Snowy Valleys Council

Special Rate Variation

Community Information November 2021

From July to September 2021 Council provided opportunities for community consultation and distributed information about financial sustainability and options for a Special Rate Variation (SRV).

The option to introduce a SRV was to meet increased costs associated with maintenance and renewal of valued community assets and the continued delivery of desired services.

Feedback from the community demonstrated both an opposition to a SRV and opposition to service reductions.

Council reviewed the feedback alongside budget and financial forecast advice from financial consultant Morrison Low at the October Council Meeting.

Morrison Low and Council officers recommended pursuing $600,000 in annual productivity savings and introducing a SRV to avoid a significant reduction to current assets, services and large increases to user fees and charges.

> Council determined to lodge a Notice of Intent with the NSW Independent Pricing and Regulatory Tribunal for a **Special Rate Variation of 17.5% (including rate peg) in 2022-23 and 17.5% (including rate peg) in 2023-24.**

The decision of Council instructs Council staff to:

- proceed with the development of a SRV application for consideration by the new Council in January 2022
- develop and deliver information and opportunities for feedback to the community on the SRV of 17.5%+17.5% (including rate peg) between 25 October and 28 November 2021
- place the updated Long-Term Financial Plan reflecting the proposed SRV on public exhibition
- develop a report on the community consultation outcomes, along with the completed Special Variation Application for consideration and determination of an application for a Special Rate Variation by Councillors at the January 2022 Council meeting.

When will the decision to submit an application be made?

The new Council will consider the feedback at the Ordinary Council Meeting on 20 January 2022 and determine:

- whether to proceed with the SRV application as proposed,
- modify the SRV application to a lesser amount, or
- not proceed with a SRV.

For more information, come along to an online community meeting on **Monday 22 November at 6.00pm** by following the link at **www.svc.nsw.gov.au/srv**

How to assess the financial impact of a Special Rate Variation

A Special Rate Variation is calculated on the Ordinary Rate only. This is listed as a separate line item on your Rates Notice. Use only this amount to calculate the percentage increase applicable each year.

The separate charges for Sewer, Water and Waste are not impacted by any SRV.

At the completion of the implementation period for the SRV, currently proposed as a two year period, annual increases return to rate pegging amount only (between 1.5% - 2.5% set by the State Government).

The table below provides the impact of the 17.5% (including rate peg) in 2022-23 + 17.5% (including rate peg) in 2023-24 SRV against the average rate in each category.

To assess the impact of a SRV against your Ordinary Rate, you can use the Rates Calculator on Council's website **www.svc.nsw.gov.au/srv** or contact Council to assist on 1300 275 782.

	2021-22 Average Rate	$ SRV increase 2022-23 Including 2.5% rate peg	$ SRV increase 2023-24 Including 2.5% rate peg	Total increase over 2 years including 2.5% annual rate peg	2023-24 Average Rate
Average Annual Ordinary Rate across all Rating Categories	$1,043	$183	$214	$397	$1,440
Average Annual Ordinary Residential Rate	$661	$116	$136	$252	$913
Average Annual Ordinary Business Rate	$1,521	$266	$313	$579	$2,100
Average Annual Ordinary Farmland Rate	$2,007	$351	$413	$764	$2,771

What happens next?

To proceed with the application for a Special Rate Variation, Council must:

- Provide detail on the SRV impact to the community for further comment and feedback until 28 November 2021
- Complete the SRV application
- Decide to lodge the application at the Ordinary Council Meeting in January 2022
- If decided to lodge, formally submit the application to IPART by 7 February 2022
- IPART review, invite feedback and provide determination in May 2022.

For more information and to make a submission visit:

www.svc.nsw.gov.au/srv

Make a submission by mail:

76 Capper Street, Tumut
NSW 2720

Contact Council on:

1300 ASK SVC
(1300 275 782)

How to assess the impact

A Special Rate Variation is calculated on the Ordinary Rate only. This is listed as a separate line item on your Rates Notice. Use only this amount to calculate the percentage increase applicable each year.

Your rates notice could also contain separate charges for Sewer, Water and Waste. These items are not impacted by any SRV.

At the completion of the implementation period for the SRV, currently proposed as a two year period, annual increases return to rate pegging amount only (between 1.5% - 2.5% set by the State Government).

An example table for the impact of the SRV options is below.

You can also access a Rates Calculator on Council's website **www.svc.nsw.gov.au/srv**

	Average Rate	$ SRV increase 2022	$ SRV increase 2023	$ SRV increase total
Current	$1,043			
Option A - 30% (15%+15%)	After two years: $1,428 (including 2% rate peg)	$156	$183	$339
Option B - 25% (12.5%+12.5%)	After two years: $1,367 (including 2% rate peg)	$130	$149	$279
Option C - 15% (7.5%+7.5%)	After two years: $1,251 (including 2% rate peg)	$78	$86	$164

What happens next?

Before proceeding with an application to NSW Independent Pricing and Regulatory Tribunal (IPART) for a SRV, Council must:

- Provide enough information to the community about the options for a SRV and its impacts and consider feedback
- Decide if to continue with an application for a SRV in November 2021
- Complete a SRV application and provide application to the community for further comment and feedback
- Decide to lodge the application in January 2022
- Formally submit application to IPART by 7 February 2022.

Have your say!
Visit www.svc.nsw.gov.au/srv

- Review community presentations and detailed financial analysis
- Use the rates calculator
- Make an online submission
- Complete a short survey

Make a submission by mail:

76 Capper Street, Tumut, NSW 2720

Contact Council on:
1300 ASK SVC
(1300 275 782)

Snowy Valleys Council

Special Rate Variation

Community Information August/September 2021

Council is investigating a Special Rate Variation (SRV) and the introduction of increased efficiency measures.

This is to meet costs associated with maintenance and renewal of valued community assets and delivery of desired services.

The current sustainability target – the annual amount required to balance the budget with the income without grant funding - is approximately $3.8M.

To meet the sustainability target, Council's options include:

- saving money by disposing, repurposing or selling assets,
- reducing services and cutting staff, and
- increasing income generated through rates, user fees and charges.

This document outlines why Council is considering applying for a SRV, and three potential options, each with a different balance of savings and income increases.

Each option includes Council making at least $600,000 in efficiency gains – finding savings internally.

Why is a SRV being considered?

Council's income base is fixed, with any increase constrained to an annual 'rate peg' amount set by the State Government of (typically) between 1.5% and 2.5%.

Much like household bills, the cost to deliver services and maintain assets has increased, and often above the rate peg amount.

For instance, Council's annual Emergency Services Levy payment to the State Government has increased from $454,542 in 2018-2019 to $748,000 in the current financial year – an increase of 60% over that time.

This results in increasing pressure on Council's income to continue to deliver the same services for less and an increasing funding gap.

The SRV is a tool used by local government to ask for an official review in order to adjust Council's fixed income base when reducing operating expenditure alone does not balance the budget.

Council is not 'broke' or in debt. As at 30 June 2021, Council had $38M in cash (including reserves and unrestricted cash) and investments and has minimal borrowings.

Applying for a SRV does not mean Council has 'run out of money'. However, it does indicate that the gap between the cost to deliver services and the fixed income is widening.

When reviewing this information and providing feedback, we're asking you to consider:

- What level of increased rates would be acceptable to ensure continuation of existing services?
- Is making operational changes and reducing services preferable to increasing rates?
- If a Special Rate Variation does not proceed, what service changes could be made to ensure Council can balance expenditure with service delivery?

Meeting the sustainability target

In addition to finding $600,000 per year in productivity savings within the organisation of Council, the following four actions are also being considered to reduce the amount of any SRV:

Asset rationalisation

Selling, disposing, or repurposing buildings, structures or land that could be suitable for alternative management, are underutilised or no longer needed.

Council spends approximately 4.5% of building values on depreciation and maintenance each year.

Council has identified $9.7M of building assets that could be considered for selling, suitable for alternative management or re-purposing to achieve a possible annual saving of $437,000. Some of these include:

- Tumut Boys Club
- Tumut Museum
- Tumut Neighbourhood Centre
- Tumut Community Centre Complex
- Tumbarumba Retirement Village
- Pioneer Hall.

Reduce services

Cease providing a service or transition the service to someone else to provide, such as a community group or private operator.

Council currently spends $2.5M of its general rate income delivering services that are outside Council's legislative obligation, which - with community approval - could be transferred or closed.

Transferring or ceasing 20% of these services would close the gap by approximately $500,000.

Services that could be considered include:

- Provision of community grants
- Community donations
- Saleyard operations
- Delivering and supporting events
- Tourism development and promotions
- Community development activities – school holiday programs, public health campaigns.

Change service levels

Reviewing the frequency, quality and quantity of services provided to community.

An option to change current service levels is to reduce opening hours of Council facilities. It costs approximately $100 per hour to keep these services open and accessible to the community.

Council's customer centres, community services, libraries and visitor information centre are open a combined 380 hours per week.

- Community services - 155 hours per week across all services
- Visitor information centres - 43 hours per week
- Libraries - 118 hours per week across all libraries
- Customer centres - 64 hours per week across both centres.

Increase fees and charges

Transfer a larger portion of the cost of a service or facility to the direct users/ beneficiaries rather than general ratepayers.

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 income.

A 10% increase in fees and charges would generate and an additional $64,000 in revenue.

Options for consideration and review

Three options are being put forward for consideration, each containing different ratios of productivity savings, service changes and SRV.

The target dollar figure to be saved by making service changes is identified in each Option below. The specific services or assets that may be affected have not yet been decided. They would need to be further considered and determined by the community and Council as part of the annual budget process.

To assist with your consideration and feedback, examples of what the change may look like have been provided to help provide a greater understanding of each impact.

Option A

Special Rate Variation:	**30% – implemented over two years (15% + 15%)**
Productivity saving:	**$600,000**
Service changes:	**Nil**

Option B

Special Rate Variation:	**25% – implemented over two years (12.5% + 12.5%)**
Productivity saving:	**$600,000**
Service changes:	**$700,000 made up of -**
Asset rationalisation:	Sell, dispose of or repurpose $4.8M of identified underutilised or redundant assets to reduce annual costs by $220,000
Change to service levels:	Reduce six hours per week across all or select services to reduce costs by approximately $30,000
Reduce services:	Transfer/cease services to reduce net costs by $400,000 – the equivalent of the operation of Visitor Information Centres and tourism support activities.
Increase fees and charges:	8% additional increase in fees and charges to generate a further $50,000 in annual revenue.

Option C

Special Rate Variation:	**15% – implemented over two years (7.5% + 7.5%)**
Productivity saving:	**$600,000**
Service changes:	**$1.7M made up of -**
Asset rationalisation:	Sell, dispose of or repurpose $7.3M of underutilised assets to reduce annual costs by $330,000
Change to service levels:	Reduce 12 hours per week across all or select services to reduce costs by approximately $60,000
Reduce services:	Transfer/cease services to reduce net costs by $1.2M – the equivalent of Community Grants, Community Donations, Community Development, the operation of Visitor Information Centres and tourism support activities, Saleyards operations.
Increase fees and charges:	18% additional increase in fees and charges to generate a further $110,000 in annual revenue.

MorrisonLow

Snowy Valleys Council

Summary of Issues

Snowy Valleys Community Engagement

Special Rate Variation

September 2021

Document status

Job #	Version	Approving Director	Date
7545	1	Stephen Bunting	July 2021
	2	Stephen Bunting	September 2021

Special rate variation community engagement

Snowy Valleys Council ('Council') developed a comprehensive engagement program 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:

- Phase 1a – eight online general community meetings. Invitations through social media, Council's website, advertisement and direct mail.
- Phase 1b – online focus group discussion with invited stakeholder groups, by direct invitation.
- Phase 1c – Community Strategic Plan drop-in days (currently postponed).
- Phase 1d – community face to face meetings (currently postponed).
- Phase 2 – community meetings on Council's preferred SRV option.

Background papers

Prior to the 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 A.

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 – online 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 B).

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 (chamber/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 B)
- 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

MorrisonLow

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_D0_IK8CAskm0056HNbgZ_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_n914sl82iRoVjI7nODtNmwcqo-WmxOQLckHMoIFFWdW9g5aOwE5aBhWcgC.L_xWo3fq7J17qwgk (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/sDszn95cWXOQGWw391Tqg8e0MzhjofVglgt4A5oilz4KAzpKPnp_bgBqy_8Cn234.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 concerned 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/TxlWrs0SGnNok_2Fg1Nz9R_xk1qCmIJHXlfXlwZ5TA6rSuN0kyWMUalBa57ez4jq.g4OYk2_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 concerned 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_2fZW3qs3SqtPlIdsYM2kJgbN.lLTlckU2BAdBv2R- (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-rNehxWY1uFxFLb7_YgeaEODkLEf-mZ.pvk7RjJgRhwk6V1g (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/J93D0VcEMz7tQUnSDxD7bQ4imKfliAE2BEqpOQ7fLZfhupHKlcs9XrVykK7Lc5k6.otfT3Q5UVAjwXhG5 (passcode: J5$j6ekZ).

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 C.

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

Summary of SRV related feedback to Integrated Planning and Reporting engagement

Council received 44 submissions through the Integrated Planning and Reporting (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.

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 D.

Appendix A 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.

Snowy Valleys Council
Sustainability Overview

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 it 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.

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:

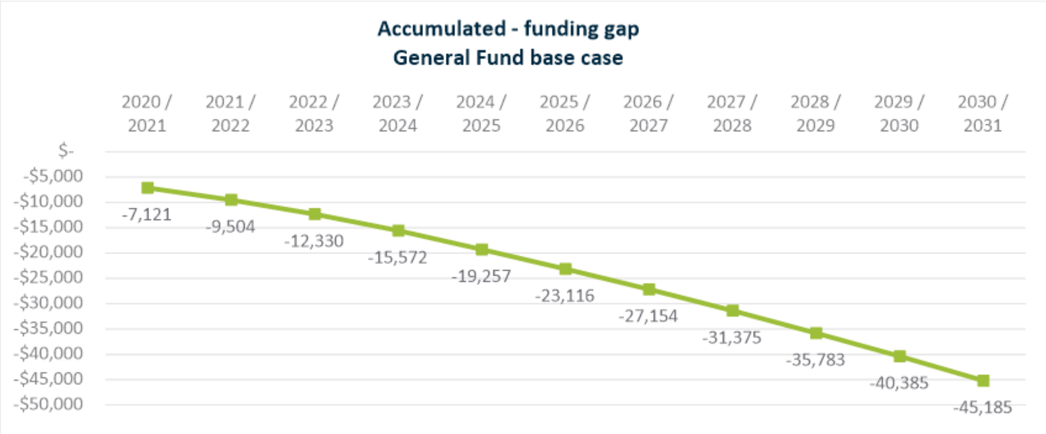
- securing additional operating grants or other revenue streams
- a special rate variation
- adjusting user fees and charges and achieving cost savings through staff reductions or implementation of alternative operating and service delivery models.

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,[1] 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.

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.

[1] 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.

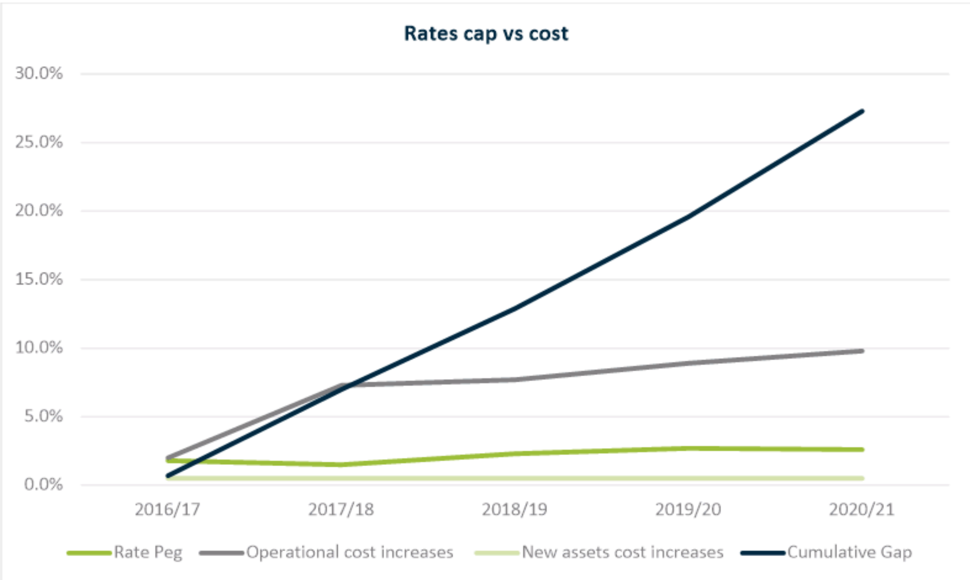
- **Cost shifting** comes in two main forms, the transfer of responsibilities and increased compliance costs and responsibilities imposed on local government by state government.

  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

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
Closing the gap through • asset rationalisation • change service levels • reduced services • increased fees and charges	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.
Special rate variation	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.

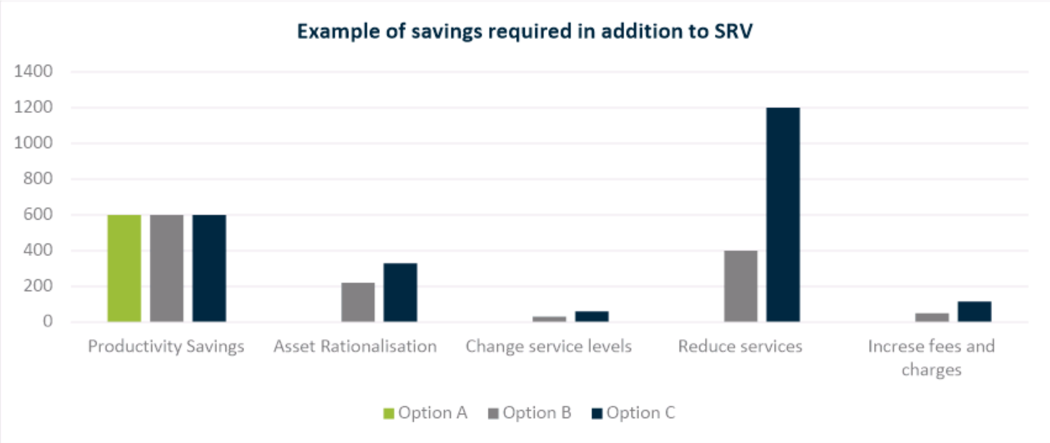
Option B - example comprises:

- 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.

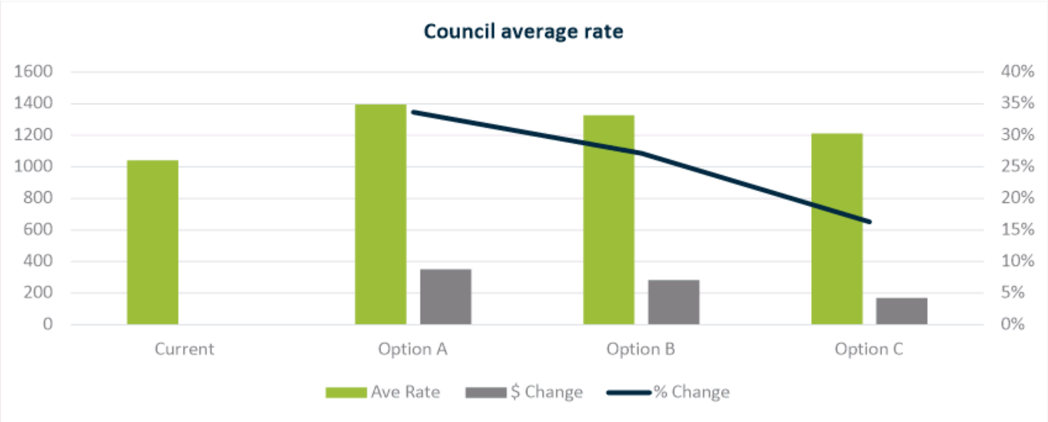
Option C - example comprises:

- 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
- 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	**Tumbarumba Office** (Monday to Friday 8.30am to 4.30pm) - Bridge Street, Tumbarumba. **Tumut Office** (Monday to Friday 8.30am to 4.30pm) - 76 Capper Street, Tumut.	info@svc.nsw.gov.au

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.

