a response, will be provided on Council's website.
- Near the end of the presentation you will be able to participate in a series of polls on the options.

# What this meeting will cover

- A presentation of the summary of **Morrison Low's assessment** of Council's financial sustainability challenges, current situation, background, options , SRV process and next steps.
- More information is available on Council's website.
- What this meeting **is not**:
  - **Not** about the Community Strategic Plan, Delivery Program or Operational Plan.
  - **Not** about setting the work program for next year.
  - **Not** about making a decision.
  - **Not** about the proposed demerger, this has now been determined by the Minister.

# This engagement is about



# Obligations to be financial sustainable

- The Local Government Act requires councils to apply sound financial management principles, including:
  - achieve a **fully funded operating position**
  - **maintain sufficient cash reserves**
  - have an appropriately **funded capital program**
  - **maintain its asset base** ‘fit for purpose’
  - have adequate resources to meet ongoing **compliance obligations**.
- **Not negotiable** - failure to meet these obligations, will lead to NSW Office of Local Government intervention.

# Basics of rates

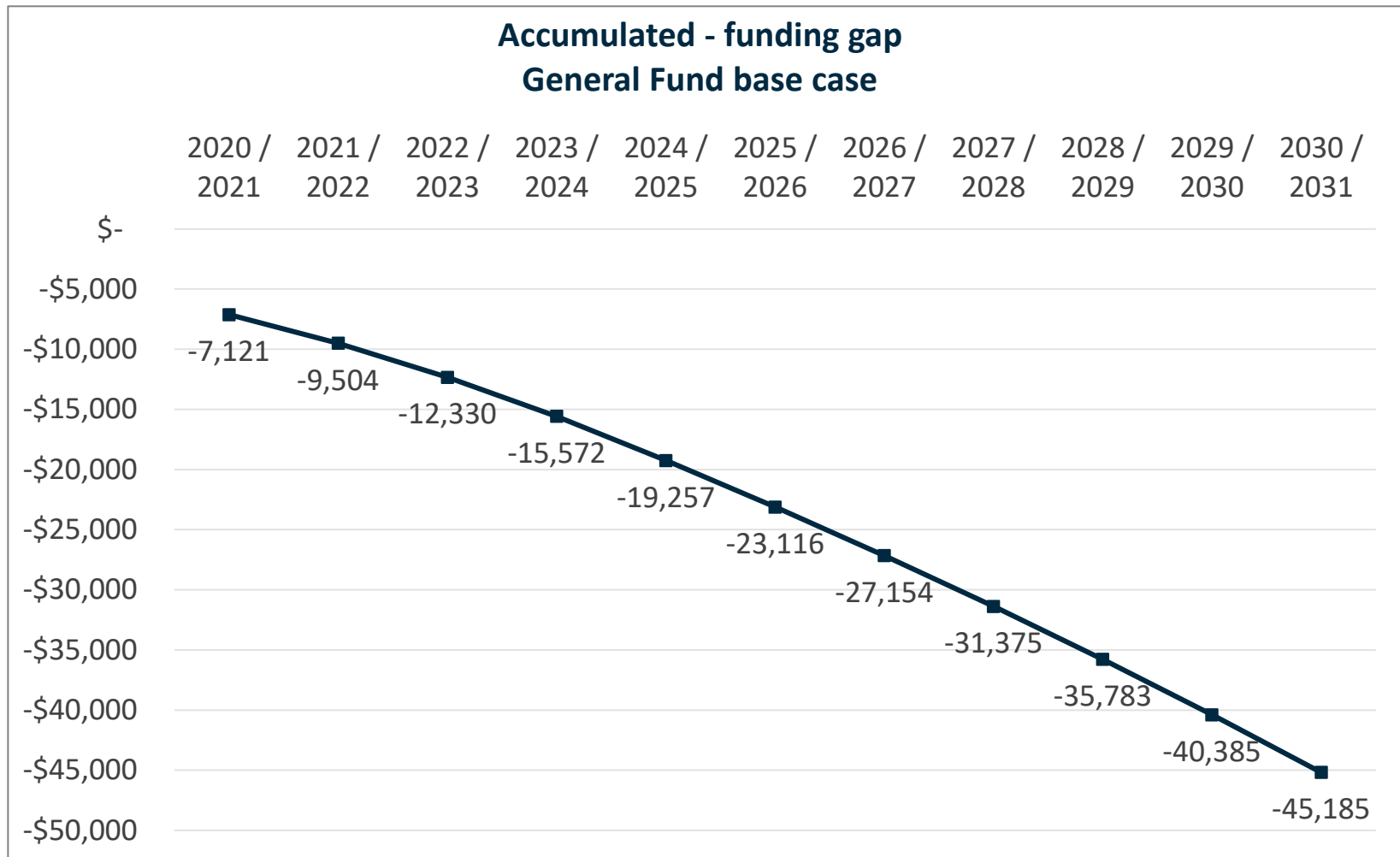
- Rates are a tax based on land value. Land value is used as a proxy for wealth, like income is for income tax.
- A model for a more equitable distribution of community cost based on your land value and bears no relation to the actual services you receive.
- Funds the operating costs of assets, facilities and services the community needs to be the desirable place to live that it is and that may not otherwise be provided.
- Different communities and individuals access and use services differently. This means they have different views and expectations on who should pay and how much. A challenging balance for any council to reach.



# Council's current financial position

- This process is only concerned with the General Fund rates.
- Over the last two years, Council has posted a net operating deficit for the General Fund of \$7.7 million and \$2.9 million.
- In 2019/20 general rates contributed 18% to Snowy Valleys Council's General Fund total, which is much lower than comparable councils.
- Independent financial analysis by Deloitte concluded Council would **need a combination of grants and SRV, increased fees and charges and expenditure cuts to be sustainable.**
- Morrison Low's analysis indicates a 10-year funding gap for general fund in the order of \$45 million (average \$4.5 million p.a.) as shown below. To close the gap, a 37% increase in General Fund revenue is required.

# Council financial position



# Why has this occurred?

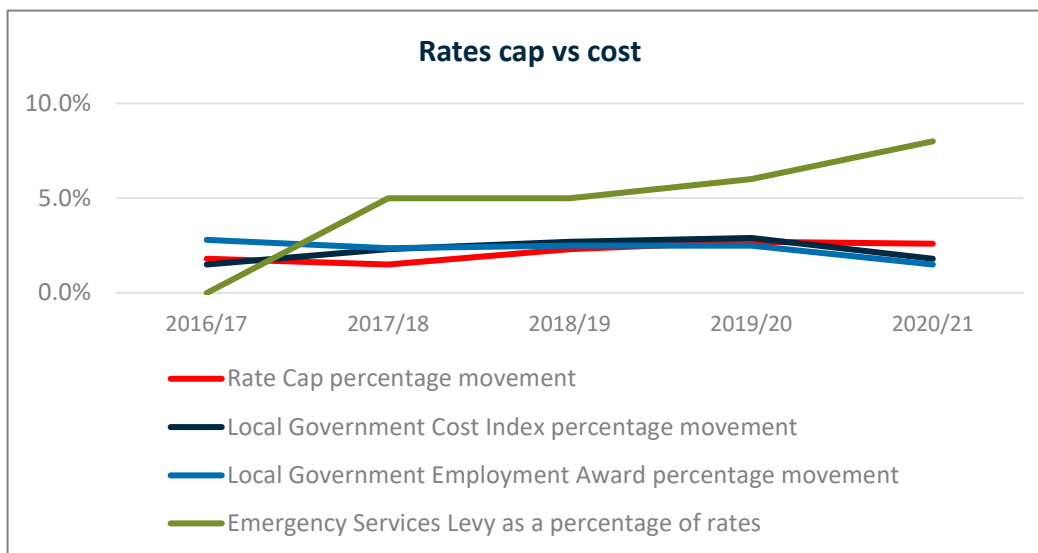
- Morrison Low identified the main reasons as:
  - rate cap, this is less than the annual cost increases that Council faces
  - cost shifting and increased compliance - Emergency Services Levy \$748,000 in 2020/21
  - loss of Tumut SRV - \$621,000
  - new services and service increases i.e. pools, public amenities, parks, playgrounds, road maintenance etc - in excess of \$1.6 million
  - new assets - \$19.2 million more than normal, meaning an additional cost of operation of \$460,000
  - loss of income from investments
  - Bush fire recovery leading to ongoing costs
  - breadth of services - see Council's Annual Report for information services.