Snowy Valleys Council
Background Paper - Financial Situation

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

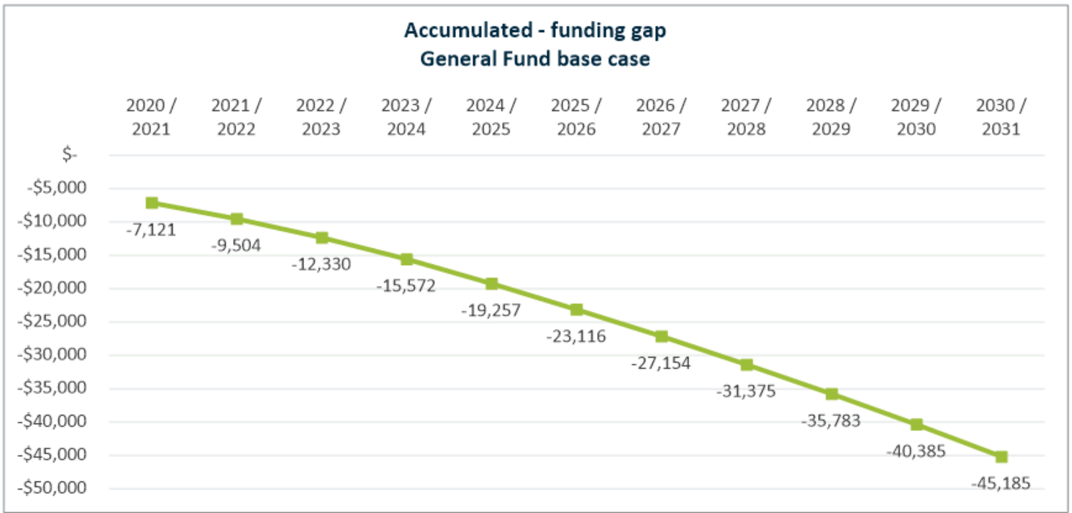
The Council is producing deficit net operating results whilst maintaining, and in a lot of instances, expanding and improving services. Despite delivering efficiencies, Council has continued to produce significant operating losses. Contributing factors to this are detailed in the next section. In the 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[1] 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.



[1] 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.[2]

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 Tumbarumba, 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.

[2] 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

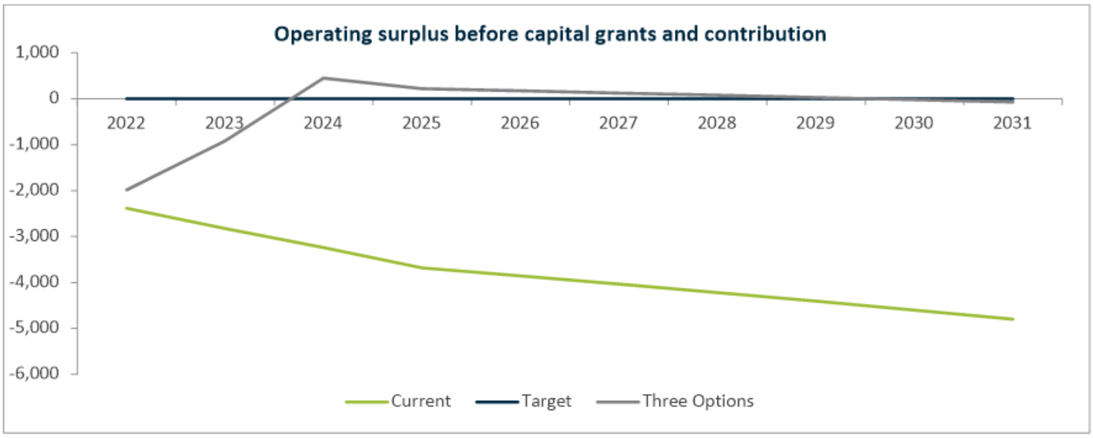
Currently the General Fund operation has an estimated ten-year financial gap of $45 million. For 2021/21 there is an estimated operating deficit of $2.4 million, increasing to $4.8 million in 2030/31, with each year having a deficit result. The likelihood is that this position could get worse, with the 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[3] 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.

[3] Productivity gains will result in a $600,000 saving in staff costs.

These options are:

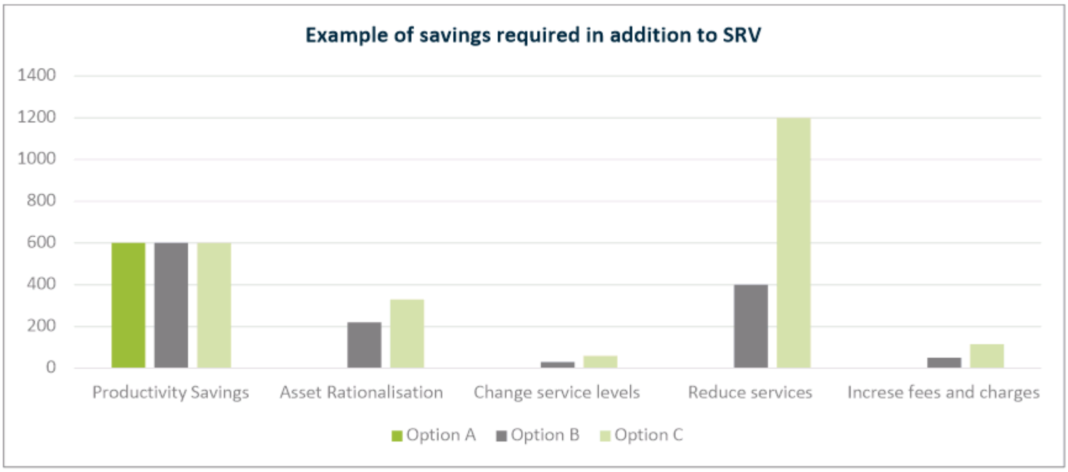
1. Asset rationalisation - selling or disposing of underutilised/redundant building assets will avoid ongoing maintenance and depreciation costs. Council has identified a range of underutilised or redundant building assets with a value of $9.7 million. If Council disposed of $2.25 million of assets it 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: • asset rationalisation • change service levels • reduced services • increased fees and charges.	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.

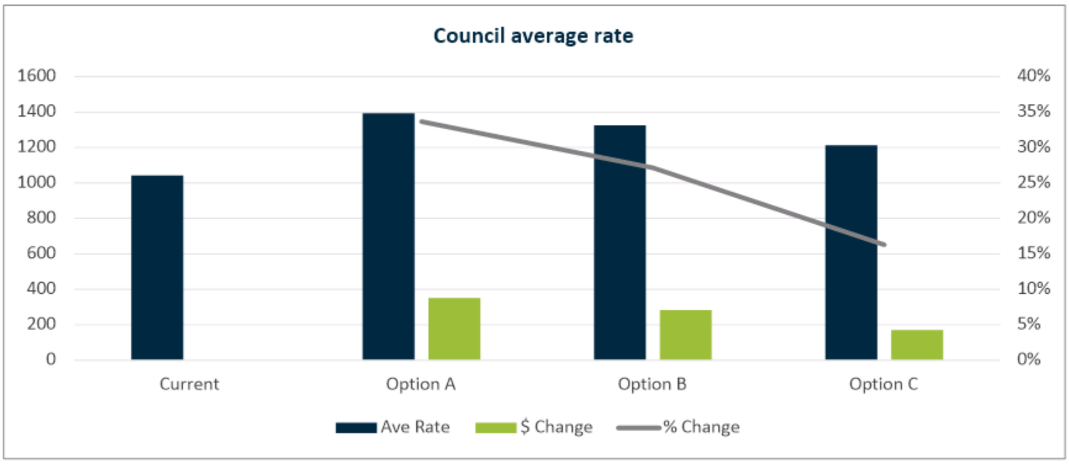
Option B - example comprises:

- 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.



Snowy Valleys Council
Background Paper - Assessment of Options

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 that 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 B SRV community presentation

Snowy Valleys Council

Online Engagement - Financial Sustainability and Special Rate Variation

July and August 2021

MorrisonLow

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.

MorrisonLow

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.

MorrisonLow

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.

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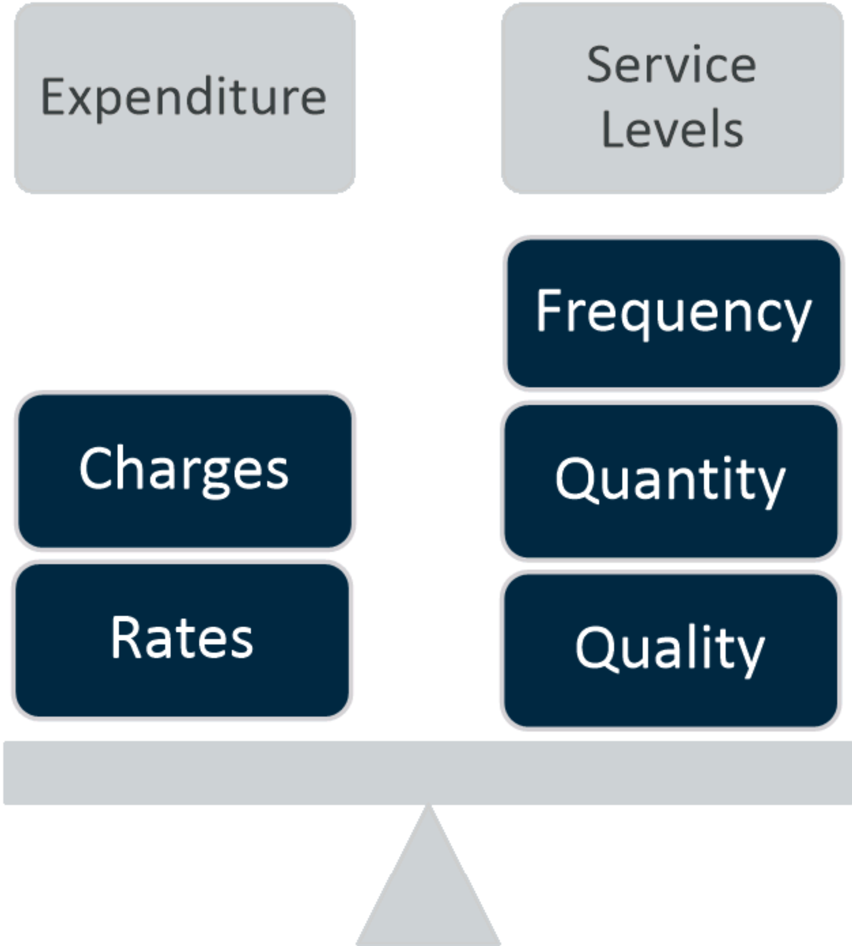
This engagement is about



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.

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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.

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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.

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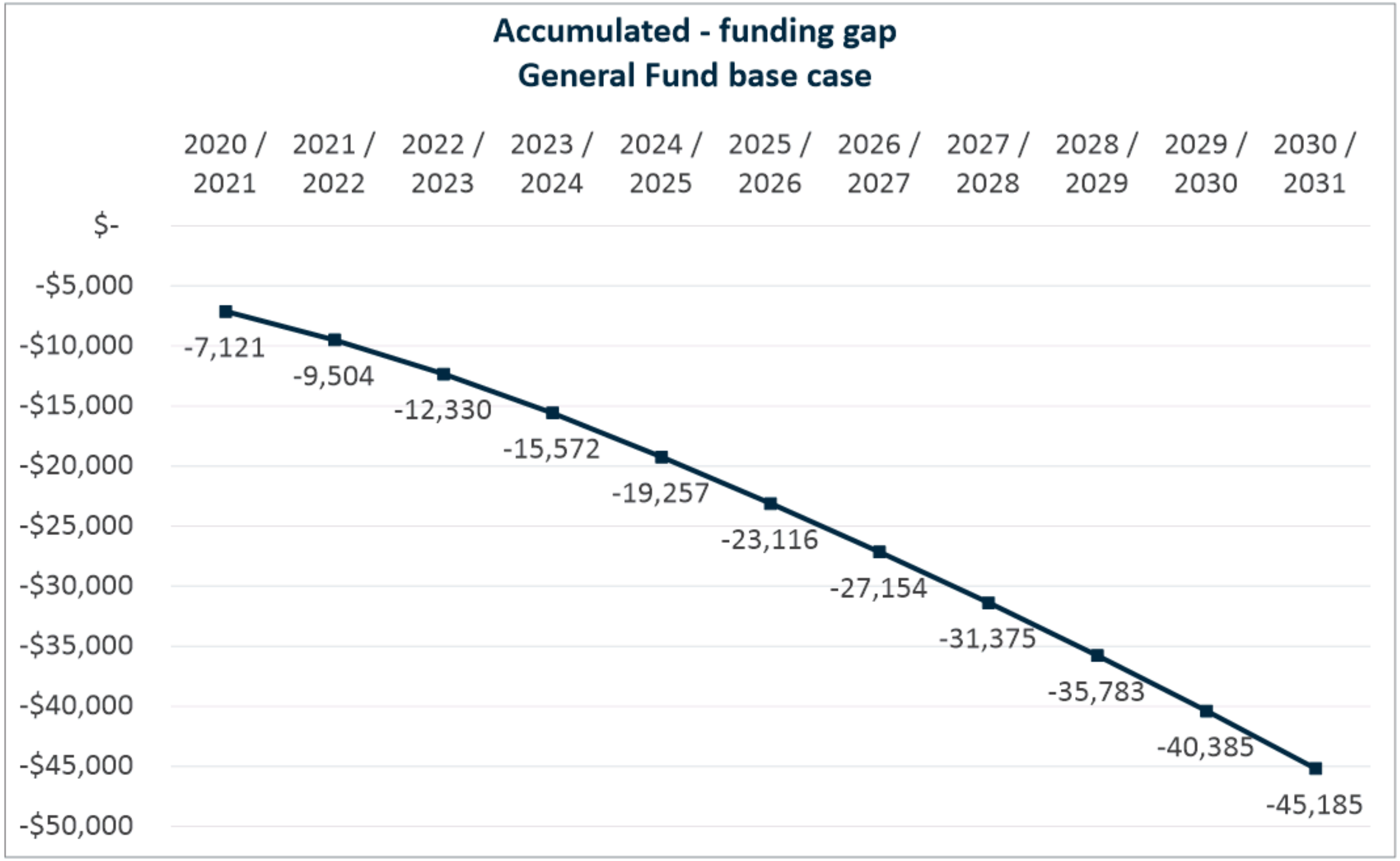
Council financial position



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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.

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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.

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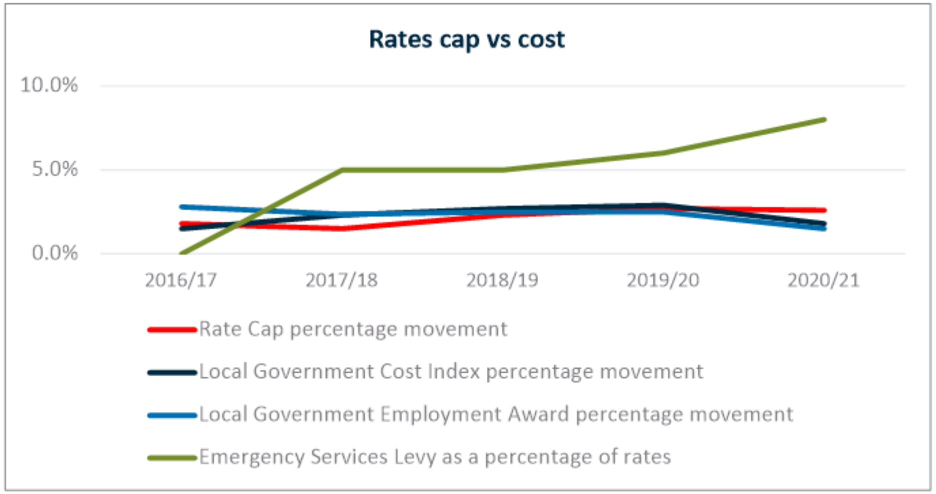
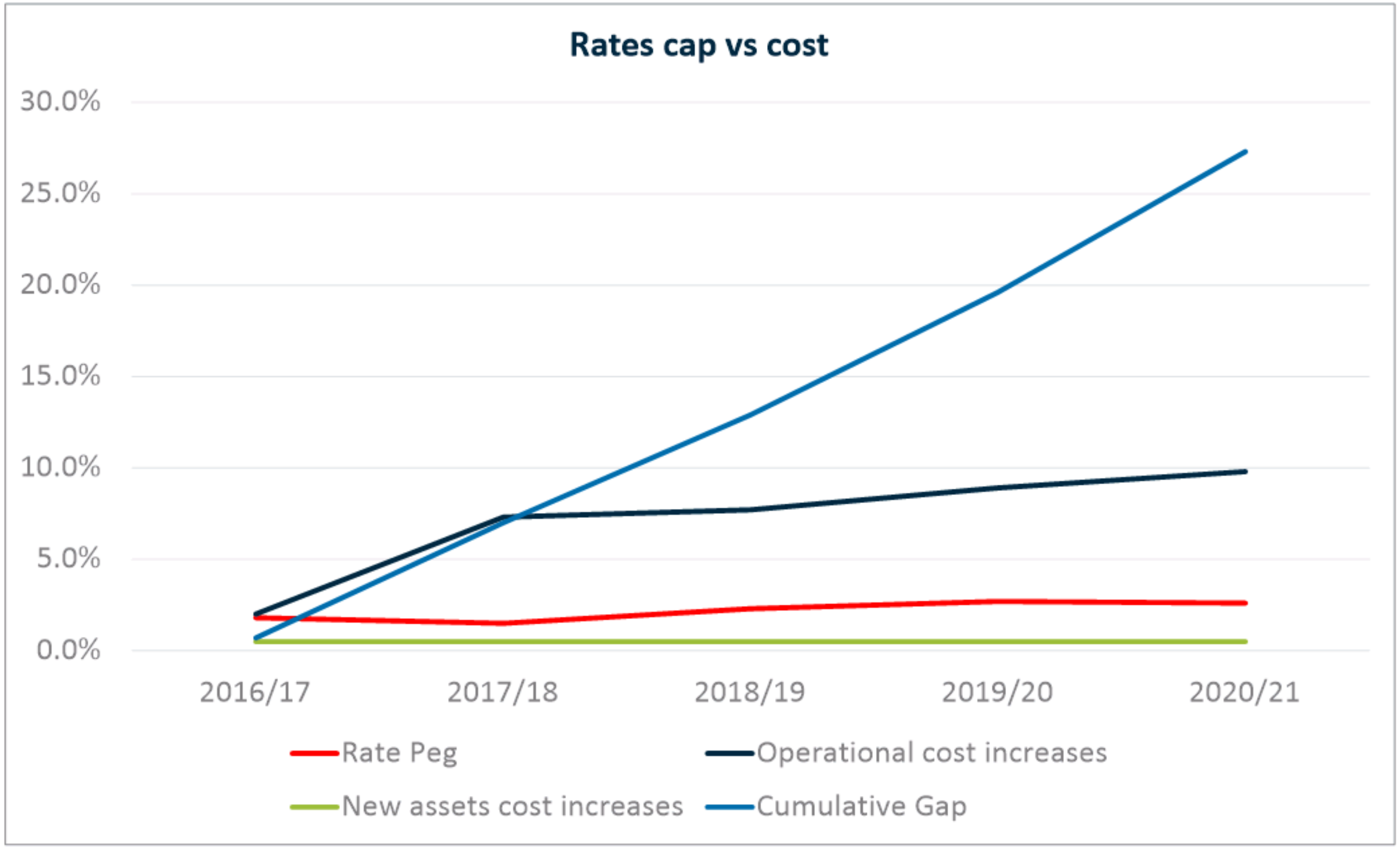
Special rate variation

- 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.

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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.

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What these options could involve

	Option A	Option B	Option C
Closing the gap through • asset rationalisation • change in service levels • reduced services • increased fees and charges	No service changes with a productivity saving of $600,000.	$600,000 productivity savings + savings of **$700,000** over 3 years from a combination of closing the gap options.	$600,000 productivity savings + savings of **$1.7 million** over 3 years from a combination of closing the gap options.
Special rate variation	An SRV of **32.25%** compounded spread over 2 years (15%+15%).	Plus an SRV of **26.66%** compounded spread over 2 years (12.5%+12.5%).	Plus an SRV of **15.56%** compounded spread over 2 years (7.5%+7.5%).

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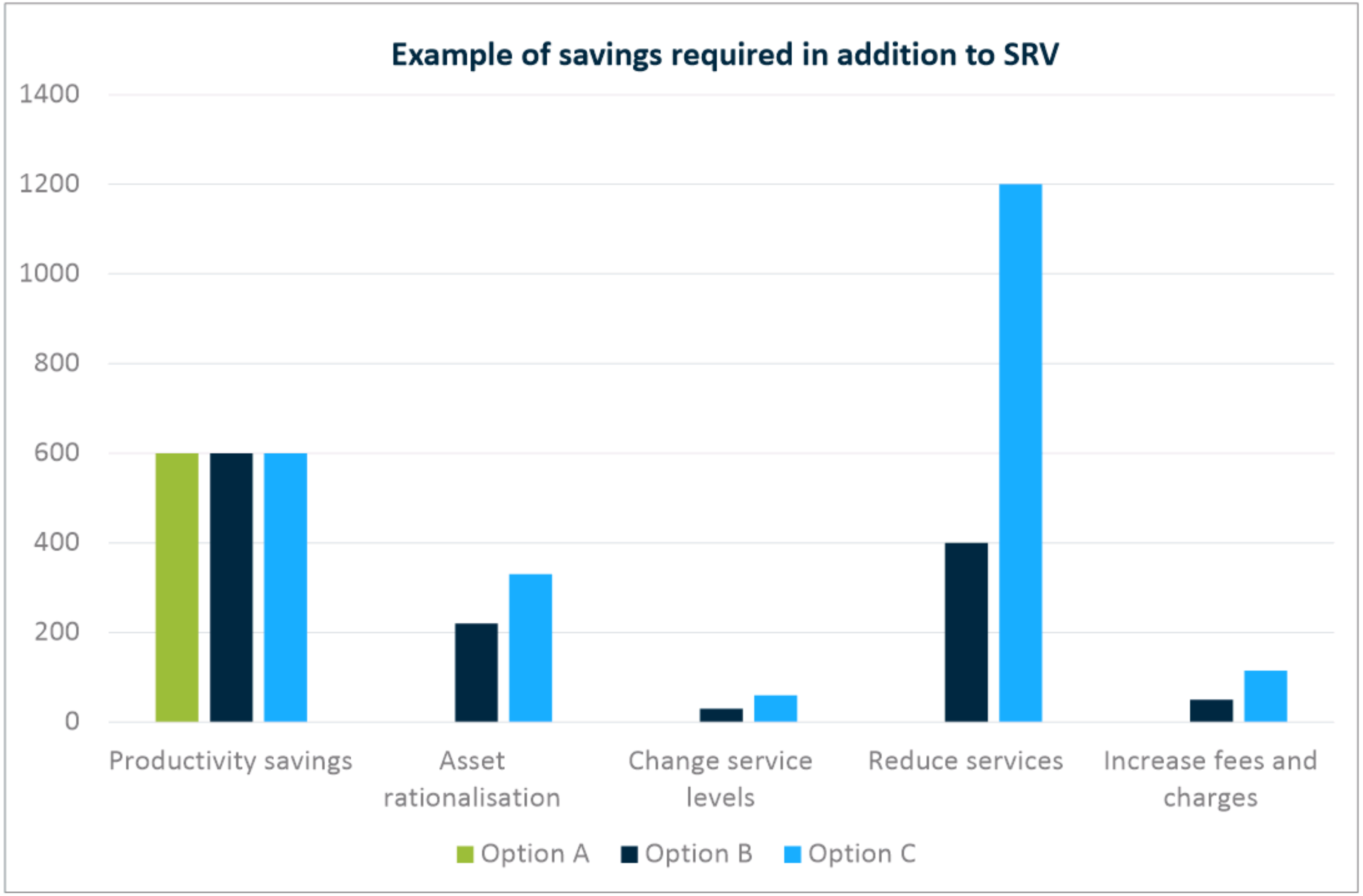
Example of closing the gap



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.

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What these options could involve

	Option A	Option B	Option C
Closing the gap through • **asset rationalisation** • change in service levels • reduced services • increased fees and charges	No service changes with a productivity saving of $600,000.	$600,000 productivity savings + savings of **$700,000** over 3 years from a combination of closing the gap options. **$220K**	$600,000 productivity savings + savings of **$1.7 million** over 3 years from a combination of closing the gap options. **$330K**
Special rate variation	An SRV of **32.25%** compounded spread over 2 years (15%+15%).	Plus an SRV of **26.66%** compounded spread over 2 years (12.5%+12.5%).	Plus an SRV of **15.56%** compounded spread over 2 years (7.5%+7.5%).

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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.

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What these options could involve

	Option A	Option B	Option C
Closing the gap through • asset rationalisation • **change in service levels** • reduced services • increased fees and charges	No service changes with a productivity saving of $600,000.	$600,000 productivity savings + savings of **$700,000** over 3 years from a combination of closing the gap options. **$30K**	$600,000 productivity savings + savings of **$1.7 million** over 3 years from a combination of closing the gap options. **$60K**
Special rate variation	An SRV of **32.25%** compounded spread over 2 years (15%+15%).	Plus an SRV of **26.66%** compounded spread over 2 years (12.5%+12.5%).	Plus an SRV of **15.56%** compounded spread over 2 years (7.5%+7.5%).

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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.

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What these options could involve

	Option A	Option B	Option C
Closing the gap through • asset rationalisation • change in service levels • **reduced services** • increased fees and charges	No service changes with a productivity saving of $600,000.	$600,000 productivity savings + savings of **$700,000** over 3 years from a combination of closing the gap options. **$400K**	$600,000 productivity savings + savings of **$1.7 million** over 3 years from a combination of closing the gap options. **$1.2M**
Special rate variation	An SRV of **32.25%** compounded spread over 2 years (15%+15%).	Plus an SRV of **26.66%** compounded spread over 2 years (12.5%+12.5%).	Plus an SRV of **15.56%** compounded spread over 2 years (7.5%+7.5%).

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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 and 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
Closing the gap through • asset rationalisation • change in service levels • reduced services • **increased fees and charges**	No service changes with a productivity saving of $600,000.	$600,000 productivity savings + savings of **$700,000** over 3 years from a combination of closing the gap options. **$50K**	$600,000 productivity savings + savings of **$1.7 million** over 3 years from a combination of closing the gap options. **$110K**
Special rate variation	An SRV of **32.25%** compounded spread over 2 years (15%+15%).	Plus an SRV of **26.66%** compounded spread over 2 years (12.5%+12.5%).	Plus an SRV of **15.56%** compounded spread over 2 years (7.5%+7.5%).

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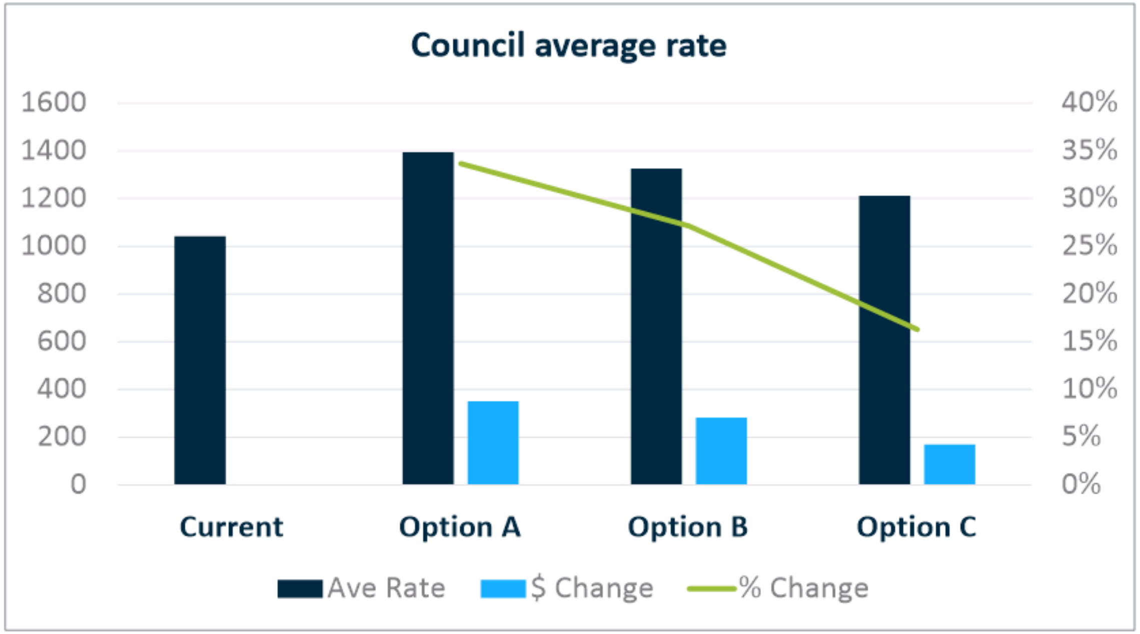
Impact on average rates



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

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Rates notice

Snowy Valleys Council
76 Capper Street Tumut NSW 2720

RATES ANNUAL NOTICE
1 July 2021 to 30 June 2022

Snowy Valleys Council
ABN 53 558 891 887
Phone: 1300 ASK SVC (1300 275 782)
Email: info@svc.nsw.gov.au

Tumut Office
76 Capper Street, Tumut NSW 2720

Tumbarumba Office
Cnr Bridge and Winton Street, Tumbarumba NSW 2653

PLEASE NOTIFY THE COUNCIL IF THIS MAILING ADDRESS IS INCORRECT

LIVERPOOL BC NSW 1871

Please notify Council of any changes to your mailing address

PROPERTY NUMBER

ISSUE DATE
29/06/2021

DUE DATE
31/05/2021

DESCRIPTION & LOCATION OF PROPERTY
BATLOW NSW 2730 LPT1 DP

VALUATION	VALUATION DATE	AREA	CLASS
35,600	1/07/2020	0.1368 ha	Residential Standard Dwelling

DESCRIPTION	UNITS	RATE / CHARGE	AMOUNT
Ordinary Residential Rate	35600	Minimum Levy	$554.00
Sewer Access Charge (Domestic)	1	$730.00	$730.00
Water Access Charge - 20mm	1	$144.00	$144.00
* Waste Access Charge	1	$55.00	$55.00
Domestic Waste Service	1	$460.00	$460.00
Goods & Service Tax - $5.00			

Simple daily interest is charged at 7% on overdue amounts

1ST INSTALMENT	2ND INSTALMENT	3RD INSTALMENT	4TH INSTALMENT	DEDUCT PAYMENTS SINCE	NETT PAYABLE
$485.00 31/08/2017	$486.00 30/11/2017	$486.00 28/02/2018	$486.00 31/05/2018	18/04/2021	$1,943.00

MATTHEW HYDE
CHIEF EXECUTIVE OFFICER

Name
Property Number 02541
Total Due $1,943.00
Due Date 31/05/2021

Post Billpay Pay in person at any post office

*4242 10000632

To have your notices emailed
Register at svc.enotices.com.au
Reference No: DAD191211R

BPAY
Biller Code: 137216
Ref: 10000632

BPAY® this payment via internet or phone banking
BPAY View® – view and pay this bill using internet banking
BPAY View Registration No.: 10000632

See reverse for more details

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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
Closing the gap through • asset rationalisation • change in service levels • reduced services • increased fees and charges	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.
Special rate variation	An SRV of **32.25%** compounded spread over two years (15%+15%).	Plus an SRV of **26.66%** compounded spread over two years (12.5%+12.5%).	Plus an SRV of **15.56%** compounded spread over two years (7.5%+7.5%).

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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 it 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 chargers by 25%.
- These actions when combined together would save $4.5 million.

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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.
- 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.

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.

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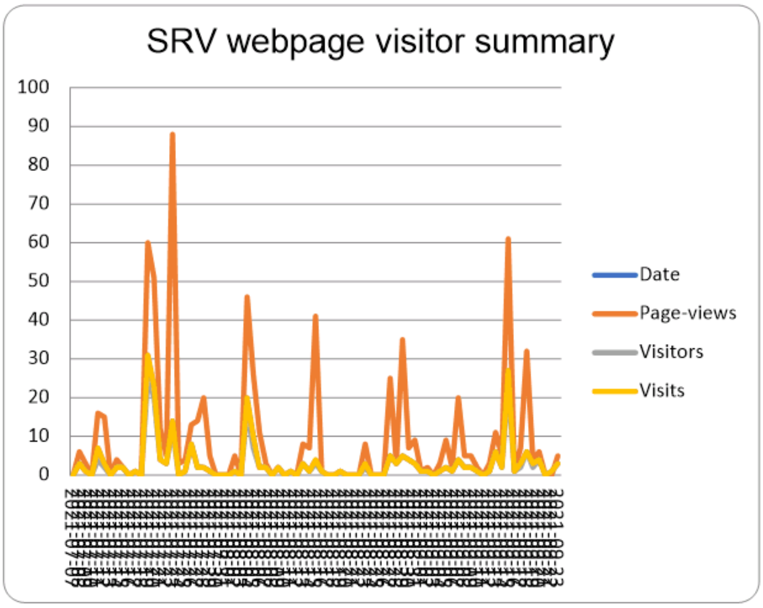
Questions?

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

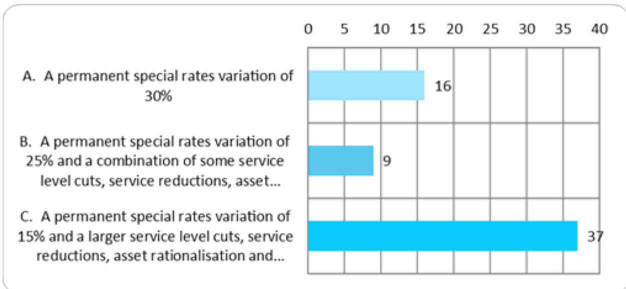
[redacted]

Appendix C 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



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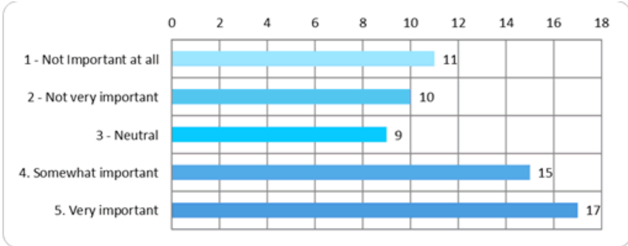
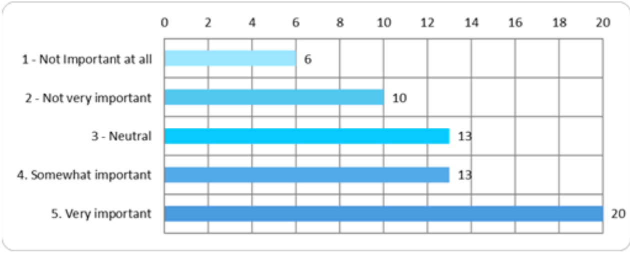
In addition to finding $600,000 per year in productivity savings within the organisation of Council, the following four options can also be considered to close the funding gap and reduce the amount of any SRV: asset rationalisation, change service levels, reduce services, increase fees and charges. To 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.

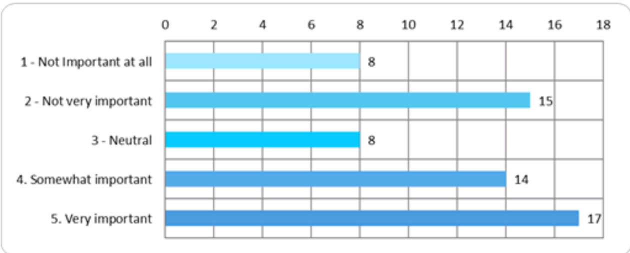
How important is it to you for Council to maintain the current range of assets provides?	
1 - Not Important at all	11
2 - Not very important	10
3 - Neutral	9
4. Somewhat important	15
5. Very important	17



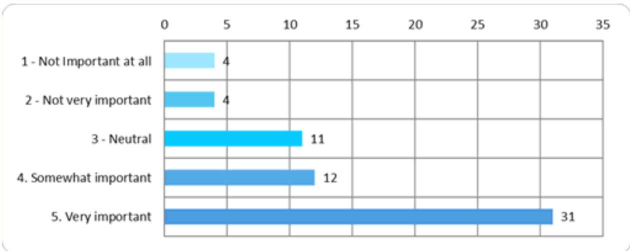
How important is it to you for Council to maintain current levels of service?	
1 - Not Important at all	6
2 - Not very important	10
3 - Neutral	13
4. Somewhat important	13
5. Very important	20



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
What is your feedback?
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.
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 prudency. 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 and is not expected to act and function like one. 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. 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. 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. 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. 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.
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.

Survey response
What is your feedback?
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. 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". I sincerely hope Morrison Law will not use these poorly attended Zoom meetings as community consultation" and forward the survey results to IPART.
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. 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.
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.
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 in inevitable. There is one question I would like to ask and that is in regard to the land that is currently owned by: National Parks & Wildlife Service (NSW Government) NSW State Forrest's Any land that is or has been planted to pines within the shire boundary. Do these landowners - Government, Companies or Private pay rates to Snowy Valleys Council If not why not ? 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. 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?
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 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
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%. Sell off the assests not needed but do not put works and sevices out to contract keep them within SVC. Having been employed by local Government and private industry (BHP) over the years contracters up there costs as soon as it is an Government contract with poor quality and workmanship. I have seen this all before. 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.
Reduction in opening hours of most libraries within the council area. In regard to Adelong & Talbingo libraries consideration should be given to mobile delivery. Community Development activities perhaps attendees be charge a fee.