# What is Council doing to be more financially sustainable

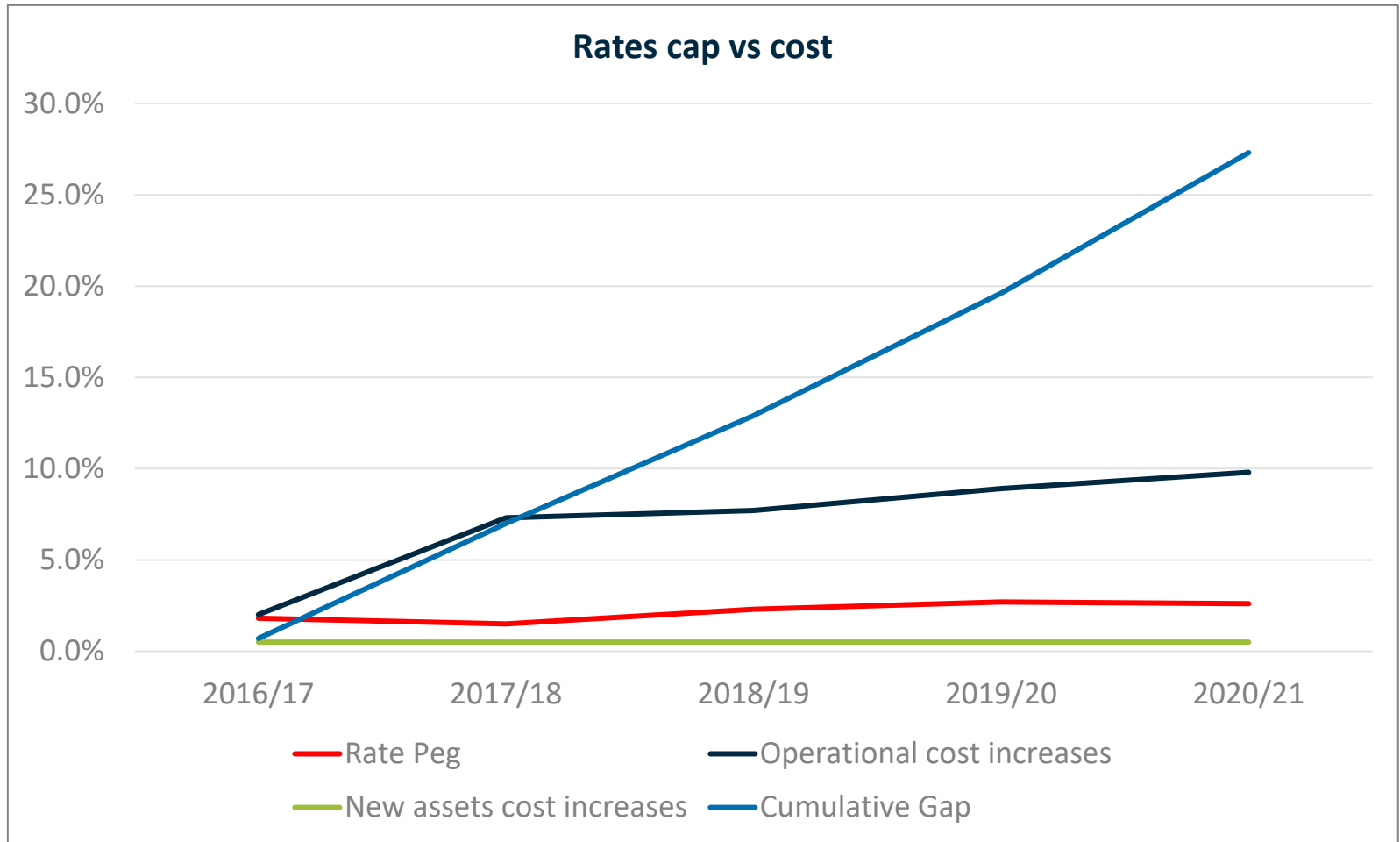
- We note Council has committed to making efficiency gains of \$600,000 over the next 3 years.
- Moved from cyclic asset maintenance to condition based maintenance.
- We have also reviewed the Sustainability Plan that Council is implementing to use its resources more efficiently.
- Council has recognised that this alone is not sufficient and is proceeding with this engagement process to present and discuss other options.

# Special rate variation

- Special rate variations are the Government's preferred solution when councils need a rate increase above the rate peg. SRVs are not necessarily bad, they are something that all councils require from time to time.
- There are 2 types of SRVs: a temporary SRV for a fixed amount over a fixed period of time (Tumut had 2 temporary SRVs that expired last year) and a permanent SRV for a fixed amount over a specified period that remains in the rate base.



# What are the consequences?



# Council's current LTFP

- Council's current 2021-2031 Long Term Financial Plan (LTFP) contains a scenario to fund the financial gap through an SRV.
- This scenario is based on feedback from the community that it was reluctant to accept a reduction in services or service levels or a decline in infrastructure.
- The LTFP scenario outlines the path to a balanced budget through increased rates of 25.44% over 2 years, along with reduced expenditure through efficiency gains and cost savings with moderate adjustments to service levels.
- After reviewing Council's LTFP and allowing for the impact of \$14 million of new grants for the Khancoban, Tumut and Batlow pool upgrades and the new Emergency Evacuation Centre and multi-purpose facility, Morrison Low has revised this SRV requirement to 32.25% over 2 years.