Survey response
What is your feedback?
Option c .We're all feeling the pain . Time you guys tightened your belts.
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.
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?
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 OPTION A - NO OPTION B - NO OPTION C - yes
Council are dealing with unprecedented times with drought, fires, floods & 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 & wisely choose what projects need to be done & what can wait or are unnecessary at this time. Thankyou for the opportunity to express my concerns.

Appendix D Summary of SRV related feedback to IP&R engagement

Submission Summary
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
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.
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.
The Long Term Financial Plan, even with the proposed increases in rates, does not project a satisfactory financial position.
Does not approve of the 25% general rate increase. Does believe that Council has found a way to effectively engage the whole community
Does not support the IP&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.
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.

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.

MorrisonLow

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, firesand high cost of living. Had the Council asked the community for a one off payment it may hae 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 du to the inadequacy of this and other consutants. 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 possibly 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 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 Tumbarumba. 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 preferrable 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 embank on such projects to otherwise increase spending in this area. Reducing these activities is preferable to increasing the rates.

Capacity to Pay

Snowy Valleys Council

August 2021

Document status

Job #	Version	Approving Director	Date
7545	1 - Draft	G Smith	July 2021
	2 - Final	G Smith	August 2021

Contents

Executive summary **1**

Introduction **2**

Background **3**

Methodology **4**

Areas of social disadvantage **5**

- Service age groups 5
- Household types 6
- Housing tenure 7
- Equivalised household income 8
- Socio-economic index 10

Vulnerable groups or individuals **12**

- Workforce status 12
- Core assistance 15
- Housing stress 15

Trends in cost of living **17**

COVID-19 **18**

- Economic impact on industry 18
- Impact on residents 19

Discussion **20**

Proposed special rate variation impacts **21**

Conclusion **23**

Appendix A Resident Worker Industries (2016 Census) **24**

Figures

Figure 1 Snowy Valleys Council areas 3
Figure 2 Service age groups 5
Figure 3 Household composition 6
Figure 4 Equivalised household income 9
Figure 5 ABARES - bushfire affected plantation regions 14
Figure 6 Housing stress area comparison 16
Figure 7 COVID-19 impact on resident employment 19
Figure 8 Visitor expenditure - relative to past year 20
Figure 9 SRV options 21
Figure 10 Snowy Valleys LGA rates harmonisation - land values by former LGA 22

Tables

Table 1 Area summary 1
Table 2 Snowy Valleys Council area summary 3
Table 3 Service age rankings 5
Table 4 Snowy Valleys Council housing tenure 7
Table 5 Regional comparison of equivalised household income 10
Table 6 Regional SEIFA scores and percentiles 11
Table 7 Area level SEIFA scores and percentiles 11
Table 8 Community workforce status 12
Table 9 Forestry and Logging ABS Direct Industries 13
Table 10 Summary - Socio-economic impacts of the softwood – NSW DPILFD 13
Table 11 Number of people requiring core assistance 15
Table 12 Breakdown of housing stress in regions 15
Table 13 Housing stress by region 16
Table 14 Five-year comparison of cost of living in Snowy Valleys LGA 17
Table 15 COVID-19 economic output 18
Table 16 SRV impacts on median land value 22

Executive summary

Snowy Valleys Council ('Council') is currently in a difficult position whereby the organisation is financially unsustainable at current levels of income and expenditure. While Council has been actively undertaking initiatives to improve this position, it is unlikely that these alone will be sufficient to address the core issues in the long term. As such Council is currently in the process of reviewing a potential special rate variation (SRV) and what the impact on the community may be. This report puts due emphasis on the capacity to pay principle; given that some ratepayers have more ability to pay rates than others.

This report provides an analysis and evaluation of relative wealth and financial capacity; it looks at the financial vulnerability and exposure of different community groups within the local government area (LGA). The key findings are summarised in table 1.

Table 1 Area summary

Area	Findings
Adelong and Surrounds	• Highest proportion of family households as well as the largest proportion of young residents under the age of 18 • High levels of home ownership • Largest middle class with respect to equivalised household income
Batlow and Surrounds	• Highest proportion of retirees amongst the LGA areas • Lowest level of equivalised household income within the LGA • Highest proportion of residents requiring assistance
Tumbarumba - Khancoban	• Largest proportion of residents in the workforce or of working age • Highest proportion of households with children • Second highest level of equivalised household income within the LGA
Tumut Surrounds - Talbingo	• Second highest proportion of family households • High levels of home ownership • Highest level of equivalised household income within the LGA • Lowest proportion of households under housing stress
Tumut	• Second highest proportion of working age residents • Largest proportion of 'at risk' households • Highest level of social housing within the LGA • Second lowest overall level of equivalised household income • Highest proportion of households under financial household stress

Further, in consideration of the impact of the SRV, Council should also factor in the recent bushfires as well as the current ongoing COVID-19 pandemic. The SRV impact analysis shows that, on average, there will be larger increases in the former Tumut LGA due to the relative higher value of land.

Introduction

Snowy Valleys Council's financial position is unsustainable at current levels of income and expenditure. Council has been making significant changes to become sustainable however it is unlikely that these initiatives alone will be sufficient in the long term. As such council is currently exploring avenues to address the current financial challenges, one of which is a permanent SRV. A number of factors are considered when determining the size and need for and SRV including, equity, efficiency and capacity to pay. This report puts due emphasis on the capacity to pay principle given that some ratepayers have more ability to pay rates than others.

This report provides an analysis and evaluation of relative wealth and financial capacity; it looks at the financial vulnerability and exposure of different community groups within the LGA.

Key considerations include:

- regions of social disadvantage
- particularly vulnerable groups of individuals
- patterns of household expenditure
- impacts on industry (including COVID-19).

These findings will then be compared to proposed rate increases to identify whether there are any groups or individuals that are being particularly impacted and/or marginalised.

Data for this review was obtained from the following sources:

- Australian Bureau of Agricultural and Resource Economics and Sciences, L. Whittle, *Analysis of Effects of bushfires and COVID-19 on the forestry and wood processing sectors*, Canberra, 2020.
- Australian Bureau of Statistics, *2016 Census Data*, 'Data by Regions'.
- Housing and Homelessness Policy Consortium (ACT Shelter, ACTCOSS, Women's Centre for Health Matters, Youth Coalition of ACT), 'Snapshot: Housing stress and its effects', Canberra, February 2016.
- NSW Department of Primary Industry, University of Canberra, Forest & Wood Products Australia, *Socio-economic impacts of the softwood plantation industry in the Southwest Slopes and Bombala region, NSW*, May 2017.
- Profile ID - Snowy Valleys Council community/social/economic profiles.
- Spendmapp - Snowy Valleys Council.

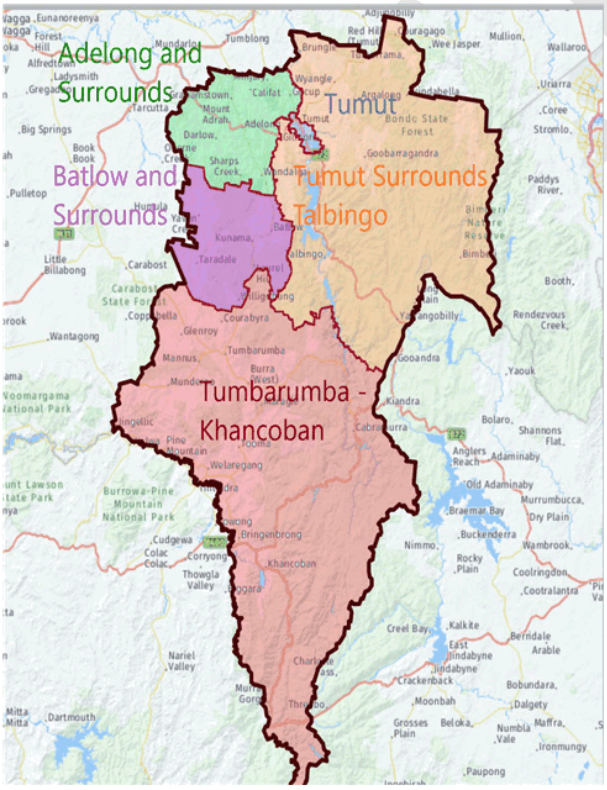
Background

Snowy Valleys Council is divided into five regional areas. Council is looking to ensure that through the special rates variation process, community groups are not significantly disadvantaged and that relative equity is promoted as each region has differing economic and socio-economic profiles. A summary of the areas has been provided in the following table 2 and figure 1 below.

Table 2 Snowy Valleys Council area summary

Areas	Population (20)
Snowy Valleys Council	**14,353**
Adelong and Surrounds	1,529
Batlow and Surrounds	1,576
Tumbarumba - Khancoban	3,360
Tumut Surrounds - Talbingo	1,604
Tumut	6,284

Figure 1 Snowy Valleys Council areas



Methodology

Our methodology in examining the relative wealth between the different areas focuses on the following:

- **Areas of social disadvantage**

  We will first look into the different characteristics and make up of each area to determine whether there are any particular areas of social disadvantage. This will include an investigation into:

  - the age structure of each region
  - the typical make up of each household
  - household income, including the effect of dependants
  - SEIFA rankings.

- **Particularly vulnerable groups of individuals**

  We will then investigate whether there are any particular groups within each area that, despite the overall wealth of the area, would be particularly vulnerable and affected by a change in rates. These include:

  - property owners
  - persons who have or need core assistance
  - individuals who are currently unemployed
  - households currently under housing stress
  - pensioners.

- **Patterns in household expenditure**

  We will then examine trends in household expenditure and discuss what impacts they may have on an individual's ability to pay.

- **Impacts of COVID-19**

  Next, we will look into the impact that the global pandemic COVID-19 has had on industries and residents within the Snowy Valleys LGA.

We will then compare these findings to the proposed rating variation to determine whether there are any particular groups or individuals that would be significantly impacted.

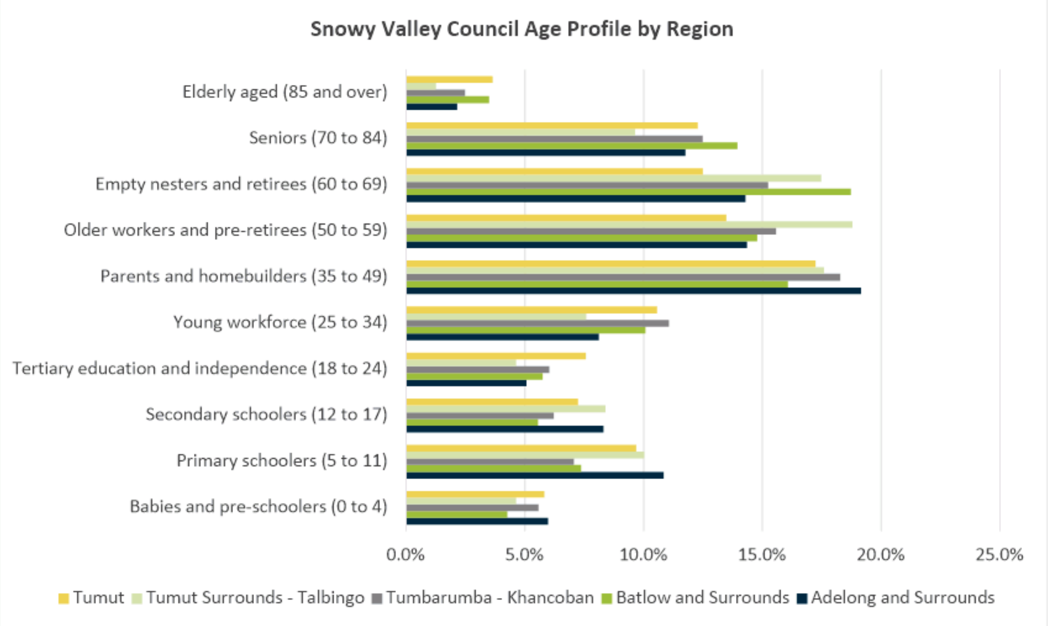
Areas of social disadvantage

Each area has differing demographic characteristics and we first want to identify 'who are the people' that make up each area, 'what do they do' and 'how do they live'.

Service age groups

Age profiles are used to understand the demand for aged-based services as well as the income earning status of the population. Data has been broken into groups which are reflective of typical life stages. This provides insight into the number of dependants, size of the workforce and number of retirees in each area.

Figure 2 Service age groups



Grouping these results in terms of the following categories (dependants, workforce, and retirees) and ranking them in terms of proportion of population (with 1 representing the largest proportion) generates the following results.

Table 3 Service age rankings

Rank	Adelong and Surrounds	Batlow and Surrounds	Tumbarumba - Khancoban	Tumut Surrounds - Talbingo	Tumut
Dependants	1	5	4	2	3
Working age	4	5	1	3	2
Retirees	5	1	2	4	3

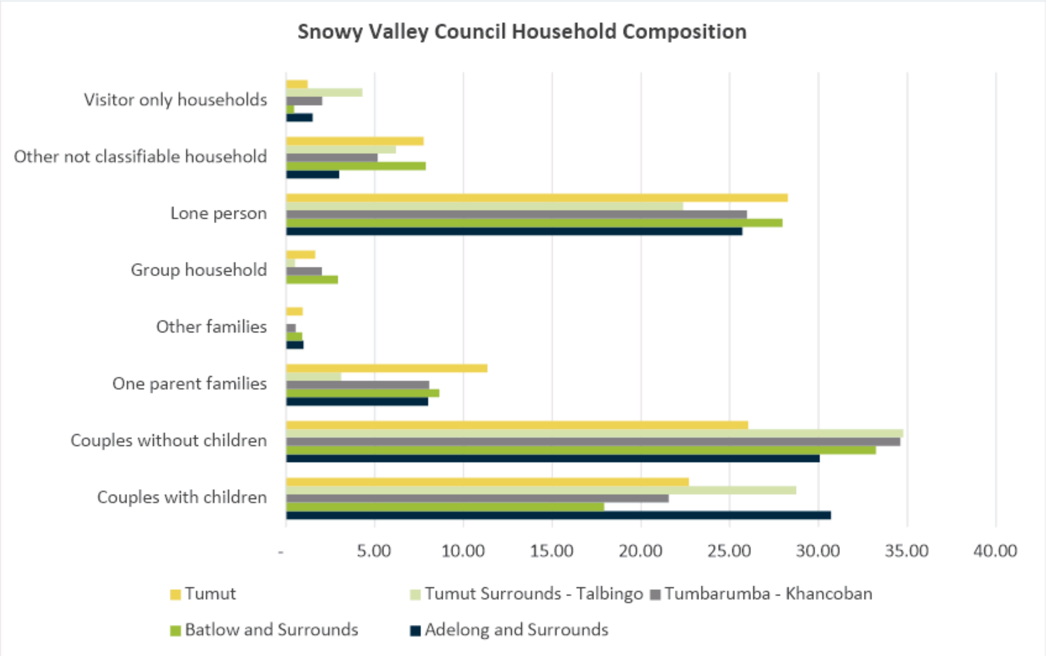
From these results we observe the following:

- We observe that the population centres of Tumbarumba/Khancoban and Tumut have the largest proportion of residents within the working age demographic group, in particular the highest proportion of residents in the young workforce.
- In contrast, we observe that Batlow and Surrounds had a significant portion of residents over the age of 60 relative to the other areas.
- Interestingly, we also observe that Adelong and Surrounds and the Tumut Surrounds areas have a significantly higher proportion of persons 18 and under, than all other areas within the LGA.

Household types

Alongside the age structure of each region, it is important to determine the typical trends in the make-up of households. This provides a more complete picture of the people, families and communities in each area. A summary of household type is provided in the figure below.

Figure 3 Household composition



The 'lone person' and 'one parent family' households are considered to be more vulnerable to the impacts of rate increases due to a reduced/singular income stream. Combining these categories together into an 'at risk' group shows that there is a greater proportion of at-risk households in Tumut, with 39.6% of total households, which is just under 6% higher than LGA average of around 34%. This has been primarily driven by the significant proportion of lone individual households and single parent households within the region. Conversely, we observe that Tumut Surrounds - Talbingo and Adelong and Surrounds have a higher proportion of households with children, which aligns with the demographic age profile of the region's indicative of a large proportion of families with children in primary and secondary school.

Housing tenure

By observing housing tenure levels in the community, we are able to identify which areas would be most impacted by a change in council rates, i.e. the direct impact of a change in rates will be felt by homeowners whereas renters may experience an indirect increase/decrease dependant on their lease agreement/decisions of their landlord. Furthermore, individuals in social housing are unlikely to be impacted by a change in rates.

Table 4 Snowy Valleys Council housing tenure

Age groups number	Adelong and Surrounds	Batlow and Surrounds	Tumbarumba - Khancoban	Tumut Surrounds - Talbingo	Tumut
Fully owned	49%	44%	43%	44%	34%
Mortgage	32%	29%	24%	30%	27%
Renting - Total	**13%**	**18%**	**23%**	**15%**	**28%**
Renting - social housing	1%	2%	2%	1%	6%
Renting - private	12%	15%	20%	14%	22%
Renting - not stated	1%	1%	1%	0%	1%
Other tenure type	0%	1%	0%	1%	1%
Not stated	6%	10%	10%	10%	10%
Total households	**100%**	**100%**	**100%**	**100%**	**100%**

Table 4 highlights that homeownership levels are higher outside of the urban centres, with total ownership in Tumut and Tumbarumba at 61% and 67% respectively, below the LGA average of around 71%. Naturally we then observe the largest proportion of renters in the urban centres, however of note is that 6% of households in Tumut are attributed to social housing, this is well above the LGA average of around 2%.

Equivalised household income

Equivalised household income can be viewed as an indicator of the economic resources available to a standardised household. It is calculated by dividing total household income by an equivalence factor. The factor is calculated in the following way:

- first adult = 1
- each additional adult + child over 15 = + 0.5
- each child under 15 = + 0.3.

Dividing by the equivalence factor, household income becomes comparable to that of a lone individual, thereby making households with dependants and multiple occupants comparable to those without. By factoring in dependants into household incomes we are provided with a better indicator of the resources available to a household.

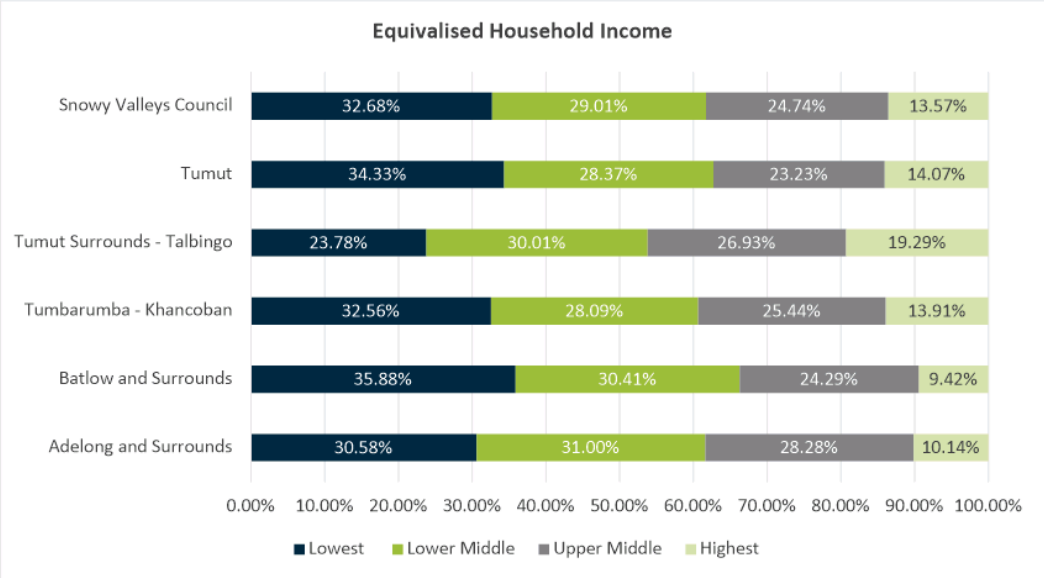
As this is a relative comparison, data has been presented in quartiles; regions of disadvantage will have a higher proportion of households in the bottom two quartiles than those of greater wealth and advantage. These quartiles were determined by reviewing the distribution of household incomes within NSW and then dividing them into four equal groups or quartiles.