# What options could involve

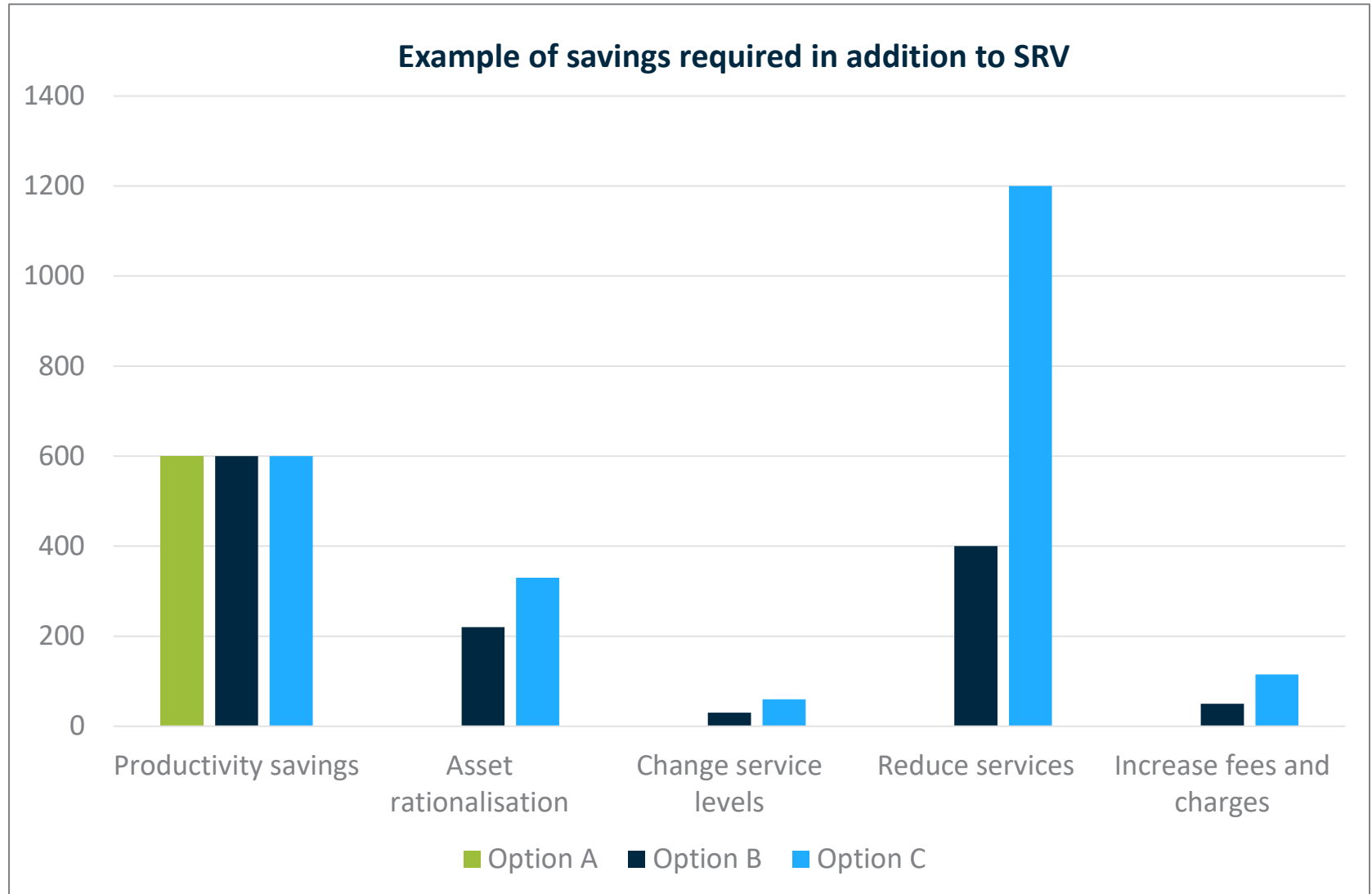
- Options proposed involved an SRV of varying amounts.
- A mixture of 'closing the gap' savings of:
  - asset rationalisation
  - reducing service levels
  - transfer or ceasing services
  - increasing fees and charges.
- How much of each type of saving is open, although some can generate more savings than others.
- An example is shown and then discussed in more detail in the next slides.



# What these options could involve

	Option A	Option B	Option C
<p><b>Closing the gap</b> through</p> <ul style="list-style-type: none"> <li>• asset rationalisation</li> <li>• change in service levels</li> <li>• reduced services</li> <li>• increased fees and charges</li> </ul>	<p>No service changes with a productivity saving of \$600,000.</p>	<p>\$600,000 productivity savings + savings of <b>\$700,000</b> over 3 years from a combination of closing the gap options.</p>	<p>\$600,000 productivity savings + savings of <b>\$1.7 million</b> over 3 years from a combination of closing the gap options.</p>
<p><b>Special rate variation</b></p>	<p>An SRV of <b>32.25%</b> compounded spread over 2 years (15%+15%).</p>	<p>Plus an SRV of <b>26.66%</b> compounded spread over 2 years (12.5%+12.5%).</p>	<p>Plus an SRV of <b>15.56%</b> compounded spread over 2 years (7.5%+7.5%).</p>

# Example of closing the gap



# Rationalisation of assets

- Council has identified \$9.7 million of building assets that are underutilised, non-core or redundant.
- Council spends 4.5% of building values on depreciation and on maintenance, so on a value of \$9.7 million this equates to \$437,000.
- Under Option B, Council would need to sell half of its underutilised or redundant assets to reduce costs by \$220,000.
- Under Option C, Council would need to sell three quarters of its underutilised or redundant assets to reduce costs by \$330,000.

# What these options could involve

	Option A	Option B	Option C
<b>Closing the gap through</b> <ul style="list-style-type: none"> <li><b>asset rationalisation</b></li> <li>change in service levels</li> <li>reduced services</li> <li>increased fees and charges</li> </ul>	No service changes with a productivity saving of \$600,000.	\$600,000 productivity savings + savings of <b>\$700,000</b> over 3 years from a combination of closing the gap options.  <b>\$220K</b>	\$600,000 productivity savings + savings of <b>\$1.7 million</b> over 3 years from a combination of closing the gap options.  <b>\$330K</b>
<b>Special rate variation</b>	An SRV of <b>32.25%</b> compounded spread over 2 years (15%+15%).	Plus an SRV of <b>26.66%</b> compounded spread over 2 years (12.5%+12.5%).	Plus an SRV of <b>15.56%</b> compounded spread over 2 years (7.5%+7.5%).

# Changing service levels

- Council's customer centres, community services, libraries and visitor information centre are open a combined 380 hours per week. There are also a number of other regular or seasonal services such as swimming pools that could be reduced.
- It costs approximately \$100 per hour to keep these services open and accessible to the community.
- Other service level reductions could be reducing the frequency of parks mowing, cleaning or roads maintenance activities such as grading.
- One option example is changing current service levels by reducing opening hours.
- Under Option B, Council would reduce service hours by six hours per week and save \$30,000 of operating costs.
- Under Option C, Council would reduce service hours by 12 hours per week and save \$60,000 of operating costs.

# What these options could involve

	Option A	Option B	Option C
<b>Closing the gap through</b> <ul style="list-style-type: none"> <li>asset rationalisation</li> <li><b>change in service levels</b></li> <li>reduced services</li> <li>increased fees and charges</li> </ul>	No service changes with a productivity saving of \$600,000.	\$600,000 productivity savings + savings of <b>\$700,000</b> over 3 years from a combination of closing the gap options.	\$600,000 productivity savings + savings of <b>\$1.7 million</b> over 3 years from a combination of closing the gap options.
		<b>\$30K</b>	<b>\$60K</b>
<b>Special rate variation</b>	An SRV of <b>32.25%</b> compounded spread over 2 years (15%+15%).	Plus an SRV of <b>26.66%</b> compounded spread over 2 years (12.5%+12.5%).	Plus an SRV of <b>15.56%</b> compounded spread over 2 years (7.5%+7.5%).

# Ceasing or transferring services

- Under this improvement to close the gap, Council would either cease providing the service or pass the service to someone else to provide, such as a community group or private operator.
- Services that could be considered for exit are non-core services and include some community services activities, community grants and donations, saleyards, events and promotions, and community development.
- Council currently spends \$2.5 million of general rates delivering discretionary services that could be transferred or closed. Transferring or ceasing 20% of these services would close the gap by approximately \$500,000.
- Under Option B, Council would need to transfer or cease service delivery of \$400,000 worth of services.
- Under Option C, Council would need to transfer or cease service delivery of \$1.2 million worth of services.