The data has been presented in ranges for the following equivalised weekly income levels:

- Lowest: $0 - $497 – this range is representative of the bottom 25% of all equivalised household incomes in NSW.
- Medium lowest: $498 - $891 – this range is representative of the bottom 25% - 50% of all equivalised household incomes in NSW.
- Medium highest: $892 - $1,464 – this range is representative of the top 25% - 50% of all equivalised household incomes in NSW.
- Highest: $1,465 and over – this range is representative of the top 25% of all equivalised household incomes in NSW.

Figure 4 summarises the equivalised household income ranges for each area.

Figure 4 Equivalised household income



We can make the following observations from the data:

- Tumut Surrounds - Talbingo had the highest proportion of households in the highest income brackets (46.21%).
- Relative to the other areas, Batlow and Surrounds had a disproportionate percentage of households in the lowest income brackets (66.29%).
- The other three areas of Adelong and Surrounds, Tumbarumba – Khancoban and Tumut had relatively even distribution of household incomes and income profiles.
- Ranking of areas by greatest disadvantage (percentage of households in lower brackets):
  - 1 – Batlow and Surrounds 2 – Tumut 3 – Adelong and Surrounds 4 – Tumbarumba - Khancoban 5 – Tumut Surrounds – Talbingo.
- Ranking of areas by greatest middle class (percentage of households in middle brackets):
  - 1 – Adelong and Surrounds 2 – Tumbarumba - Khancoban 3 – Batlow and Surrounds 4 – Tumbarumba - Khancoban 5 – Tumut.
- Ranking of areas by advantage (percentage of households in upper brackets):
  - 1 – Tumut Surrounds – Talbingo 2 – Tumbarumba - Khancoban 3 – Adelong and Surrounds 4 – Tumut 5 – Batlow and Surrounds.

Table 5 Regional comparison of equivalised household income

Area	Snowy Valley Council	Canberra Region	Regional NSW	NSW
Lowest	32.68%	27.60%	30.60%	25.00%
Lower middle	29.01%	28.00%	29.20%	25.00%
Upper middle	24.74%	24.70%	24.10%	25.00%
Highest	13.57%	19.70%	16.10%	25.00%

From table 5 we observe that Snowy Valleys Council is generally in line with Regional NSW, with a minor shift from the highest income bracket to the lowest observed.

Socio-economic index

The Socio-Economic Indexes for Areas (SEIFA) is an economic tool developed by the Australian Bureau of Statistics (ABS) to rank areas in Australia according to their relative socio-economic advantage and disadvantage. It takes into consideration a broad range of variables such as income, education, employment, occupation, housing, etc and is standardised such that the average Australian represents a score of 1000.

In our research we explored two of the indexes published by the ABS:

- **Index of Relative Socio-Economic Disadvantage (IRSD)**

  This index ranks areas from most disadvantaged to least disadvantaged, i.e. a lower score will have a greater proportion of relatively disadvantaged people in the area.

  From this score however you cannot conclude whether a high-ranking area will have a large portion of relatively advantaged people, just that it has a low proportion of disadvantage.

- **Index of Relative Socio-Economic Advantage and Disadvantage (IRSAD)**

  This index considers variables of both advantage and disadvantage and, as such, scores and ranks areas from most disadvantaged to most advantage.

The ABS has also published the variables which have the most impact on both indices, these include:

- IRSD variables of disadvantage:
  - low equivalised household incomes
  - households with children and unemployed parents
  - percentage of occupied dwellings with no internet connection
  - percentage of employed people classified as labourers.
- IRSAD variables of advantage only (disadvantage similar to IRSD):
  - high equivalised household incomes
  - percentage of households making high mortgage repayments
  - percentage of employed people classified as professionals
  - percentage of employed people classified as managers.

Further analysis of these factors is provided in the discussion section. A regional summary, including national percentiles is provided in the table below.

Table 6 Regional SEIFA scores and percentiles

Region	SEIFA - IRSD	Percentile	SEIFA - IRSAD	Percentile
Snowy Valleys Council	951.00	22	934.00	20
Canberra Region	1,002.50	47	989.70	49
Regional NSW	971.00	29	959.00	32
New South Wales	1001	45	1011	62
Australia	1,001.90	46	1,003.10	57

In reviewing both the IRSD and IRSAD indexes, we observe that Council has levels of disadvantage well below the Regional NSW average. Further, a fall in the percentile score between the IRSD and IRSAD indices is indicative of less opportunities within the LGA, e.g. fewer employment opportunities within the area. A region level summary including national percentiles is provided in the table below.

Table 7 Area level SEIFA scores and percentiles

Area	SEIFA - IRSD	Percentile	SEIFA - IRSAD	Percentile
Adelong and Surrounds	974.50	31	954.70	30
Batlow and Surrounds	918.00	13	908.60	13
Tumbarumba - Khancoban	951.70	22	937.70	22
Tumut Surrounds - Talbingo	1016.8	55	999.9	54
Tumut	935.30	17	915.30	15

By reviewing the SIEFA rankings at an area level, we see a broad distribution of advantage and disadvantage through the LGA. This ranges from Tumut Surrounds - Talbingo (54% IRSAD) to Batlow and Surrounds (13% IRSAD). This highlights a significant level of inequality with the LGA. Further, we note that on average there is no significant shift between the IRSD and IRSAD indices, an indicator of intra-regional inequality.

Vulnerable groups or individuals

This section of the report considers whether there are any spatial patterns of individuals or groups who either need additional community services or are more sensitive to a change in rates.

Workforce status

The levels of full or part-time employment and unemployment are indicative of the strength of the local economy and social characteristics of the population.

Table 8 Community workforce status

Status	Adelong and Surrounds	Batlow and Surrounds	Tumbarumba - Khancoban	Tumut Surrounds - Talbingo	Tumut
Employment status	%	%	%	%	%
Employed	96.05	95.63	95.80	98.67	93.70
Employed full-time	60.39	58.60	59.73	63.70	56.75
Employed part-time	34.43	32.80	33.67	31.91	34.72
Hours worked not stated	1.23	4.23	2.40	3.06	2.23
Unemployed (Unemployment rate)	3.95	4.37	4.20	1.33	6.30
Looking for full-time work	3.00	3.21	3.03	0.53	3.77
Looking for part-time work	0.95	1.17	1.17	0.80	2.53
Total labour force	100.00	100.00	100.00	100.00	100.00

From table 8 above, we observe that unemployment rates throughout the LGA are typically below the NSW average of 6%, with the exception of Tumut being slightly above at 6.3%. Also of note is very low level of unemployment in the Tumut Surrounds - Talbingo region.

The timber and forestry industry is a key employer within the LGA, with a significant proportion of businesses and jobs either directly or indirectly impacted by events effecting the industry.

Table 9 Forestry and Logging ABS Direct Industries

Industry	Sub-category	Proportion of LGA workforce
Manufacturing	Log sawmilling and timber dressing	6.00%
Agriculture, Forestry and Fishing	Forestry and logging	3.60%
Manufacturing	Converted paper product manufacturing	2.90%
Manufacturing	Other wood product manufacturing	0.70%
Agriculture, Forestry and Fishing	Forestry support services	0.70%
Manufacturing	Pulp, paper and paperboard manufacturing	0.70%
Manufacturing	Pulp, paper and converted paper product manufacturing, nfd	0.40%
Manufacturing	Wood product manufacturing, nfd	0.40%
Wholesale Trade	Timber and hardware goods wholesaling	0.40%
Agriculture, Forestry and Fishing	Agriculture, forestry and fishing, nfd	0.30%
Total		16.10%

A summary of resident worker industries has been supplied in Appendix A.

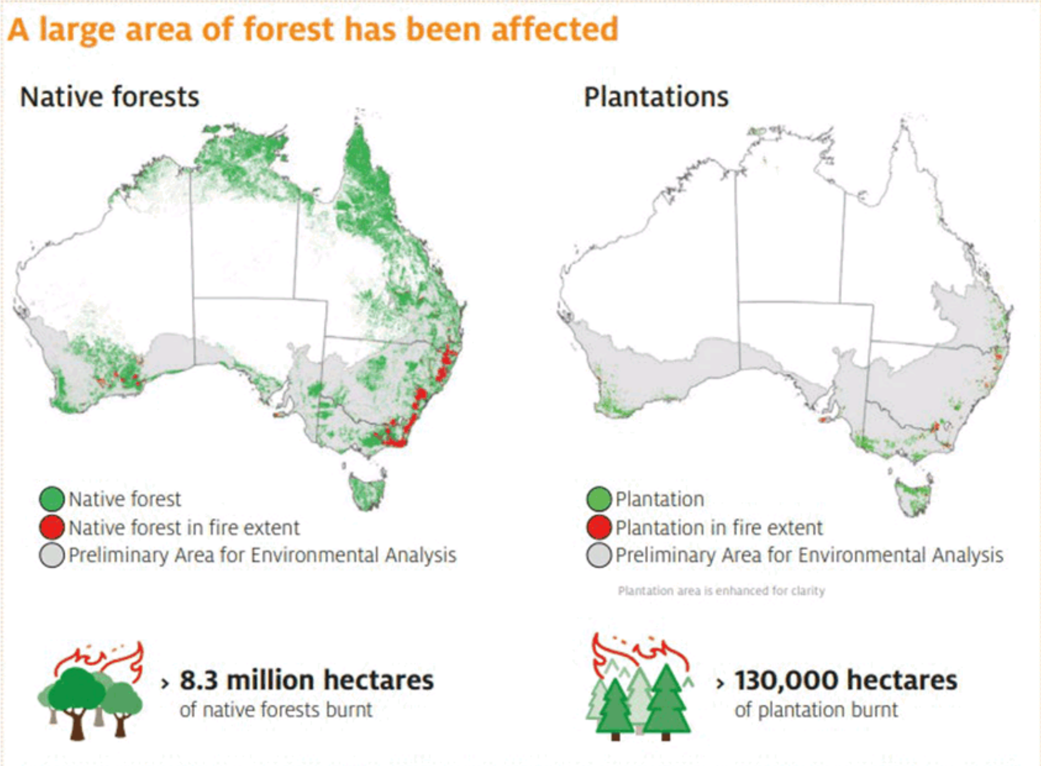
In support of this, a 2017 study published by the NSW Department of Industry, Lands and Forestry, in conjunction with the University of Canberra, highlights the significance of the timber industry within the South West Slopes region of NSW. In particular the report highlights the number of direct and indirect jobs reliant upon the industry, with 1,677 direct jobs and 3,152 indirect created in the region. While the catchment area of this report extends beyond the Snowy Valleys LGA, it was highlighted that approximately 18% of the jobs within the LGA were directly associated with the Timber industry and over 50% were indirectly related.

Table 10 Summary - Socio-economic impacts of the softwood – NSW DPILFD

		South West Slopes (excl Bombala	South West Slopes (with Bombala)
Direct employment	no. jobs	1,677	1,917
Total employment	no.jobs	4,829	5,375
Direct output	$ m	929.6	1,013.5
Total output	$ m	1,953.6	2,129.70
Direct GRP	$ m	396.1	433.9
Total GRP	**$ m**	**927.7**	**1,014.2**
Implied labour productivity			
Direct	$ output/job	554,323	528,691
Total	$ output/job	404,556	396,223

The recent 2019/2020 bushfires have had a substantial impact on the Snowy Valleys LGA, particularly with damage sustained by the soft and hardwood plantations. Forestry Corporation manages around 100,000 hectares of plantation centred around Tumut and its surrounds and 36% of this area has been impacted by fires.

Figure 5 ABARES - bushfire affected plantation regions



The Australian Bureau of Agricultural and Resource Economics and Sciences published their analysis[1] on the 2019/20 bushfires with the following findings:

- There remains a great deal of uncertainty regarding the damage caused by the fires and potential salvageable volumes. The extent to which fire-affected trees can be harvested depends on the severity of the fires and the types of logs harvested.
- Softwood harvest volumes are likely to increase in the short term, while hardwood volumes decrease.
- Softwood plantation harvesting operations will increase.
- Many fire-affected hardwood pulp logs may be lost.
- The impacts on native forest log supply are uncertain.

[1] Whittle, L., Australian Bureau of Agricultural and Resource Economics and Sciences, *Analysis of Effects of bushfires and COVID-19 on the forestry and wood processing sectors*, Canberra, 2020.

- Uncertainty around the extent of damage to production forests from the bushfires, and the potential duration and severity of COVID-19 mean that many of these impacts are highly uncertain.
- Expected fall in demand due to a decline in residential construction, as such domestic market opportunities will be limited and will be reliant upon export markets. However, there are also concerns for global demand due to a downtown in major economy markets.

Core assistance

Table 11 highlights the areas within the LGA that have higher concentrations of people who need assistance in their day-to-day lives with self-care, body movements or communication, often because of a disability, long-term health condition or old age.

Table 11 Number of people requiring core assistance

Assistance required	Number	Percentage
Adelong and Surrounds	61	3.80%
Batlow and Surrounds	86	5.60%
Tumbarumba - Khancoban	177	5.30%
Tumut Surrounds - Talbingo	64	3.90%
Tumut	314	5.00%

We observe that all areas are below the Regional NSW average of 6.3%.

Housing stress

The National Centre for Social and Economic Modelling (NATSEM) defines households experiencing 'housing stress' as those that satisfy both of the following criteria:

- equivalised household income is within the lowest 40% of the state's income distribution
- housing costs (i.e. mortgage and/or rent repayments) are greater than 30% of household income.

Research funded by the ACT Government on housing and homelessness issues in the ACT found that, due to financial pressures:

- 19% of households facing housing stress compromised a lot on their grocery spend over a 12-month period
- 24% of households facing housing stress found rent/mortgage repayments quite/very difficult in the last three months.

Households facing housing stress are highly likely to be in significant financial stress and vulnerable to sudden increases in council rates. A comparison of the levels of housing stress currently experienced in each ward is provided in table 12 and at a regional level in table 13.

Table 12 Breakdown of housing stress in regions

Stressed households	Percentage
Snowy Valleys Council	7.74%
Canberra Region	9.46%
Regional NSW	11.42%
NSW	11.68%
Australia	11.45%

Figure 6 Housing stress area comparison

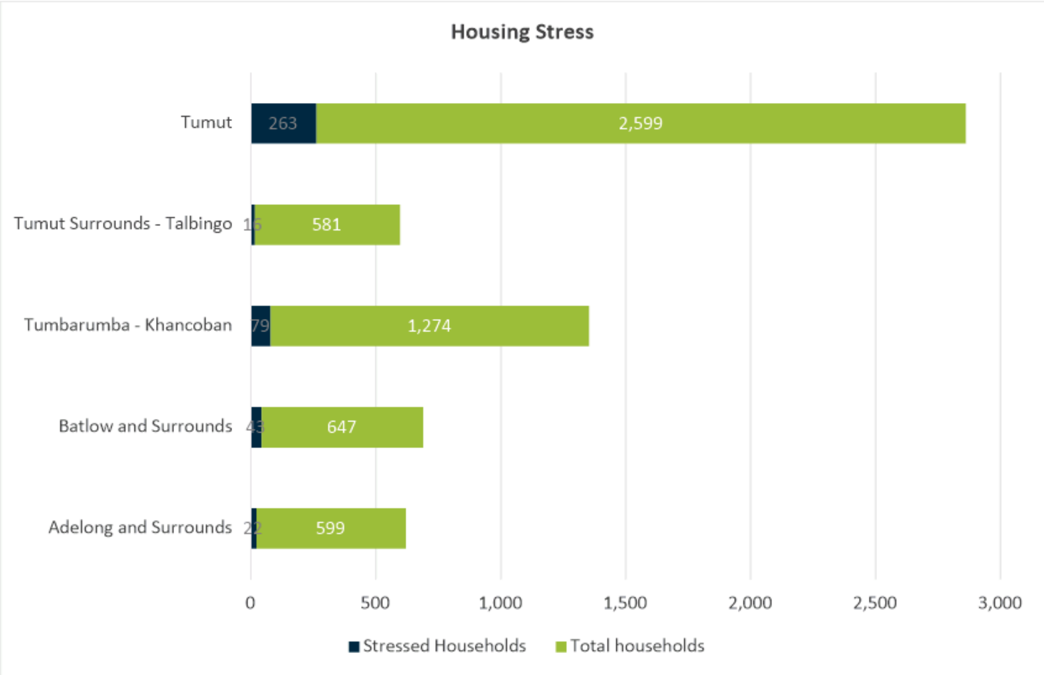


Table 13 Housing stress by region

Stressed households	Percent %
Adelong and Surrounds	3.67%
Batlow and Surrounds	6.65%
Tumbarumba - Khancoban	6.20%
Tumut Surrounds - Talbingo	2.75%
Tumut	10.12%
Snowy Valleys Council	7.74%
Canberra Region	9.46%
Regional NSW	11.42%
NSW	11.68%
Australia	11.45%

We observe that housing stress levels within Snowy Valleys Council are, on average, well below the Regional NSW average of 11.42%, with only Tumut coming within 1.3% of the Regional NSW average.

Trends in cost of living

The cost of living can best be described as the cost of maintaining a certain standard of living. Identifying trends in future costs, particularly with regards to discretionary and non-discretionary income. The following table presents the changes in typical household expenditure throughout the Snowy Valleys LGA over a five-year period.

Table 14 Five-year comparison of cost of living in Snowy Valleys LGA

Snowy Valleys Council	2019/20		2014/2015		Change		
Expenditure item	$ per household	% of expenditure	$ per household	% of expenditure	$ per household	% of expenditure	%
Food	$10,084	9%	$9,546	9%	$538	0%	5.64
Alcoholic beverages and tobacco	$4,539	3%	$5,308	4%	-$769	-1%	-14.49
Clothing and footwear	$3,984	3%	$3,875	3%	$109	1%	2.81
Furnishings and equipment	$4,819	4%	$4,608	3%	$211	0%	4.58
Health	$6,300	5%	$6,294	5%	$6	0%	0.10
Transport	$8,562	8%	$10,126	8%	-$1,564	0%	-15.45
Communications	$2,246	2%	$1,725	2%	$521	1%	30.20
Recreation & culture	$10,699	9%	$11,602	9%	-$903	0%	-7.78
Education	$5,344	4%	$5,153	4%	$191	0%	3.71
Hotels, cafes and restaurants	$7,080	8%	$8,799	7%	-$1,719	1%	-19.54
Miscellaneous goods and services	$16,652	15%	$17,409	15%	-$757	0%	-4.35
Housing	$12,795	27%	$12,728	29%	$67	-2%	0.53
Utilities	$3,383	3%	$3,585	3%	-$202	0%	-5.63
Total expenditure	$96,487	100%	$100,758	100%	-$4,271	0%	-4.24
Net savings	$22,629	16%	$16,559	19%	$6,070	-4%	36.66
Total disposable income	$119,116		$117,317		$1,799		1.53
Non-discretionary	$47,354	49.08%	$47,879	47.52%	-$525	1.56%	-1.10
Discretionary	$49,133	50.92%	$52,879	52.48%	-$3,746	-1.56%	-7.08

*Non-discretionary spending includes the following categories: food, clothing and footwear, health, transport, communications, housing and utilities.

Table 14 shows over the five-year period, total disposable income across the LGA has increased by an average of $1,799 and net annual savings have increased by $6,070. There has been a minor shift towards non-discretionary spending (0.65%) which has been primarily driven by a significant reduction in discretionary spending including, hotel, café and restaurant spending (-19.54%) as well as alcoholic beverages and tobacco (-14.49%). Also of note, is that there has been a significant reduction in the cost of transport (-15.45%).

COVID-19

The COVID-19 global pandemic has had significant impacts on the global economy. ID Consulting has analysed modelling data prepared by the National Institute of Economic and Industry Research (NIEIR) and has highlighted the impact on the Snowy Valleys' local economy in terms of regional output (relative to the September quarter 2019/20) and the impact on resident's employment.

Economic impact on industry

The table below shows the change in total sales of each industry in the within the Snowy Valleys LGA.

Table 15 COVID-19 economic output

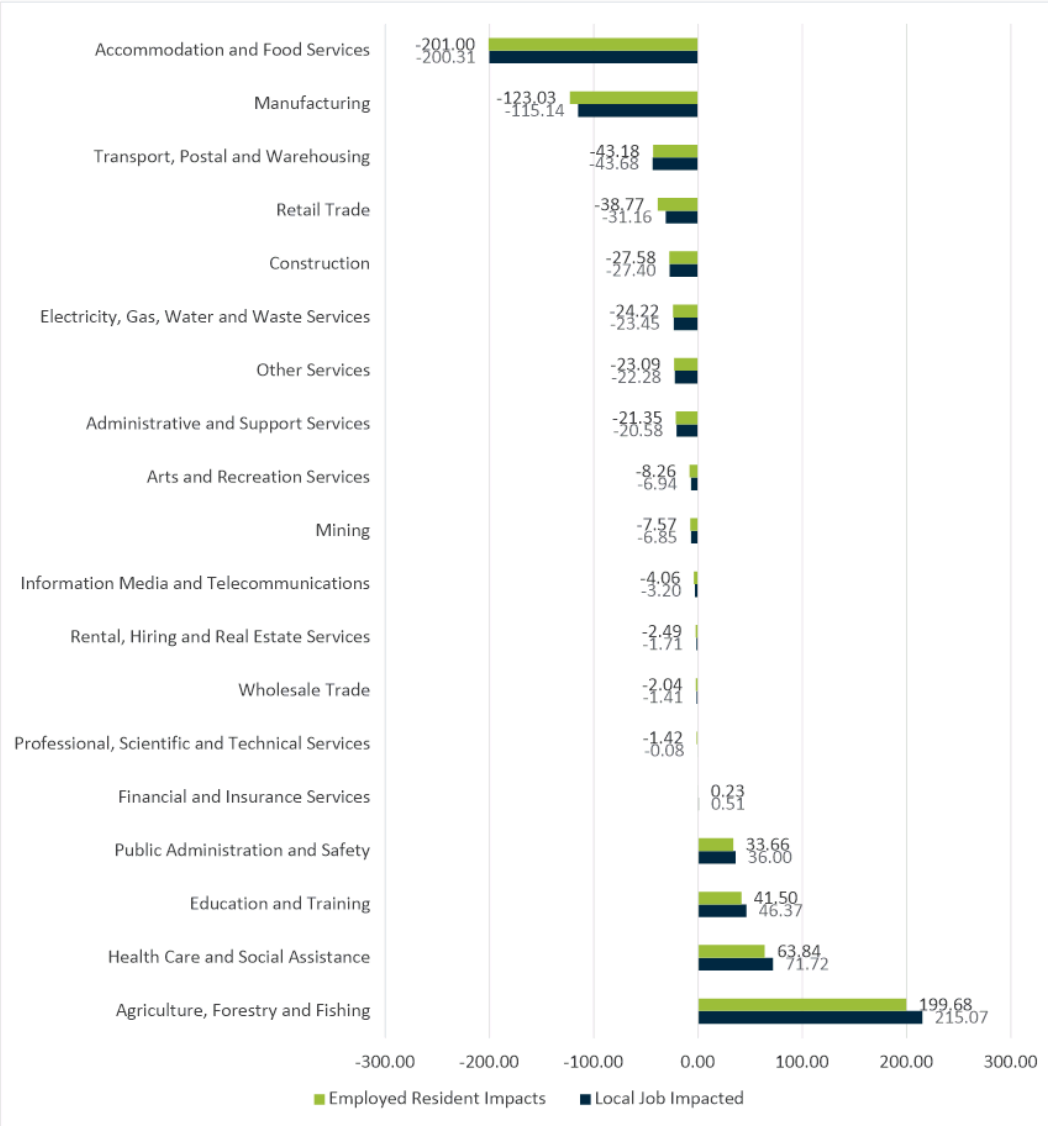
Industry sector	Change $m	Change %
Agriculture, Forestry and Fishing	17.99	34.69
Health Care and Social Assistance	2.66	12.34
Public Administration and Safety	1.94	10.27
Education and Training	1.41	10.20
Professional, Scientific and Technical Services	0.04	0.30
Financial and Insurance Services	-0.01	-0.50
Arts and Recreation Services	-0.02	-0.93
Wholesale Trade	-0.06	-1.42
Information Media and Telecommunications	-0.09	-5.38
Mining	-0.57	-6.07
Retail Trade	-0.61	-7.43
Other Services	-0.66	-9.17
Rental, Hiring and Real Estate Services	-0.73	-9.28
Administrative and Support Services	-0.75	-10.74
Transport, Postal and Warehousing	-2.59	-13.99
Construction	-2.94	-15.34
Electricity, Gas, Water and Waste Services	-5.68	-15.39
Accommodation and Food Services	-5.74	-45.93
Manufacturing	-14.52	-62.80
Total	**-10.96**	

Overall, we observe a $10.96 million dollar loss in sales of which $14.52 million can be attributed to downfall in manufacturing. Interestingly there has been a $17.99 million dollar increase in the value of agriculture, forestry and fishing over the past year, however this may be attributable to devastating bushfires that affected the region throughout the end of 2019 and early 2020.

Impact on residents

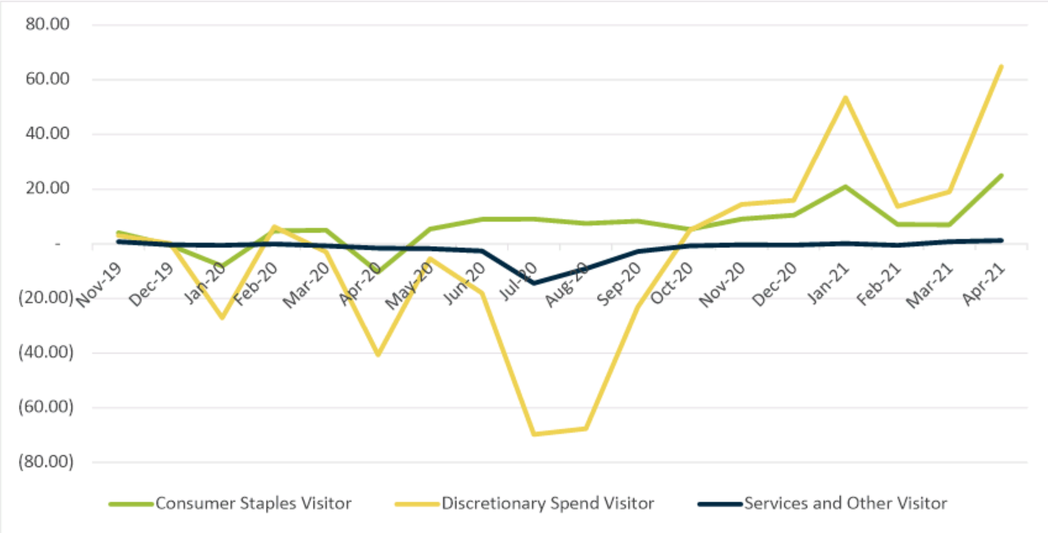
We observe a similar impact on the residents of Snowy Valleys Council. Figure 7 below shows the change in the number of jobs per industry, relative to the same quarter in the past financial year, of residents in the LGA. The modelling shows there has been a net loss of 189 jobs of residents living within the LGA and a net loss of 135 jobs within the LGA. Further, we observe that the greatest impacts have been in the accommodation and food services, and manufacturing industries.

Figure 7 COVID-19 impact on resident employment



This is further highlighted by expenditure data tracked by SpendMapp in figure 8, which highlights the significant shortfall in visitor spending in reference to the previous year. In particular we observe a significant drop off in discretionary spend in the winter snow sports months between June and September.

Figure 8 Visitor expenditure - relative to past year



Discussion

In review of the socio-economic data, there were several differences emerging between the identified areas. This is most evident in the SEIFA rankings, which show that there is a degree of inequality throughout the LGA. Overall, we observe the greatest level of advantage in the Tumut Surrounds - Talbingo area, which has 20 percentile point lead over the next highest area Adelong and Surrounds. Between the areas, we observe a significant spread of advantage ranging from 54^{th} percentile in the Tumut Surrounds - Talbingo area down to the 13^{th} percentile In Batlow and Surrounds. The LGA overall is in the 20^{th} percentile.

Key aspects of the Tumut Surrounds - Talbingo area, which contribute to its level of advantage, are that:

- the area has a relatively young population with a low proportion of retirees
- the area had the lowest proportion of lone individuals and single parents' households
- the area had the highest proportion of households in the top two bands of equivalised household income.

Contrasting observations can be made of the Batlow and Surrounds area, which had a SEIFA IRSAD ranking of 13^{th} percentile. These include that:

- the area had the lowest proportion of residents in the working age group
- the area had the second highest proportion of 'at risk' households within the LGA
- the area had the highest proportion of households within the lower quartiles of equivalised household income within the LGA.

It is important to note, that there is a disparity between the most advantaged and disadvantaged areas within Council's LGA. With the Batlow and Surrounds, Tumbarumba - Khancoban and Tumut areas being within the 25% most disadvantaged within Australia, i.e. comparable levels of unemployment, housing stress, equivalised income and other relevant factors.

As was observed from the review of SEIFA rankings within Council, the ABS identified the following factors as having the greatest impact on an area's SEIFA score:

- level of income
- type of employment
- vulnerable households.

These factors align closely with our common characteristics of disadvantaged/advantaged households:

- equivalised household income
- proportion of disadvantaged (lone individual/one parent) households
- proportion of vulnerable households (housing stress/unemployment/require core assistance).

Further, another key consideration for Council on whether to adopt a special rate variation should be the impact that the 2019/20 bushfires and the global COVID-19 pandemic have had on the residents of the LGA. SpendMapp visitor expenditure data clearly highlighted the large reduction in spending in the region during the key winter visitor months, as well as a there being a high degree of uncertainty in the key driver industries in the region.

Proposed special rate variation impacts

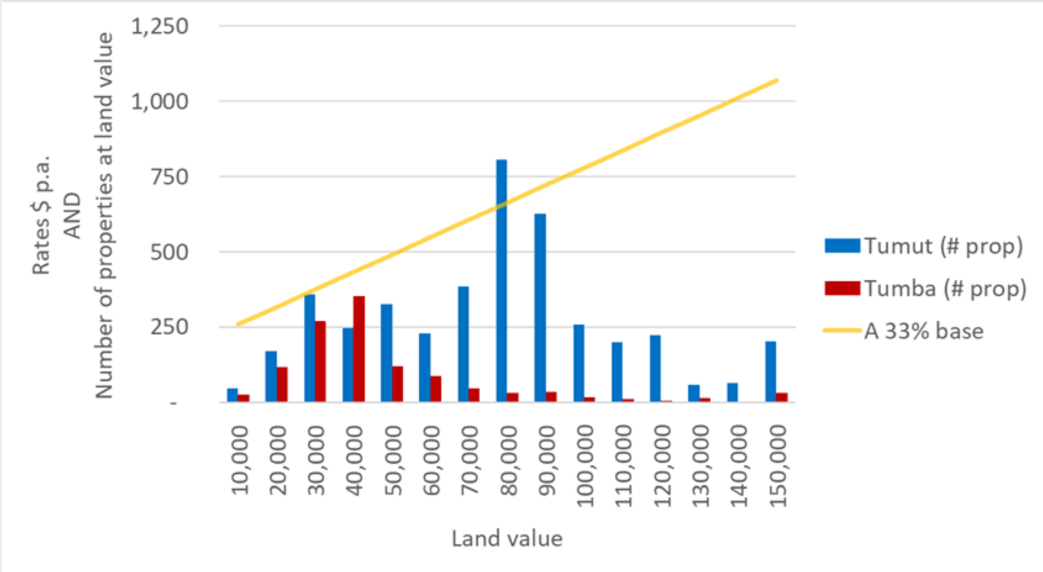
Council is currently engaging the community to determine the magnitude of the rates variation, with respect to number and level of services currently offered by Council. The current options being considered include:

Figure 9 SRV options

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).

For the impact review, we have compared rate variations, based on the median land values, against those in the former councils' areas, i.e. the median residential land value for the former Tumbarumba LGA is $40,000 and $80,000 for the former Tumut LGA.

Figure 10 Snowy Valleys LGA rates harmonisation - land values by former LGA



The above graph illustrates the number of properties across the land value range of the former councils, with substantially higher values within the former Tumut LGA.

The impact of the proposed SRVs will be as follows:

Table 16 SRV impacts on median land value

	Current year	Year 1	Year 2	Difference in year 1	Difference in year 2
Former Tumbarumba LGA					
Average rate (land value $40,000)	$500				
30% SRV		$575	$662	$75	$162
25% SRV		$562	$633	$62	$133
15% SRV		$537	$578	$37	$78
Former Tumut LGA					
Average rate (land value $80,000)	$669				
30% SRV		$769	$886	$100	$217
25% SRV		$753	$847	$84	$178
15% SRV		$719	$773	$50	$104

From table 16, we can see that year two increases for median property values are in the range of $162 – $78, for the former Tumbarumba LGA, and $217 – $104, for the former Tumut LGA; based on the three levels of proposed SRV increases.

Conclusion

As such, from the SRV impact analysis we can see that, on average, there will be larger increases in the former Tumut LGA due to the relative value of land. However, a review of the demographics has shown that some of these areas are the most disadvantaged in the LGA and may see sizeable increases in their current rates. While typically a relationship between land values and levels of advantage and disadvantage in an area can be observed, Council must consider any disproportionate impact on the vulnerable households by the proposed SRV.

MorrisonLow

Appendix A Resident Worker Industries (2016 Census)

Industry	Sub-category	Number	%
Agriculture, Forestry and Fishing	Sheep, Beef Cattle and Grain Farming	471	7.9
Manufacturing	Log Sawmilling and Timber Dressing	358	6.0
Education and Training	School Education	315	5.3
Not Classified	Industry not classified	298	5.0
Agriculture, Forestry and Fishing	Forestry and Logging	213	3.6
Retail Trade	Supermarket and Grocery Stores	181	3.0
Accommodation and Food Services	Cafes, Restaurants and Takeaway Food Services	172	2.9
Manufacturing	Converted Paper Product Manufacturing	171	2.9
Public Administration and Safety	Local Government Administration	165	2.8
Agriculture, Forestry and Fishing	Fruit and Tree Nut Growing	159	2.7
Health Care and Social Assistance	Residential Care Services	142	2.4
Transport, Postal and Warehousing	Road Freight Transport	134	2.2
Administrative and Support Services	Building Cleaning, Pest Control and Gardening Services	124	2.1
Health Care and Social Assistance	Hospitals	120	2.0
Health Care and Social Assistance	Other Social Assistance Services	116	1.9
Accommodation and Food Services	Accommodation	108	1.8
Electricity, Gas, Water and Waste Services	Electricity Generation	90	1.5
Construction	Building Installation Services	83	1.4
Public Administration and Safety	Public Order and Safety Services	72	1.2
Agriculture, Forestry and Fishing	Agriculture, nfd	68	1.1
Retail Trade	Pharmaceutical and Other Store-Based Retailing	61	1.0
Accommodation and Food Services	Pubs, Taverns and Bars	60	1.0
Other Services	Automotive Repair and Maintenance	59	1.0
Health Care and Social Assistance	Child Care Services	57	1.0
Professional, Scientific and Technical Services	Legal and Accounting Services	56	0.9
Accommodation and Food Services	Clubs (Hospitality)	55	0.9
Construction	Land Development and Site Preparation Services	54	0.9
Public Administration and Safety	State Government Administration	52	0.9
Health Care and Social Assistance	Medical Services	48	0.8
Education and Training	Preschool Education	46	0.8
Construction	Other Construction Services	46	0.8

Industry	Sub-category	Number	%
Health Care and Social Assistance	Allied Health Services	45	0.8
Manufacturing	Other Wood Product Manufacturing	44	0.7
Retail Trade	Clothing, Footwear and Personal Accessory Retailing	44	0.7
Arts and Recreation Services	Parks and Gardens Operations	44	0.7
Agriculture, Forestry and Fishing	Forestry Support Services	43	0.7
Agriculture, Forestry and Fishing	Dairy Cattle Farming	43	0.7
Manufacturing	Meat and Meat Product Manufacturing	43	0.7
Construction	Building Completion Services	41	0.7
Financial and Insurance Services	Depository Financial Intermediation	41	0.7
Administrative and Support Services	Employment Services	40	0.7
Manufacturing	Pulp, Paper and Paperboard Manufacturing	39	0.7
Construction	Heavy and Civil Engineering Construction	39	0.7
Education and Training	Tertiary Education	38	0.6
Other Services	Personal Care Services	36	0.6
Construction	Residential Building Construction	35	0.6
Retail Trade	Specialised Food Retailing	34	0.6
Administrative and Support Services	Packaging Services	34	0.6
Transport, Postal and Warehousing	Road Passenger Transport	33	0.6
Retail Trade	Fuel Retailing	32	0.5
Other Services	Machinery and Equipment Repair and Maintenance	31	0.5
Agriculture, Forestry and Fishing	Agriculture and Fishing Support Services	30	0.5
Transport, Postal and Warehousing	Postal and Courier Pick-up and Delivery Services	30	0.5
Construction	Building Construction, nfd	28	0.5
Professional, Scientific and Technical Services	Architectural, Engineering and Technical Services	28	0.5
Manufacturing	Bakery Product Manufacturing	27	0.5
Electricity, Gas, Water and Waste Services	Electricity Distribution	27	0.5
Retail Trade	Recreational Goods Retailing	25	0.4
Retail Trade	Hardware, Building and Garden Supplies Retailing	25	0.4
Rental, Hiring and Real Estate Services	Real Estate Services	25	0.4
Retail Trade	Motor Vehicle Retailing	23	0.4
Manufacturing	Pulp, Paper and Converted Paper Product Manufacturing, nfd	22	0.4
Manufacturing	Wood Product Manufacturing, nfd	22	0.4