# What these options could involve

	Option A	Option B	Option C
<b>Closing the gap through</b> <ul style="list-style-type: none"> <li>asset rationalisation</li> <li>change in service levels</li> <li><b>reduced services</b></li> <li>increased fees and charges</li> </ul>	No service changes with a productivity saving of \$600,000.	\$600,000 productivity savings + savings of <b>\$700,000</b> over 3 years from a combination of closing the gap options.  <b>\$400K</b>	\$600,000 productivity savings + savings of <b>\$1.7 million</b> over 3 years from a combination of closing the gap options.  <b>\$1.2M</b>
<b>Special rate variation</b>	An SRV of <b>32.25%</b> compounded spread over 2 years (15%+15%).	Plus an SRV of <b>26.66%</b> compounded spread over 2 years (12.5%+12.5%).	Plus an SRV of <b>15.56%</b> compounded spread over 2 years (7.5%+7.5%).



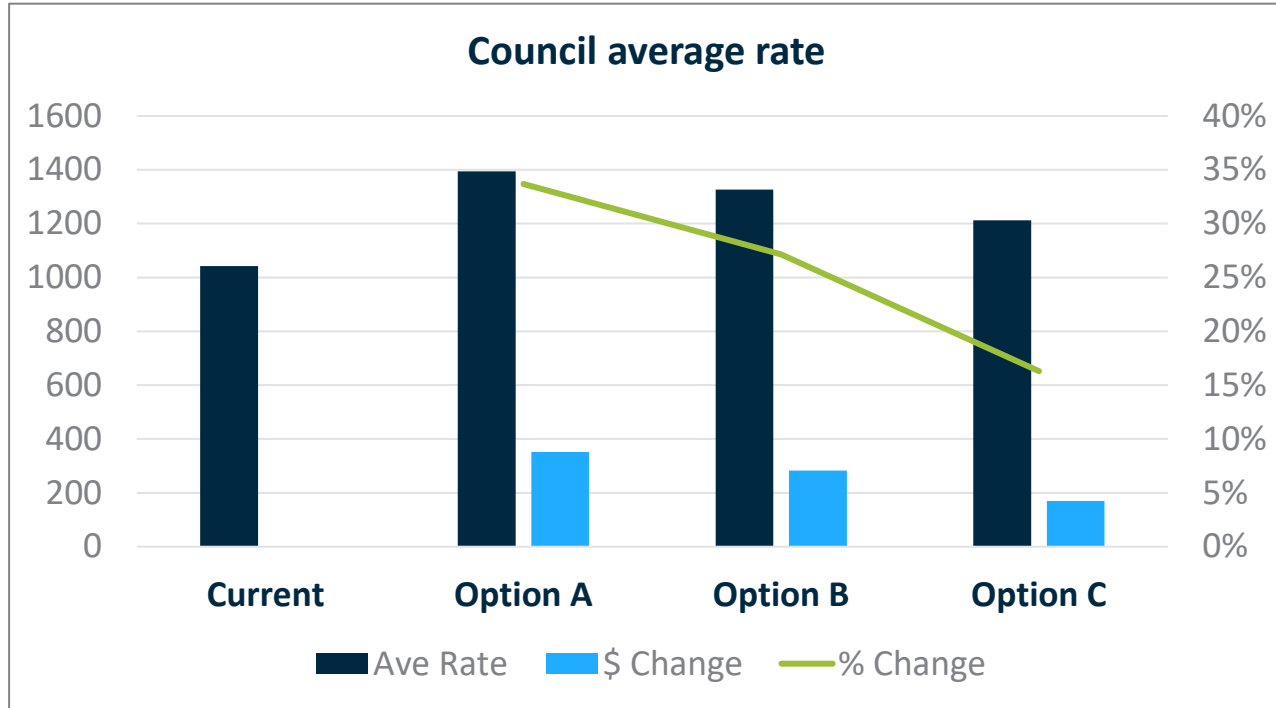
# Increasing user fees and charges

- Fees and charges only impact users of services or facilities.
- Council currently receives \$640,000 from general fees and charges for services like cemeteries, sporting facilities and community transport etc. These fees and charges do not recover the full cost of the services so they are subsidised from the general rate.
- A 10% increase in fees and charges would generate an additional \$64,000 in revenue that would reduce the amount of any SRV required.
- Under Option B, Council would need to increase fees and charges by 8% to generate approximately \$50,000 of increased revenue.
- Under Option C, Council would need to increase fees and charges by 18% to generate approximately \$110,000 of increased revenue.

# What these options could involve

	Option A	Option B	Option C
<b>Closing the gap through</b> <ul style="list-style-type: none"> <li>asset rationalisation</li> <li>change in service levels</li> <li>reduced services</li> <li><b>increased fees and charges</b></li> </ul>	No service changes with a productivity saving of \$600,000.	\$600,000 productivity savings + savings of <b>\$700,000</b> over 3 years from a combination of closing the gap options.  <b>\$50K</b>	\$600,000 productivity savings + savings of <b>\$1.7 million</b> over 3 years from a combination of closing the gap options.  <b>\$110K</b>
<b>Special rate variation</b>	An SRV of <b>32.25%</b> compounded spread over 2 years (15%+15%).	Plus an SRV of <b>26.66%</b> compounded spread over 2 years (12.5%+12.5%).	Plus an SRV of <b>15.56%</b> compounded spread over 2 years (7.5%+7.5%).

# Impact on average rates



	Ave rate	\$ change
Current	\$ 1,043	\$ -
Option A	\$ 1,394	\$ 351
Option B	\$ 1,326	\$ 283
Option C	\$ 1,213	\$ 170



# We would like your feedback

- This time I would like you to pick your two most preferred options out of the four options given to close the financial gap:
  1. asset rationalisation
  2. reducing service levels
  3. transfer or ceasing services
  4. increasing fees and charges.

# Recap options

	Option A	Option B	Option C
<p><b>Closing the gap through</b></p> <ul style="list-style-type: none"> <li>• asset rationalisation</li> <li>• change in service levels</li> <li>• reduced services</li> <li>• increased fees and charges</li> </ul>	No service changes with a productivity saving of \$600,000.	\$600,000 productivity savings + savings of \$700,000 over three years from a combination of closing the gap options.	\$600,000 productivity savings + savings of \$1.7 million over three years from a combination of closing the gap options.
<b>Special rate variation</b>	An SRV of <b>32.25%</b> compounded spread over two years (15%+15%).	Plus an SRV of <b>26.66%</b> compounded spread over two years (12.5%+12.5%).	Plus an SRV of <b>15.56%</b> compounded spread over two years (7.5%+7.5%).

# What does no SRV mean for Council

- If Council does not proceed with the SRV, it will need to cut \$4.5 million per annum from its budget.
- This would mean Council would have to action initiatives like:
  - make productivity gains of \$600,000 **and**
  - sell **all** under utilised assets **and**
  - cut the hours services are open in half **and**
  - cease or transfer **all** non-core services **and**
  - increase user charges by 25%.
- These actions when combined together would save \$4.5 million.

# We would like your feedback

- Which option do you prefer?
  - A. A permanent special rates variation of 15% plus another 15%, plus \$600,000 of productivity savings.
  - B. A permanent special rates variation of 12.5% plus another 12.5%, plus \$600,000 of productivity savings **and** a combination of some service level cuts, service reductions, asset rationalisation and increases to fees and charges.
  - C. A permanent special rates variation of 7.5% plus another 7.5%, plus \$600,000 of productivity savings **and** a larger combination of service level cuts, service reductions, asset rationalisation and increases to fees and charges.
  - D. Do not proceed with an SRV, reduce and stop services and make savings.



# Where can you get more information?

- The 'SRV' page of Council's website: [www.svc.nsw.gov.au/srv](http://www.svc.nsw.gov.au/srv).
- From IPART's website:  
<https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/Special-Variations>.
- By speaking with your local councillor.
- By calling Council on 1300 275 782 (1300 ASK SVC).

# How you can have your say

- Complete a short survey on Council's website.
- Make a direct submission to Council through the submission form on Council's website: [www.svc.nsw.gov.au/srv](http://www.svc.nsw.gov.au/srv).

# What happens next?

**August 2021** - Submissions close. Council will consider all submissions and decide its preferred solutions.

**November 2021** - If an SRV is part of this solution, it will notify IPART of its intent to apply for an SRV in late November, stating a preferred amount.

**Between December 2021 and January 2022** - Council will seek community input on this intention to apply for the SRV prior to finally deciding.

**February 2022** - Council will make its final decision on whether to proceed with lodgement as proposed or amended.

**Between March and April 2022** - IPART will invite submissions and evaluate the application.

**May 2022** - IPART will make its binding determination.

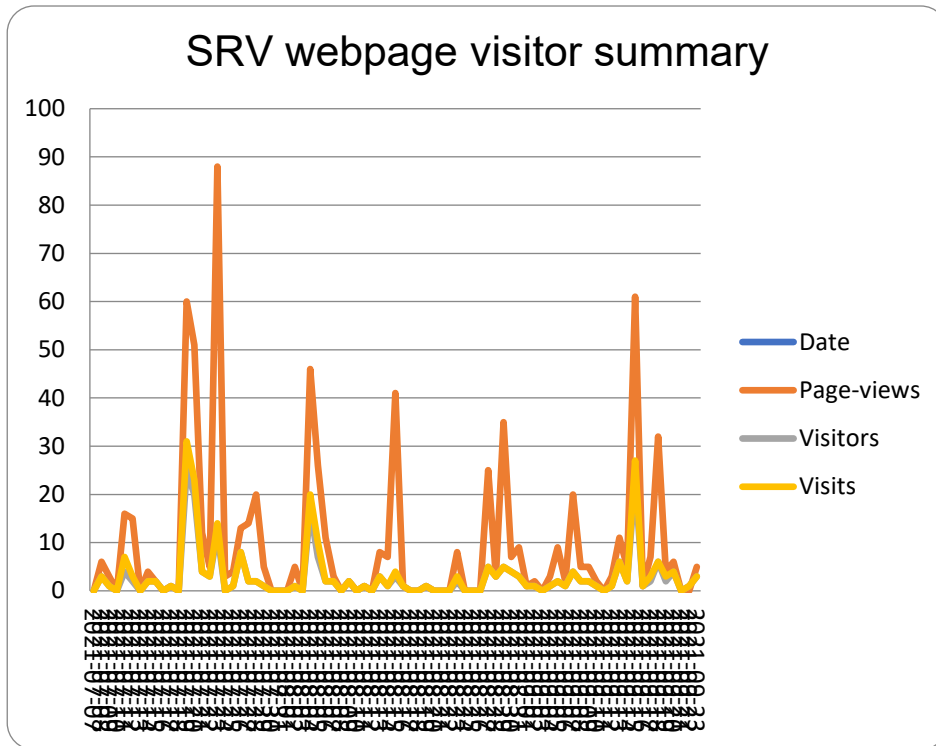
**July 2022** - Any approved SRV will apply.

# Questions?

**Write in the chat box at any stage, or raise your virtual hand, or text**



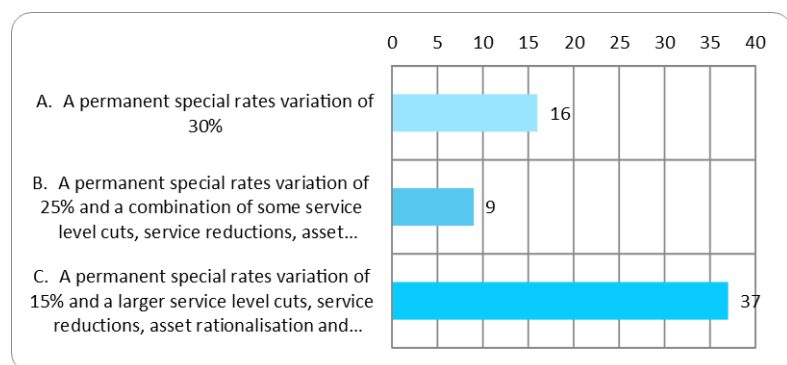
## Appendix D Summary of SRV website submissions



Project Highlights	
Total Visits	295
New Registrations	0
Video views	10
Photo Views	0
Document Downloads	98

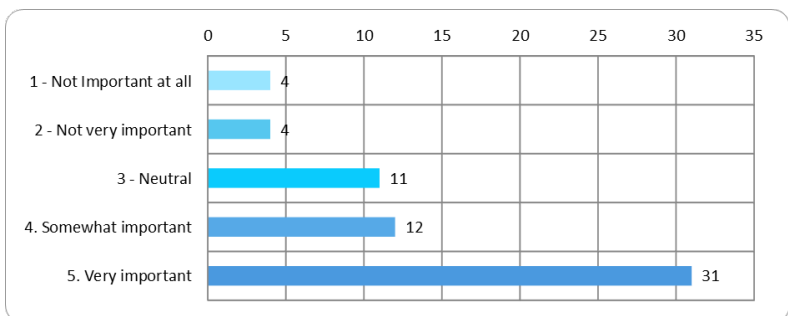
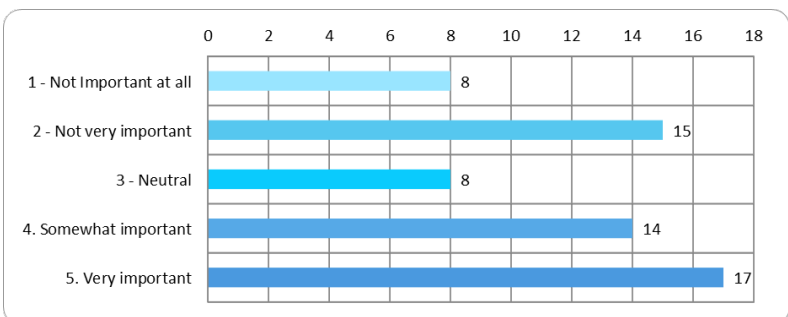
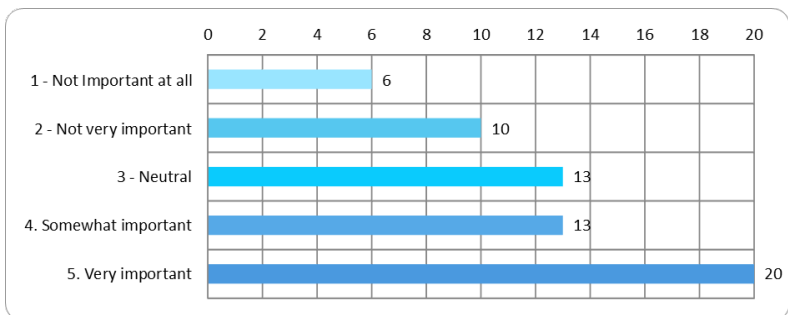
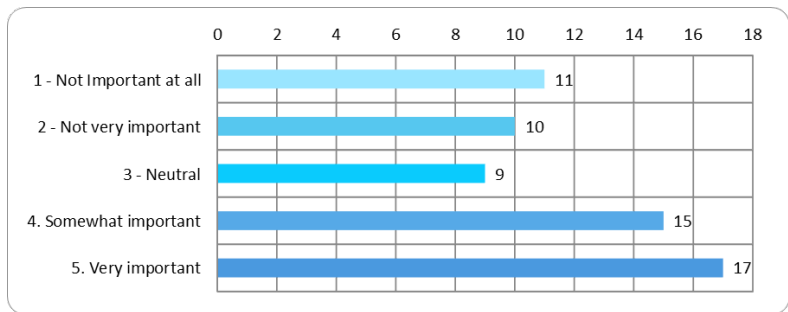
**Council is considering three options to become financially sustainable, all of which require a special rates variation but must be supported by other actions. These options are explained on Councils website. Which option do you prefer?**