Industry	Sub-category	Number	%
Retail Trade	Retail Trade, nfd	22	0.4
Construction	Building Structure Services	22	0.4
Education and Training	Adult, Community and Other Education	21	0.4
Wholesale Trade	Timber and Hardware Goods Wholesaling	21	0.4
Transport, Postal and Warehousing	Transport, Postal and Warehousing, nfd	19	0.3
Administrative and Support Services	Other Administrative Services	19	0.3
Electricity, Gas, Water and Waste Services	Electricity Supply, nfd	19	0.3
Professional, Scientific and Technical Services	Veterinary Services	19	0.3
Manufacturing	Manufacturing, nfd	17	0.3
Health Care and Social Assistance	Other Health Care Services	17	0.3
Construction	Construction, nfd	17	0.3
Agriculture, Forestry and Fishing	Agriculture, Forestry and Fishing, nfd	15	0.3
Health Care and Social Assistance	Health Care and Social Assistance, nfd	15	0.3
Health Care and Social Assistance	Pathology and Diagnostic Imaging Services	15	0.3
Retail Trade	Motor Vehicle Parts and Tyre Retailing	15	0.3
Public Administration and Safety	Central Government Administration	15	0.3
Electricity, Gas, Water and Waste Services	Water Supply, Sewerage and Drainage Services	15	0.3
Professional, Scientific and Technical Services	Management and Related Consulting Services	15	0.3
Manufacturing	Other Non-Metallic Mineral Product Manufacturing	14	0.2
Health Care and Social Assistance	Medical and Other Health Care Services, nfd	14	0.2
Arts and Recreation Services	Sports and Physical Recreation Activities	14	0.2
Professional, Scientific and Technical Services	Market Research and Statistical Services	13	0.2
Retail Trade	Furniture, Floor Coverings, Houseware and Textile Goods Retailing	12	0.2
Public Administration and Safety	Regulatory Services	12	0.2
Other Services	Other Personal Services	12	0.2
Electricity, Gas, Water and Waste Services	Waste Collection Services	12	0.2
Agriculture, Forestry and Fishing	Other Livestock Farming	11	0.2
Construction	Non-Residential Building Construction	11	0.2
Other Services	Repair and Maintenance, nfd	11	0.2
Manufacturing	Beverage Manufacturing	10	0.2
Wholesale Trade	Grocery, Liquor and Tobacco Product Wholesaling	10	0.2

Industry	Sub-category	Number	%
Wholesale Trade	Agricultural Product Wholesaling	10	0.2
Agriculture, Forestry and Fishing	Nursery and Floriculture Production	9	0.2
Manufacturing	Basic Non-Ferrous Metal Manufacturing	9	0.2
Accommodation and Food Services	Food and Beverage Services, nfd	9	0.2
Transport, Postal and Warehousing	Other Transport Support Services	9	0.2
Other Services	Civic, Professional and Other Interest Group Services	9	0.2
Wholesale Trade	Commission-Based Wholesaling	9	0.2
Professional, Scientific and Technical Services	Computer System Design and Related Services	8	0.1
Financial and Insurance Services	Health and General Insurance	8	0.1
Information Media and Telecommunications	Telecommunications Services	8	0.1
Mining	Construction Material Mining	8	0.1
Other Services	Religious Services	7	0.1
Electricity, Gas, Water and Waste Services	Waste Treatment, Disposal and Remediation Services	7	0.1
Financial and Insurance Services	Auxiliary Finance and Investment Services	7	0.1
Financial and Insurance Services	Finance, nfd	7	0.1
Arts and Recreation Services	Creative and Performing Arts Activities	7	0.1
Rental, Hiring and Real Estate Services	Property Operators	7	0.1
Mining	Metal Ore Mining	7	0.1
Manufacturing	Other Transport Equipment Manufacturing	6	0.1
Retail Trade	Department Stores	6	0.1
Public Administration and Safety	Public Administration, nfd	6	0.1
Administrative and Support Services	Travel Agency and Tour Arrangement Services	6	0.1
Information Media and Telecommunications	Motion Picture and Video Activities	6	0.1
Manufacturing	Furniture Manufacturing	5	0.1
Manufacturing	Metal Container Manufacturing	5	0.1
Manufacturing	Polymer Product Manufacturing	5	0.1
Accommodation and Food Services	Accommodation and Food Services, nfd	5	0.1
Agriculture, Forestry and Fishing	Aquaculture	4	0.1
Manufacturing	Basic Ferrous Metal Manufacturing	4	0.1
Education and Training	Education and Training, nfd	4	0.1
Public Administration and Safety	Defence	4	0.1
Transport, Postal and Warehousing	Air and Space Transport	4	0.1

Industry	Sub-category	Number	%
Other Services	Other Repair and Maintenance	4	0.1
Professional, Scientific and Technical Services	Professional, Scientific and Technical Services, nfd	4	0.1
Wholesale Trade	Wholesale Trade, nfd	4	0.1
Wholesale Trade	Specialised Industrial Machinery and Equipment Wholesaling	4	0.1
Rental, Hiring and Real Estate Services	Property Operators and Real Estate Services, nfd	4	0.1
Information Media and Telecommunications	Libraries and Archives	4	0.1
Manufacturing	Other Manufacturing	3	0.1
Manufacturing	Professional and Scientific Equipment Manufacturing	3	0.1
Manufacturing	Other Fabricated Metal Product Manufacturing	3	0.1
Manufacturing	Other Food Product Manufacturing	3	0.1
Manufacturing	Fruit and Vegetable Processing	3	0.1
Health Care and Social Assistance	Social Assistance Services, nfd	3	0.1
Retail Trade	Non-Store Retailing	3	0.1
Retail Trade	Electrical and Electronic Goods Retailing	3	0.1
Financial and Insurance Services	Auxiliary Insurance Services	3	0.1
Wholesale Trade	Furniture, Floor Covering and Other Goods Wholesaling	3	0.1
Wholesale Trade	Mineral, Metal and Chemical Wholesaling	3	0.1
Arts and Recreation Services	Horse and Dog Racing Activities	3	0.1
Information Media and Telecommunications	Newspaper, Periodical, Book and Directory Publishing	3	0.1
Mining	Non-Metallic Mineral Mining and Quarrying, nfd	3	0.1

Media Release

Snowy Valleys Council
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For immediate release 29 April 2019

Council Seeks Community Feedback on draft IP&R Plans

Snowy Valleys Council has endorsed its draft Integrated Planning and Reporting (IP&R) plans and is calling for community feedback on the documents, which have been placed on public exhibition.

Mayor Cr James Hayes said the integrated plans outlined the strategies, resources and actions, including time, money, assets and people, required to implement the long-term community aspirations contained within the Community Strategic Plan, *Snowy Valleys 2028*.

“Together, these draft documents comprise our annual Operational Plan, the 2019/20 Fees and Charges Schedule and our draft Resourcing Strategy,” he said.

Under the NSW Government’s IP&R Framework, all councils in NSW are required to develop a Resourcing Strategy, comprising three inter-related documents covering long-term financial planning, asset management planning and workforce planning.

The focus of Council’s draft Resourcing Strategy is financial sustainability and a key sustainability action is the draft one page amendment to the Delivery Program which details Council’s intention to develop an application for a Special Rate Variation (SRV).

Within the draft Resourcing Strategy the Long Term Financial Plan sets out two scenarios in Council’s General Fund, a planned scenario which aims to have Council achieving an operating surplus within five years and an unsustainable scenario which assumes rate revenues will decrease by $650,000 per annum when the current Tumut region SRV expires in 2020.

“Our community told us they want us to maintain the current service levels we are providing and so we need to look at avenues to fund this sustainably, one being applying for an SRV,” Cr Hayes said.

“It is also important to note that the addendum is an intention to apply only and that the application process will require robust community consultation and decisions of Council in multiple stages.” Cr Hayes went on to explain.

The draft Operational Plan is a checklist on what Council will deliver in the next financial year and includes the Revenue Policy and the 2019/20 Operational Budget.

“There is a lot of good work being carried out by Council staff to ensure we deliver the services and facilities required and expected by our community and these documents outline all of Council’s activities for the coming financial year and the resources to achieve them,” said Cr Hayes.

Along with more than $5.7 million allocated to refurbishing and maintaining local roads and bridges and an increased focus on the delivery of over $25 million in major infrastructure projects, Council will also deliver another significant Capital Works program with over $9.2 million being allocated for works to be undertaken across the region.

The draft 2019/20 Schedule of Fees and Charges includes proposed increases in childcare fees that reflect changes in government funding, and the harmonisation of fees across key areas including Cemeteries and Waste.

"By harmonising the waste fees now we position ourselves to be able to implement new initiatives that will be identified in the upcoming Waste Strategy, like the introduction of green and organic waste bins and increases in recycling capabilities," said Council's Acting General Manager Robyn Harvey.

"As a maturing organization, we are improving how we plan and deliver each year. We now have a clearer idea of what is achievable and where we can deliver the best value", Ms Harvey said.

Council encourages all residents to provide feedback on the 2019/20 Operational Plan, Operational Budget, and the Fees and Charges Schedule, as well as the Financial Sustainability update to the Delivery Program and the draft Resourcing Strategy (which includes the Long Term Financial Plan, Workforce Management Plan and Strategic Asset Management Plan).

"We will also be reconvening our Community Sounding Board and throughout the public exhibition period we will be out in the community answering questions and taking on board feedback regarding the documents," Ms Harvey said.

Community members can view the documents and provide feedback online at Council's engagement website www.yourvoice.svc.nsw.gov.au/IPandR or in writing to the General Manager, PO Box 61, Tumbarumba 2653 or General Manager 76 Capper St, Tumut 2720. The consultation period closes on Saturday 18 May 2019.

-ENDS-

All media enquires please contact Council's Communications & Marketing Officer,
Donna Wilson on (02) 6941 2572 or dwilson@svc.nsw.gov.au

Media Release

Snowy Valleys Council
Ph: 1300 ASK SVC
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For immediate release 6 July 2021

Council releases dates for Special Rate Variation consultation

Snowy Valleys Council has announced a series of dates for community meetings to discuss the long-term financial sustainability of the organisation, including options to apply for the introduction of a Special Rate Variation.

“Unfortunately, in response to the current COVID restrictions, we have had to change our plans for meeting with the community to discuss options for financial sustainability of Council and are now moving to an online format,” said Snowy Valleys Council Chief Executive Officer, Matthew Hyde.

Instead of being able to hold the meetings in halls around the region as originally planned, a series of open meetings will now be held online via Zoom, with all-day Drop In sessions to be held in both Tumbarumba and Tumut.

“The six online meetings will provide the opportunity for residents to learn about available options and choices for ensuring long term financial sustainability of Council as well as ask questions and participate in the discussion from their own home,” said Mr Hyde.

Mr Hyde said Council recognised that online meetings are not accessible to all the community, so two all-day Drop In sessions are also scheduled for the end of July.

“By holding COVID-safe Drop In sessions with QR Code check-in at larger facilities there will be more time for people to attend and discuss the options with staff across the course of the day, ensuring a greater ability to meet any space and capacity restrictions that may still be in place.

“Information about Council’s financial sustainability options will be available from Council’s website and we will also be distributing information to residents via mail and in local media encouraging people to review and provide feedback,” My Hyde said.

“Council’s Long Term Financial Plan was adopted in June and contained an option to review the implementation of a Special Rate Variation and other sustainability measures that would, if approved, come into effect from 1 July 2022.

“As discussed with the community in March, these meetings and the information Council will be making available during July will provide further detail about what options we have for balancing the delivery of valued community services with limited financial resources.”

Online meeting times:
Monday 19 July: 12.30pm
Monday 19 July: 6pm
Tuesday 20 July: 12.30pm
Tuesday 20 July: 6pm
Friday 23 July: 12.30pm
Monday 26 July: 6pm

Community Drop In Days:
Wednesday 28 July: Tumut Drop In Day, 11am - 6.30pm, Boys Club Hall
Thursday 29 July: Tumbarumba Drop In Day, 11am – 6.30pm, RSL Hall

More information can be found by going to www.svc.nsw.gov.au/srv

-ENDS-

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Media Release

Snowy Valleys Council
Ph: 1300 ASK SVC
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For immediate release 12 July 2021

COUNCIL LAUNCHES ‘TOWARDS 2042’ CONSULTATION

Snowy Valleys Council is excited to launch Towards 2042, a consultation project that will help shape the future of the Snowy Valleys Region.

Through the Towards 2042 project, Council will seek important feedback from the community on the main ideas and priorities for the region over the coming 20 years and document these in the next Community Strategic Plan.

At the changeover of each Council term council is required to review the Community Strategic Plan and make sure it is an accurate representation of future community aspirations.

These aspirations then provide direction for Council and other government agencies to set budgets, determine specific actions and targets to measure progress against.

“Towards 2042 asks the local community to describe what living in the Snowy Valleys looks like in the future – what is our environment like, what services do we have available to us, how supported and connected are our communities,” said Mayor James Hayes.

“We all aspire for a better future, and consultation for the Towards 2042 project is all about gathering answers to broad questions that ask us to consider what we love about where we live, what we’d like our future to look like, and how we will get there,” Cr Hayes said.

“The resulting Community Strategic Plan is not just a Council document, but a representation of community aspirations.”

Towards 2042 community consultation will commence with a range of activities across the region, including a self-paced on-line survey, a random telephone survey and drop-in sessions in the main streets of Tumut, Batlow, Adelong, Khancoban, Tumbarumba, Jingellic and Talbingo.

Consultation for Towards 2042 will also be part of the two all day Future Focus Community events to be held on 28 and 29 July in Tumut and Tumbarumba.

The Future Focus events are planned to be high energy 'one-stop-shops' for community members to drop in at a time that suits during the day to find out and provide feedback firsthand on key Council projects, services and strategies that impact on the Snowy Valleys community, including the Towards 2042 project and the proposed Special Rate Variation (SRV).

CEO Matthew Hyde said the Future Focus events have been designed to provide ability for community to learn more about Council's services that interest them and accommodate the high volume of Council projects that require community input or feedback in a COVID-safe way.

"The two Future Focus events will host a range of council services and projects with interactive displays and activities so that community members can move around during the day to learn, discuss and provide any feedback directly to key staff involved," said Mr Hyde.

"The Future Focus events will mean individual projects can be placed within the broader Council context, and the community can provide feedback on multiple projects/strategies during one outing," Mr Hyde explained.

Council is seeking feedback and public contributions on a range of council projects and plans including the Towards 2042 Community Strategic Plan, Special Rate Variation, Place Plans, the Trails and Track Regional Master Plan, Companion Animal Strategy, LEP/Rural Land Study, the Disability Inclusion Access Plan, Reconciliation Action Plan and the Local Response Plan.

"There will be several opportunities for people to conveniently share their thoughts on these and a whole lot more, including hard copy surveys, on-line surveys, online community meetings, drop-in sessions, on-line feedback forms and for our younger residents, creative drawing kits." Mr Hyde said.

"I encourage everyone to get involved during July and help us shape the future of the Snowy Valleys. We will have full details on how to get involved on our website."

www.svc.nsw.gov.au/Towards2042
www.svc.nsw.gov.au/srv
www.svc.nsw.gov.au/FutureFocus

Future Focus Events:
Tumut - Wednesday 28 July 11am - 6.30pm, Boys Club Hall
Tumbarumba - Thursday 29 July - 11am – 6.30pm, RSL Hall

-ENDS-

All media enquires please contact Council's Communications & Marketing Officer,
Donna Wilson on (02) 6941 2572 or comms@svc.nsw.gov.au

Media Release

Snowy Valleys Council
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For immediate release 20 July 2021

Office of Local Government announcement to retain Local Government Boundaries of Snowy Valleys Council

Snowy Valleys Council has received notification of the decision of the Minister for Local Government the Hon Shelley Hancock, MP to retain the Council's current local government boundaries.

"Today's announcement follows significant and ongoing community discussion, focus and action since 2016's amalgamation decision," said Matthew Hyde, CEO of Snowy Valleys Council.

"Council acknowledges the Minister's decision, but I recognise the decision may not be welcomed by all parts of the Snowy Valleys community.

"However, the decision has now been made and we will continue to operate as Snowy Valleys Council in the best interests of the community.

"I implore the community and lobby groups to acknowledge that the responsibility for the determination rests with the state government, and to take up any issues with them directly, leaving staff to continue to deliver services.

"We do not have any clear direction on the details surrounding the Local Government Amendment Act and de-amalgamation, aside from the fact that a Council can resolve to undertake the process.

"The Minister's decision means that any further work to progress a de-amalgamation will have to be addressed by the new Council, however we are yet to receive any guidance from the Minister and Office of Local Government about how this action could be progressed.

"As an organisation we have respected the process throughout and are asking the community to respect the uncertain position we are currently in and work positively together with Councillors and staff for the benefit of the entire local community," continued Mr Hyde.

Since being established Snowy Valleys Council has delivered over $62M in new infrastructure, asset renewal and maintenance work.

"The focus of Snowy Valleys Council has always been to operate as a single organisation in order to create a sustainable path for the delivery of works and services across the whole community and this work continues," said Mr Hyde.

"I acknowledge that Council has significant challenges ahead, and I am committed to tackling them in partnership with the community and elected representatives, but hard decisions will still need to be made in order to achieve sustainability whether we are one organisation or two.

"I ask the community to participate and contribute respectively, proactively and positively in opportunities to be involved in the journey to a sustainable council through discussions about a Special Rate Variation and new Community Strategic Plan as this information will be critical for any future council model.

"I understand that the demerger agenda will be an election issue, but this is a political issue and we cannot afford for this to distract us from our work.

“Community unrest and continued instability around this prolonged process has taken an enormous toll on the welfare of Councillors, SVC staff and their families, please do not underestimate how this has impacted on staff member’s health and wellbeing,” said Mr Hyde.

-ENDS-

Special Rate Variation

Snowy Valleys Council

Community Information
July 2021

Following the adoption of Special Rate Variation Scenarios within Council's Long Term Financial Plan in June 2021, Council is now seeking further feedback from the community on the different pathways to achieve financial sustainability.

This includes utilising a Special Rate Variation (SRV) and introduction of increased efficiency measures to meet costs associated with maintenance and renewal of valued community assets and delivery of desired services.

The current sustainability target – the amount required to balance the annual budget with the annual income without grant funding - is an annual amount of approximately $3.8M.

The sustainability target can be made up of efficiency gains (selling assets, reducing services, reducing staff) and/or increased income (an increase in rate income and user fees and charges).

Council is not seeking to impose increasing costs solely on to the community, with all presented options based on Council also implementing efficiency gains to meet either 19%, 32% or 60% of the sustainability target.

Three options are currently being reviewed, each containing different ratios of productivity savings, service changes and Special Rate Variation:

	Average Rate	$ SRV increase 2022	$ SRV increase 2023	$ SRV increase total
Current	$1,043			
Option A - 30% SRV (15%+15%) No service reduction	After two years: $1,428 (including 2% rate peg)	$156	$183	$339
Option B - 25% SRV (12.5%+12.5%) + $700K service reduction	After two years: $1,367 (including 2% rate peg)	$130	$149	$279
Option C - 15% SRV (7.5%+7.5%) + $1.7M service reduction	After two years: $1,251 (including 2% rate peg)	$78	$86	$164

You can view the summary of options or read more detailed information at yourvoice.svc.nsw.gov.au/srv

Why an SRV

Council's income base from rates is fixed. Any increase is limited to an annual 'rate peg' amount set by the State Government of between 1.5% and 2.5%.

As the cost to deliver services and maintain community assets increases above the rate peg amount each year, so does the pressure on Council's income to continue to deliver the same services for less.