A. A permanent special rates variation of 30%	16
B. A permanent special rates variation of 25% and a combination of some service level cuts, service reductions, asset rationalisation and increases to fees and charges.	9
C. A permanent special rates variation of 15% and a larger service level cuts, service reductions, asset rationalisation and increases to fees and charges.	37



In addition to finding \$600,000 per year in productivity savings within the organisation of Council, the following four options can also be considered to close the funding gap and reduce the amount of any SRV: asset rationalisation, change service levels, reduce services, increase fees and charges. To help us determine how to balance any efficiency gains against an increase in rate income, please let us know how important it is for Council to maintain each option at current levels.

How important is it to you for Council to maintain the current range of assets provides?	
1 - Not Important at all	11
2 - Not very important	10
3 - Neutral	9
4. Somewhat important	15
5. Very important	17
How important is it to you for Council to maintain current levels of service?	
1 - Not Important at all	6
2 - Not very important	10
3 - Neutral	13
4. Somewhat important	13
5. Very important	20
How important is it to you for Council to provide the current range of services?	
1 - Not Important at all	8
2 - Not very important	15
3 - Neutral	8
4. Somewhat important	14
5. Very important	17
How important is it to you for Council to maintain fees and charges at the current levels?	
1 - Not Important at all	4
2 - Not very important	4
3 - Neutral	11
4. Somewhat important	12
5. Very important	31



Survey response
<p>What is your feedback?</p>
<p>After looking at tonight's presentation my preference is option C 7.5% rate rise and privatizing of some services.            Services such as Tumbarumba child care, Tumbarumba council tourism staff, residential age care facilities, privatise pool staffing, levy tourism business perhaps a bed tax or annual levy for council managed tourist infrastructure.            I'm sure staff are aware of the greatest community loss making and high overhead services to privatise.</p>
<p>I attended an online Zoom meeting where options to the SRV were canvassed and it seemed that the community has little appetite for a significant increase in property taxes. There is general agreement that Council should review its expenditure policies and rein in costs. The current rate levels have been raised for the past two years under a Special Rate Variation, proof that these variations only serve to bolster expenditure and ignore fiscal prudence. Now the tap is being turned off, nothing has been gained beyond deficit and Council is looking for a significant rate hike to be an enduring impost. It is proposed to lighten the burden by introducing it over two years, but thereafter it will be an enduring slug. Welcome to Tumut and the highest rates in regional NSW! This is the message to regional folk who are effectively disadvantaged due to distance isolation and the lack of urban services. People accept these things when they choose to live in regional centres but they also expect that their rates reflect the costs of living in regional Australia. Tumut is not a large city and is not expected to act and function like one.</p>
<p>I have been singularly unimpressed with the smoke and mirrors in the way Council has communicated what seems to be a decided resolution on this matter. Splitting the increase over two years with the added 2%, or whatever the allowable variation is pa, will be an additional 4%. This means that the total increase will be closer to a 30% once off rate hike that will endure forever until another tranche is bludgeoned out of the rate payers when the next deficit is presented.</p>
<p>The mood around the country regarding the over reach of councils during the past few decades, where they have engaged in all manner of quasi private venture enterprises and provision of services well beyond their core brief. This has left rate payers footing the bill for economically failed or unsustainable projects and public liabilities.</p>
<p>I would like to note that two much larger councils in Tasmania have been requested by their communities to lower rates not increase them. Both have embarked on significant asset reduction and exit from non core business ventures. Rate payers have had enough of runaway bureaucrats running quasi commercial enterprises feigning to be economic drivers in modest communities where they ought to be encouraging enterprise not competing against it.</p>
<p>My view on this proposal is that there be no rate increase above the allowable 2% or whatever the annual increase approved by the governing body.</p>
<p>I think that Council must demonstrate that they can run their services within the income stream before they table any further special rate proposal to this community. The new council must be handed a clear agenda to cut their cloth and resist over expenditure as every other member of the community must do in their private affairs.</p>
<p>SVCs limited income sources (e.g. ratepayers) translates to either lower services or increased rates. I've found SVC approach to development - beyond the timber and cardboard industries - to be obstructionist, unable to demonstrate a yes-we-can view. Thus, the capacity to attract increased income streams is severely hindered.            Community consultation is seen through SVC eyes as only a process, not a meaningful outcome.            SVC councillors are too close to its executive managers, corrupting their judgement of staff performance.            Based on the stagnation of the SVC LGA, performance indicators are either too low or non-existent.            The aforementioned concerns are empirical, experienced first-hand experiences.            SVCs operation and principles are antiquated; more suited to 20th, not 21st century. Employ executives from the private sector, not more local government public servants.</p>

Survey response
<p>What is your feedback?</p>
<p>I participated in the Morrison Law zoom meetings. The options to vote on were appalling. 1. a 32% SRV. 2. a 25% SRV and loss of services and sell off of assets or 3. a 15% SRV and loss of many more services and the sale of many assets even those assets that properly managed should earn profits for the council. None of these options are what our community wants and needs. I don't believe we should be charged more, get less service and have community assets sold.</p> <p>Only 5 people participated in the zoom meeting I attended apart from Morrison Law and council staff. These poorly attended zoom meetings cannot be considered "community Consultation". If council wanted feedback regarding the SRV a survey should have been sent with the recent rate notices including the option of "none of the above".</p> <p>I sincerely hope Morrison Law will not use these poorly attended Zoom meetings as community consultation" and forward the survey results to IPART.</p>
<p>I think this variation is very unfair and increases financial hardship on families possibly already struggling after the bushfires and it's impact on the local timber industry. We are also being punished for the previous Tumut shires inability to manage finances and increasing rates to make up short falls in the past which this new administration seems to be following the same path.</p> <p>If the new administration was capable they would of been able to harmonise by lowering other towns rates but with them already running at a loss we pay the price.</p>
<p>I strongly oppose all of the permanent rate variations (30%, 25% and 15% increase). Council should review their current staffing levels as well as find efficiencies within council. Fees and charges should remain at current levels.</p>
<p>For the communities to have the services that are currently on offer and for the council to maintain current services and provide assistance to events then the rise in rates is inevitable.</p> <p>There is one question I would like to ask and that is in regard to the land that is currently owned by: National Parks &amp; Wildlife Service ( NSW Government) NSW State Forrest's Any land that is or has been planted to pines within the shire boundary.</p> <p>Do these landowners - Government, Companies or Private pay rates to Snowy Valleys Council If not why not ?</p> <p>All of these departments / agencies use facilities within towns - public toilets, roadside stops and roads. The Rate calculation for these land holders would have to be different but some form of rate payment needs to come from these departments.</p> <p>What is the percentage of land within Snowy Valleys Council that is held by these 3 departments? Compared to land that rates are currently being charged for?</p>
<p>Option A seems to have the least impact on the general public and would suit most people even if only a select few, homeowners and investors for example</p> <p>Therefore if this is the case and option A leaves SVC more \$\$ with which to continue current local contributions to our town and services then I am all for it</p>
<p>Being a pensioner ( \$718.40 per fortnight ) ( \$359.20 per week ) I cannot afford SVC Option A or B or C...The cost of living is very expensive these days and SVC should abide by this and fix the rate pegging to the amount set by the State Government of NSW namely 1.5% to 2.5%.</p> <p>Sell off the assests not needed but do not put works and sevicees out to contract keep them within SVC.</p> <p>Having been employed by local Government and private industry ( BHP ) over the years contractors up there costs as soon as it is an Government contract with poor quality and workmanship. I have seen this all before.</p> <p>Put on the extra employee's who are qualified and keep all the goods and services in the custody of SVC. and a far better outcome will provide a positive asset for SVC.</p>
<p>Reduction in opening hours of most libraries within the council area. In regard to Adelong &amp; Talbingo libraries consideration should be given to mobile delivery.</p> <p>Community Development activities perhaps attendees be charge a fee.</p>

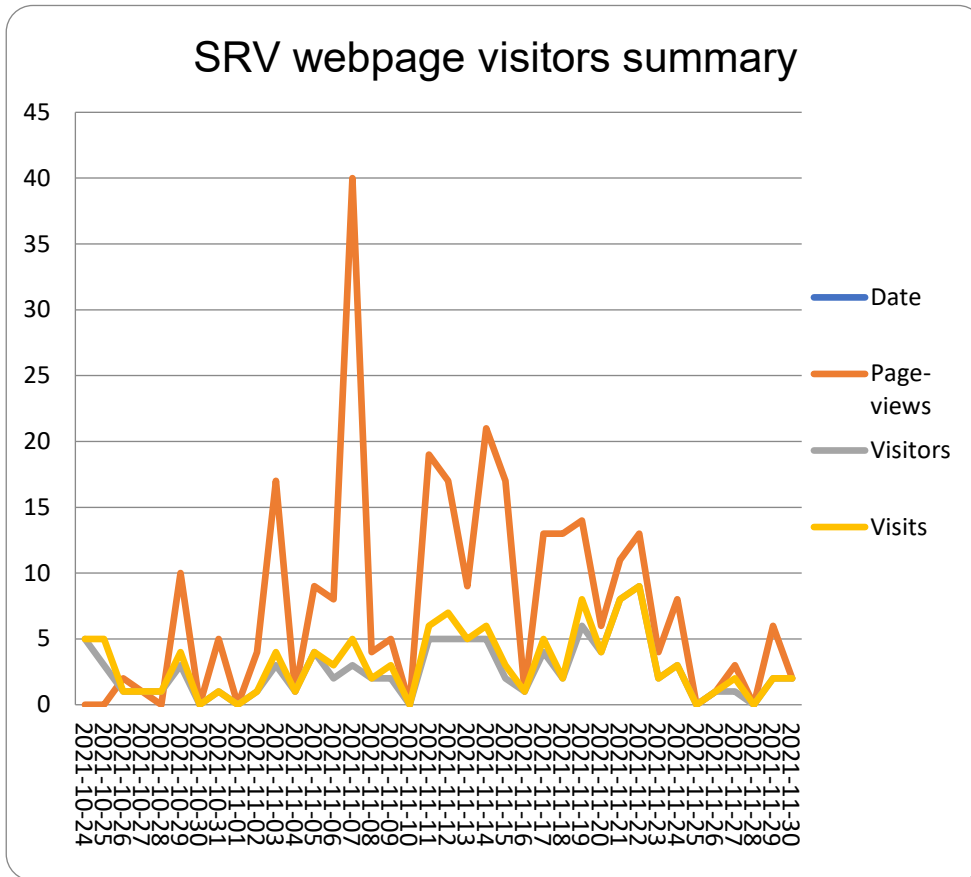


Survey response
<p>What is your feedback?</p>
<p>Option c .We're all feeling the pain . Time you guys tightened your belts.</p>
<p>I prefer Option B which addresses the obvious need for increased income, but also requires a good look at rationalising assets that Council no longer needs or uses and could be sold or managed by bodies outside Council, and also requires a review of funding supports that are good community builders but outside Council's responsibilities.</p>
<p>As a landholder only, I was wondering how this will affect me - apart from the current \$243.79 jump in my rates (ouch) after being obliterated in the bush fires. What are my valued community assets in Jingellic? What services will I be receiving? What differences will I personally see? Basically, I need to know what Snowy Valleys Council is going to do for me with the additional money that they need to balance the budget? How did the budget suddenly get so unbalanced?</p>
<p>Asset rationalisation- Sell Tumut Boys club. Sell Tumut Museum. Sell Tumbarumba retirement village( privatise). Sell Pioneer Hall Tumbarumba (allow for a new business in the building).            Reduce Services- Cease community donations. Cease provision of community grants. Cease delivering and s[porting] events.            Change Service Levels- Reduce community services .155 hours per week across all services.            NO - To increase Fees and charges</p> <p>OPTION A - NO            OPTION B - NO            OPTION C - yes</p>
<p>Council are dealing with unprecedented times with drought, fires, floods &amp; pandemic. Please run Council as you would your own household-if you owe money but have funds -pay your debts. If everyone “pulls their belts in” the need to employ your SRV will be unnecessary-remember your rate payers are undergoing/have undergone the above mentioned unprecedented events. We really do not need massive rate rises on top of everything else. I am sure you will be able to cut back on expenditure &amp; wisely choose what projects need to be done &amp; what can wait or are unnecessary at this time.            Thankyou for the opportunity to express my concerns.</p>



## **Appendix E      Summary of proposed SRV website submissions**

## Appendix D Summary of proposed SRV website submissions



Project Highlights	
Total Visits	121
New Registrations	1
Video views	3
Photo Views	0
Document Downloads	60

Survey response
What is your feedback?
<p>Your raising your rates again and use the bushfires and pandemic as an excuse? You have a CEO who is getting paid more than his worth...your over staffed with [REDACTED] workers ...who can't even repair the roads correctly..It seems your council has no idea how to effectively run a council ..I think an outside enquiry should be beformed an internal investigation of the snowy valleys council operations and expenditure..You have no regards for the pensioner's who are struggling to pay your high council rates even higher than Sydney.This is nothing but capitalism, a blunder that your council can't perform effectively and at the cost of the pensioner's and others who are suffering through the Pandemic and bushfires and all your doing is adding more hardship to them...how disappointing..ile further this with my legal contacts in Sydney and take this matter further..and even start a petition for resignations of council members and a refusal to pay your increasing rates..Your council is [REDACTED]..roads are trash..creeks &amp; streams are filthy..your workers are [REDACTED]..I thought coming to the snowy valley Shire was a breath of fresh air? What a disappointment...An internal Oudit to your council WILL BE ARRANGED...</p>
<p>It is a disgrace that your business model is failing. We support reduced services and reduced staff or wages. Council is negligent under this GM and he must be held accountable.</p>
<p>Dear Council            Re 38.6% compounded rates increase.            Absolutely Do Not agree            I refer to the recent article in the Tumut and Adelong times, Friday September 17,2021            "Public favours sell-off over rates hike"            If this is the general consensus amongst the community,then plese abide by the wishes and concerns of the community,and find reductions in spending, reduce departments, outsource to overseas call centres etc..            Thank you.</p>
<p>I strongly disagree with this rate increase. I think it is incredible unfair and I believe it will increase bill stress for many within the community. I do not believe that it is warranted for such huge increases. I believe that it will have a very negative effect on the ratepayers who have already faced ongoing increases each year. I strongly object to this increase.</p>
<p>The proposed rate increases are exorbitant, and a disgrace. Many people in the community are doing it tough, suffering due to the impact of covid and the restrictions, and you are proposing to increase rates by over 15%, repeatedly over several years. It is unethical and immoral.</p> <p>And what services are actually being improved and/or introduced?</p> <p>For example; the recent bin collection changes; sweeping changes which effected everyone in the community, were enacted without proper consultation with the community, or with local business, and have had a negative impact on the efficient waste disposal for many local business. If this is a demonstration of the proposed service "improvements", then I question if the council is even capable of effectively managing the increased revenue generated from the rates increase. (And considering the council was in a financially stable position, but has entered deficit since the merger, it isn't an unreasonable concern).</p> <p>Be transparent; exactly what services will be increased and/or introduced? What, exactly, will it cost? And itemise that proposed expenditure for the rates increase.</p> <p>Justify why you need to increase rates by nearly 6 times CPI, because certainly wages haven't gone up that much. So if we have to fine the money, what are you going to do with it?</p>

## Survey response

### What is your feedback?

At the present time Agriculture is booming and the Variation is affordable, however booms tend to finish. Once the rate hike is made, it will never be taken back.  
Councils must learn to live within their budgets- like private enterprises.  
Constantly getting Grants and building facilities which require expensive upkeep creates a burden on all ratepayers, the majority who probably never use the services.  
I believe the Special Rate Variation needs to be one of the lower percentages, with the Council doing its share of cost cutting.  
The Tumbarumba and Tumut Councils should never have been amalgamated. The fact that there needs to be a Special Rate Variation disputes the cost saving theory.

I would like to formally lodge an objection to the proposed rate variation for the following reasons:

That the financial predicament the council finds itself in is largely a product of overstaffing and failing to concentrate on the provision of basic services to the community. The council has been distracted by large grant driven projects which invariably blow out requiring additional ratepayer funding.

A disproportionate amount of funding is provided to TUMUT township itself this has been evident since the unfair and illegal forced amalgamation of the Tumbarumba shire.

The financial remuneration for executive council staff is nothing short of obscene and is a major contributing factor to the budget blowouts.

I propose the following actions be implemented:

All senior staff salaries be reduced by exactly the same percentage as the proposed rate variation.

Not a single cent of ratepayers money be spent on so called cultural activities particularly those involving minority groups.

That the demerger be actively pursued with a further option being that Batlow be moved to the Tumbarumba shire which unlike the Tumut Shire had a long history of being financially viable.

No funding be wasted on ridiculous climate change activities or projects.

Survey response
What is your feedback?
<p>Just got the notice in the mail box about the proposed rate increase over next few years.</p> <p>Now ... I thought that the amalgamation of Tumut &amp; Tumbarumba was supposed to be a money saving venture.... seems not! Tumbarumba didn't and still doesn't want to have anything to do with Tumut!! Great. As I said in my submission at the time they "think, they thought, it should" produce cost saving .... nowhere was there a definite example of where these saving when shire are amalagated was demonstrated.</p> <p>and now we know why .... there are no savings to be had!!!</p> <p>Just more running to and from Tumbarumba .... more expense.</p> <p>As always, you'll do whatever you like, regardless of what people think .... the ratepayers will fix everything ... yeah right.            And how many rate payers are up to date with their rate payment?            Over 95% I hope ... otherwise someone is NOT doing a good at running a business and needs to sacked!</p> <p>Yep ... I'm an annoyed rate payer.</p> <p>thanks</p>
<p>I object to Special Rate Variation because my family farm has had raw end of the stick from the Tumbarumba Shire Council since 1938 when my grandparents purchased this property. Their was no council road formed up just a paper road on a map. In 1983 my parents asked the Tumbarumba Shire Council for a road to be put to our property. After 4 years of fighting the council, the council said pay \$100,000 to council to put the road in on council ground or do it yourself. So my father and brother put in the road in buying culverts for the road and fencing both sides of the road namely the Glenroy Hills West Road. The fencing material cost my family about \$3500. After this road was formed up Tumbarumba Shire Council said that they would never maintain this road. In 2001 after a High Court case on council roads found that councils in N.S.W. were responsible for maintaining these roads in 2002 Council finally accept responsibility for the maintenance of this road. Little maintenance was done on this road for next 14 years. Paying rates for no service. Since S.V.C. general manager Mr Hyde took office a ramp/grid has been removed and maintenance has been done on this road. In farming it is boom or bust with prices for livestock and when livestock prices fall your shire rates will just go up and up. Perhaps if you sold the Roth's Corner Medical Centre it would be one less asset to maintain.</p>
<p>When are you classed as a residential ratepayer when you are not? How can you be charged for services that the urban resident can access freely, when you have to fit your business in town around the already restricted hours of the libraries and garbage site?</p> <p>The residents in towns get their gutters cleaned,their parks mowed and sprayed for weeds. We have weeds out of control, spreading through our property because council won't control the weeds in the park next to us. Why on top of extra rate charges should I have to expose myself to dangerous poisons to control council's weeds? Council is more interested in business and tourism than the residents who actually pay for the services that are at least restricted or at worst non existent in rural areas.I don't see how council can increase rates or reduces services when the services are abysmal already. What will we see for the increase in rates? Council trying to dig it's self out of a financial hole, only coming back again in future years with it's hand out for more. Stop spending money on infrastructure in Tumut that has to be maintained and get your priorities right. Residents first.</p>

Survey response
What is your feedback?
<p>'Before implementing a Special Rates Variation:</p> <ul style="list-style-type: none"> <li>-I'd like to know that other financial consultants have provided a second opinion, and that council's financial spending is reviewed by an independent assessor to ensure that it is spending rate payer's money efficiently and effectively.</li> <li>-I'd like to see council make more effort to encourage new business initiatives as a means to generate income and interest in our region.</li> <li>-I'd like to see the forestry industry contribute financially to road maintenance in our council to cover impact of heavy vehicle loads on our roads.</li> <li>-I'd like to see more initiatives from council to generate income or save on spending through sustainable energy and circular economy, e.g. generating energy for our streetlights through hydro power from Tumut River. Recycling plastics into infrastructure such as posts, planter boxes, picnic tables etc.</li> </ul>
<p>I know that rates will always be levied so lets look at unratable land. Churches, schools and government corporations all need to pay their fair share of tax to local government. Even if there may be a need to some support additional infrastructure, this should result in income to the shire. It is wrong for a tax to be collected independently from a person's income. Rates are just that. A person needs a place to live and whether they rent or own rates have to be paid for. It is not a fair and equitable way to raise revenue.</p>
<p>I have many concerns about the proposed rate increase as I am of the strong belief that it will result in the less well off ratepayers being left with a decision on whether they go without food or heating. I am curious as to whether the Council considered the ongoing operating costs of the infrastructure provided by the Grants (which I understand to be for capital expenditure). From my perspective, this points to a lack of effective long term, rigorous financial planning whereby the ratepayers will be slugged (yet again). I understand that ratepayers have "gotten used to" the current level of service provided by the Council and there would be a massive backlash should those services be slashed as an alternative to a rate increase. It seems that the Council is between a rock and a hard place.</p>
<p>As Rural Ratepayers we object to your SRV application. It will increase our farmland rates by approximately \$7500.</p>
<p>Your pamphlet shows an average farmland rate of \$2007. Our land totals 790 ha which I would consider to be about the average sized farm in Snowy Valleys &amp; I am paying over \$11000. Your pamphlet is grossly misleading. Please consider reducing the services that council delivers to roads, parks &amp; rubbish and live within your means.</p>