The SRV is a tool used by local government to adjust Council's fixed income base when reducing operating expenditure alone does not balance the budget.

Council is not 'broke' or in debt. Council has $41.8M in cash (including reserves and unrestricted cash) and investments and has minimal borrowings.

Applying for an SRV does not mean Council has 'run out of money'. However, it is indicating that the gap between the increasing cost to deliver services and the fixed amount of income is widening and will require adjustment before significant issues occur.

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

This includes working to achieve a fully funded operating position (a balanced budget).

Why have we not been able to reduce costs?

The implementation requirements for establishing a new organisation and decisions to continue to deliver grant funded assets to increase the liveability and amenity of the region have, over time, combined with external influences such as rising costs and unexpected expenditure associated with bushfire and pandemic. These factors have gradually led to the problem which Council is now addressing.

The following issues continue to challenge Council's ability to 'spend within its means':

- Receiving significant grant funding for new and upgraded assets since 2016, which increases the cost by an estimated $460,000 per year to maintain and renew these assets over their lifetime (maintenance and depreciation costs)
- Maintaining staffing numbers, determined and regulated as part of merger obligations by the NSW Government, across the two former LGAs which impacts Council's ability to deliver a reduced organisational structure and service models
- Delivering on community expectations to provide consistent assets and service levels across the towns and villages in the LGA
- Limited asset and service consolidation opportunities due to the geography and LGA size
- Maintaining the current level of spending on asset renewal to ensure continuing good condition of Council's asset base
- Increasing services to deliver parity in service delivery across the LGA following amalgamation.

What is the timeline?

Before proceeding with an application to NSW Independent Pricing and Regulatory Tribunal (IPART) for a SRV, Council must:

- Provide enough information to the community about the options for a SRV and its impacts and consider feedback
- Decide if to continue with an application for a SRV in **November 2021**
- Complete a SRV application and provide application to the community for further comment and feedback

Any submission for a SRV to commence on 1 July 2022 must be submitted to IPART in February 2022. The application must take into account community feedback, impact on community and detail organisational savings past and future.

What options are being put forward to consider?

Council has considered a number of options to create a path to sustainability from 2022 onwards.

Council also engaged Morrison Low Consultants 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.

The Background Papers produced by Morrison Low are all available to download from the Information section on **yourvoice.svc.nsw.gov.au/srv** .

Three options are being proposed, each containing different ratios of productivity savings, service changes and SRV.

Where a service change (to cease or reduce) is referred to, although the target dollar figure to be saved as a result of the service change has been identified in each option, the specific services that may be affected have not yet been decided. Examples have been provided to assist with understanding of each impact. Council will consult the community prior to any decision on the actual service changes that would form part of an application to IPART.

In addition to finding $600,000 per year in productivity savings within the organisation of Council, the following four options were also considered to reduce the amount of any SRV:

- asset rationalisation
- change service levels
- reduce services
- increase fees and charges.

10. GOVERNANCE AND FINANCIAL REPORTS

10.6 NOTIFICATION OF IPART OF INTENT TO APPLY FOR A SPECIAL RATE VARIATION

REPORT AUTHOR: CHIEF FINANCIAL OFFICER
RESPONSIBLE DIRECTOR: CHIEF EXECUTIVE OFFICER

EXECUTIVE SUMMARY:

This report informs Council about the community consultation undertaken and feedback received from the community through the first phase of the engagement around a potential introduction of a Special Rate Variation (SRV) for Snowy Valleys Council.

The SRV application conditions require Council to lodge a *Notice of Intent to Apply for a Special Rate Variation* with the Independent Pricing and Regulatory Tribunal by November 2021. This report recommends that Council lodge a Notice of Intent for an SRV of 17.5% in 2022/23 and 17.5% in 2023/24. The updated Long-Term Financial Plan is also presented for public exhibition should Council proceed with the Notice of Intent.

RECOMMENDATION:

THAT COUNCIL:

1. **Receive the report on Notification of IPART of Intent to Apply for a Special Rate Variation.**

2. **Confirm and request the Chief Executive Officer notify the Independent Pricing and Regulatory Tribunal of its intent to apply under section 508A of the *Local Government Act 1993* for a Special Rate Variation of 17.5% (including the rate peg) in 2022/23 and 17.5% per cent (including the rate peg) in 2023/24 to be a permanent increase retained within the rate base, for the purpose of maintaining existing services, enhancing financial sustainability and funding infrastructure maintenance and renewal.**

3. **Receive the updated Long-Term Financial Plan for Public Exhibition.**

4. **Endorse the updated Long-Term Financial Plan and place on public exhibition for a period of 28 days.**

5. **Request the Chief Financial Officer to undertake further community consultation as required in the NSW Office of Local Government *Guidelines for the Preparation of an Application for a Special Variation to General Income 2020*.**

6. **Note that the next phase of the community information and engagement period runs from 25 October to 28 November 2021.**

7. **In January 2022 receive a report on the community consultation outcomes, along with the completed Special Variation Application for consideration and determination of an application for a Special Rate Variation.**

BACKGROUND:

If Council wishes to seek a Special Rate Variation above the rate peg for the 2022/2023 financial year, it is required to notify the Independent Pricing and Review Tribunal (IPART) of this intention in November 2021.

Council adopted its updated Integrated Planning & Reporting (IP&R) documents, including the Long-Term Financial Plan (LTFP), on 17 June 2021 with the preferred option being the SRV scenario. From July to September 2021 Council undertook extensive community consultation and received feedback from the community regarding the potential introduction of a Special Rate Variation (SRV). A detailed report outlining the community consultation and feedback received is attached to this report.

Council now needs to consider its options to pursue an SRV for implementation from the 2022/23 year.

REPORT:

Council resolved to adopt the IP&R documents at its ordinary meeting on 17 June 2021. Significant feedback from the community in regard to the SRV scenario was received during the exhibition period of the IP&R documents, and Council committed to further investigation and community consultation to be conducted between July and October 2021 about the potential requirement for an SRV, as per options within the LTFP.

To assist with community consultation and future decision making about an SRV, Council engaged Morrison Low Consultants 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 to the community and Councillors on the long-term financial sustainability of Council
- provide advice to community and Councillors on options to close any financial sustainability gap.

As a result of this review, three options for an SRV were proposed for feedback during consultation with the community, each containing different ratios of productivity savings, service changes and SRV.

Option A
30% Special Rate Variation – implemented over two years (15% + 15%) plus rate peg
A productivity saving of $600,000
Minimal service changes

Option B
25% Special Rate Variation – implemented over two years (12.5% + 12.5%) plus rate peg
A productivity saving of $600,000
$700,000 of savings/increased revenue made up of:

- Asset rationalisation: sell, dispose or repurpose $4.8M of identified underutilised or redundant assets to reduce annual costs by $220,000
- Change to service levels: reduce six hours per week across all or select services to reduce costs by approximately $30,000
- Reduce services: transfer/cease services to reduce net costs by $400,000 – the equivalent of the operation of Visitor Information Centres and tourism support activities
- Increase fees and charges: 8% additional increase in fees and charges to generate a further $50,000 in annual revenue.

Option C
15% Special Rate Variation – implemented over two years (7.5% + 7.5%) plus rate peg
A productivity saving of $600,000
$1.7M of savings/increased revenue made up of:

- Asset rationalisation: sell, dispose or repurpose $7.3M of underutilised assets to reduce annual costs by $330,000

- Change to service levels: reduce 12 hours per week across all or select services to reduce costs by approximately $60,000
- Reduce services: transfer/cease services to reduce net costs by $1.2M – the equivalent of Community Grants, Community Donations, Community Development, the operation of Visitor Information Centres and tourism support activities, saleyards operations.
- Increase fees and charges: 18% additional increase in fees and charges to generate a further $110,000 in annual revenue.

If Council does not implement an SRV, the LTFP predicts indefinite operating deficits for the General Fund if current operations continue. Of immediate concern is the prediction in the base case scenario that unrestricted cash for the general fund will be exhausted by 2024/25.

Going forward Council has already committed to annual savings of $600K and has adopted an updated Financial Sustainability Plan to continue to create ongoing productivity and efficiency gains. However, further savings, additional income or significant service reductions are required to bring Council's operating position to a surplus level. The finalised annual financial statements for 2020/21 show an operating deficit excluding capital grants and contributions of $4.98M, demonstrating Council continues to secure and utilise grant and external funding for use on capital renewal projects. With Council's current income, Council is unable to self-fund the same level of capital renewal and maintenance projects.

Morrison Low have provided a summary of the Phase One SRV community consultation and implications, which is attached to this report. A further report summarising the outcome of the community engagement to date is also attached.

The majority community opinion was that current assets, services, service levels and the level of fees and charges are highly valued and important. This confirms previous feedback where the community generally expressed their intent to keep services at the level they are currently provided for. Current feedback shows that 60% of community members who participated in polls preferred the lowest proposed SRV and only 26% the highest SRV. The Local Government Act requires Council to sustainably manage its assets, resources and finances. As such, Council has little option but to increase its revenue or significantly reduce costs through service reductions to close the financial gap of continuing operational deficits. However, the community engagement has shown strong opposition to both service reductions and an SRV. In combination, these diametrically opposing opinions result in a financially unsustainable Council.

After undertaking the first phase of community consultation around the introduction of an SRV, Council now needs to determine if it continues to proceed with the process to apply for an SRV and submit a *Notice of Intention to Apply for an SRV*. Such a notice is not committing Council to an application, it is merely flagging Council's intent to apply and providing Council officers with approval to proceed with the development of an application and deliver corresponding community information and consultation. Council elections are due to be held in early December with the new Council to be established in January. The decision to submit the SRV application will be required at the January Ordinary Council meeting. The new Council will need to decide whether to proceed with the SRV application as proposed, modify the SRV application to a lesser amount, or not proceed with an SRV at all.

Morrison Low and Council officers recommend introducing an SRV per option A to avoid a significant reduction to current assets, services and large increases to fees and charges. It is noted that should Council add additional assets and/or increase services and service levels in the future, offsetting savings in the form of service and asset reductions will be required to avoid reverting to an operating deficit. An updated LTFP is attached to this report and outlines the preferred scenario with an SRV of 17.5% (including rate peg) in 2022/23 and 17.5% (including rate peg) in 2023/24. The SRV is recommended to be permanently included in Council's revenue.

The cumulative effect of option A, a 15% plus 15% SRV plus rate peg of 2.5% in each year results in a rate rise of 38.06% (compounded) over the two years. The SRV (including rate peg) will raise additional rates income of $1.35M in year 1 and $2.97M in year 2. This equates to an annual increase of approximately $183 and $397 on the average rate. In addition, Council will pursue productivity savings through employee cost savings of $600K annually from 2022/23, and continue to implement actions of the Financial Sustainability Plan. The proposed SRV requires only minimal service level adjustments.

The proposed SRV scenario allows Council to:

- maintain service levels as close as possible to current levels,
- fund ongoing maintenance,
- fund renewal of infrastructure assets,
- increase capacity to renew deteriorating assets,
- ensure and improve financial sustainability,
- reduce reliance on external grant funding for asset renewals.

Arguments

- **For a submission of a Notice of Intent to apply for an SRV:**
    - Council forecasts operational deficits over the next 10 years
    - Council is bound by the principles of sound financial management in the NSW *Local Government Act 1993*, namely responsible and sustainable spending and responsible and sustainable infrastructure investment
    - Council is unable to self-fund the maintenance and renewal of all its community assets with its current income
    - Council's rates are relatively low compared to other Councils within its category
    - Council is not committing itself to an application at this stage, however, if the notice of intent is not lodged, Council will not be able to apply for an SRV until the following year

- **Against a submission of a Notice of Intent to apply for an SRV:**
    - Council elections are to be held in early December 2021 and lodging a notice of intent may be construed as influencing these elections
    - Council has implemented rates harmonisation resulting in some ratepayers experiencing increases to general rates
    - Increases in sewer and water charges were implemented over the past financial years
    - An SRV may cause undue hardship for ratepayers who have been financially impacted by the bushfires and pandemic
    - Community engagement required and the drafting of an application will consume valuable resources

IPART requirements

When preparing an application for a SRV, IPART requires councils to actively engage residents in discussions about any proposed increase above the rate peg and will consider how effective each council's community inclusion has been before determining an application to increase rates above the set peg. As part of the application, Councils need to show IPART that there is:

- community awareness of their plans
- a demonstrated need for higher increases to charges
- a reasonable impact on ratepayers
- a sustainable financing strategy
- a history of well-documented council productivity improvements

Following the submission of an application to IPART, IPART will also assess other relevant information, including communication from ratepayers received during a public exhibition process. IPART can wholly or partially approve or reject a council's application.

Consultation with IPART

Management have discussed the proposed submission of an application for an SRV with IPART. IPART advised that a Notice of Intention is not binding on Council. In other words, the submission of intent does not bind the newly elected Council to submit an application, but without a notice of intent, Council cannot submit an application. IPART also advised that due to the delayed Council elections it is unlikely that an updated Delivery Program is required, however, the LTFP has to be updated and put on public exhibition prior to any application being made.

Guidelines

The Office of Local Government releases a set of guidelines each year for the preparation of an application for a special variation to general income. A copy of the most recent 2020 guidelines is attached to this report. IPART will assess each application against the criteria listed in the guidelines. These criteria are:

- The need for, and purpose of a different revenue path for Council's General Fund to be clearly articulated and identified in Council's IP&R documents.

Comment: Council's adopted LTFP includes the proposed special rate variation as a preferred scenario and clearly articulates the reason for the SRV. The updated LTFP will be put on public exhibition during November 2021 as part of wider community consultation about the SRV application.

- Evidence that the community is aware of the need for and extent of a rate rise. Council must undertake a comprehensive community engagement strategy using a variety of methods available.

Comment: The community satisfaction survey in April 2021 showed that 79% of respondents were aware of the option for Council to investigate a Special Rate Variation to increase rates from 2022 as outlined within the LTFP that was exhibited in April 2021 and adopted in June 2021. The Phase One SRV engagement between July and September 2021 provided the opportunity for all community members to obtain further detailed information about a potential SRV, the rationale for an SRV and to provide feedback. The attached report outlines this phase of community engagement. Additional community engagement about the development of an application for a SRV as notified to IPART in Council's Notice of Intention will be conducted during November 2021.

- The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base, and proposed purpose of the variation. The Delivery Program and LTFP need to clearly show the impact of the SRV on the community. Consideration of the community's capacity and willingness to pay rates, and establish that the proposed rate increases are affordable.

Comment: Council has commissioned a *Capacity to Pay Report*, attached to this report, which outlines the impact on ratepayers. The Delivery Program is currently under review for adoption in June 2022 and the updated LTFP is attached to this report.

- The relevant IP&R documents must be exhibited, approved and adopted by Council prior to Council applying to IPART for a special rate variation.

Comment: Council adopted the IP&R documents in June 2021 and these documents are currently under review for the newly elected Council to adopt in June 2022. They will be exhibited as required under the IP&R framework.

- The IP&R documents or Council's application must explain the productivity improvements and cost containment strategies council has realised in past years and plans to realise over the proposed special variation period.

Comment: Council has achieved cost reductions which are included in the current financial year and future budgets and has committed to further savings of $600K. A Financial Sustainability Plan was adopted alongside Council's IP&R documents in June 2021. Details will be included in Council's application.

LINKS TO COMMUNITY STRATEGIC PLAN AND DELIVERY AND OPERATIONAL PLAN:

Integrated Planning and Reporting Framework:
CSP Outcome 2028
Theme 4: Communication & Engagement

Delivery Outcomes
4.3 Council has sound organisational health and has a culture which promotes action, innovation, accountability and transparency

SUSTAINABILITY ASSESSMENT:

	Positive	**Negative**
Social	Ensuring adequate services are provided to the community, and transparent planning to provide confidence in Council's ability to deliver on the community's priorities	The proposed rates increases may be seen as having potential social impacts
Environmental	Planning for the provision of services that improve environmental outcomes within Council's area of influence	Environmental impacts identified will need to be identified and managed
Economic	The LTFP assists in improving community and investor confidence in the region through demonstration of gradual improvements and sound financial management	There may be a perception that Council needs to be more than an enabler/supporter in economic development requiring additional resources
Governance	This report is required to demonstrate to the community and government the appropriateness and transparency of Council's decision-making processes	The existing Council may prefer to leave decision-making to the yet-to-be elected new Council

Financial and Resources Implications

The re-adoption of the Long-Term Financial Plan will likely incur associated expenses and resources for successful implementation over the years.

Costs and Benefits:

There are considerable costs involved in the delivery of community consultation and the drafting of an application to IPART. These costs are recognised in the 2021/22 budget.

Policy, Legal and Statutory Implications:

Compliance with S508(a) of the *Local Government Act 1993* and associated guidelines and regulations.

RISK MANAGEMENT – BUSINESS RISK/WHS/PUBLIC:

There is a risk that the updated Long-Term Financial Plan and other information provided to the community is not well understood by the community. A detailed communications and engagement approach has been and continues to be applied.

OPTIONS:

1. Council endorse the report and recommendations
2. Council amend the recommendations
3. Council reject the recommendations

COUNCIL SEAL REQUIRED:

No

COMMUNITY ENGAGEMENT AND COMMUNICATION:

Internal consultation has been undertaken to establish the updated Long-Term Financial Plan and the scenario modelling updated by Morrison Low as well as discussion of the community engagement documents.

Extensive external consultation has been undertaken which is outlined in the attached report. Formal public exhibition of the Long-Term Financial Plan will be conducted in accordance with the requirements of the Local Government Act 1993. Further community engagement regarding the proposed SRV will be undertaken between November and December 2021 as per the SRV engagement plan. Community feedback will be considered by Council before an application to IPART is submitted.

ATTACHMENTS

1 Draft updated LTFP 2021-31 for public exhibition (under separate cover)
2 SRV Community Engagement Summary Morrison Low (under separate cover)
3 SRV Community Engagement Report 30.09.21 (under separate cover)
4 SRV Community Information August 2021 (under separate cover)
5 SRV Community Information Q&A (under separate cover)
6 SRV Close the Gap Options (under separate cover)
7 Capacity to Pay Report Morrison Low (under separate cover)
8 OLG SRV Guidelines 2020 (under separate cover)

Special Rate Variation

Snowy Valleys Council

Special Rate Variation

Following the adoption of Special Rate Variation Scenarios within Council's Long Term Financial Plan in June 2021, Council is now seeking further feedback from the community on the different pathways to achieve financial sustainability.

This includes utilising a Special Rate Variation (SRV) and introduction of increased efficiency measures to meet costs associated with maintenance and renewal of valued community assets and delivery of desired services.

The current sustainability target – the amount required to balance the annual budget with the annual income without grant funding - is an annual amount of approximately $3.8M.

The sustainability target can be made up of efficiency gains (selling assets, reducing services, reducing staff) and/or increased income (an increase in rate income and user fees and charges).

Council is not seeking to impose increasing costs solely on to the community, with all presented options based on Council also implementing efficiency gains to meet either 19%, 32% or 60% of the sustainability target.

Three options are currently being reviewed, each containing different ratios of productivity savings, service changes and Special Rate Variation:

	Average Rate	$ SRV increase 2022	$ SRV increase 2023	$ SRV increase total
Current	$1,043			
Option A - 30% SRV (15%+15%) No service reduction	After two years: $1,428 (including 2% rate peg)	$156	$183	$339
Option B - 25% SRV (12.5%+12.5%) + $700K service reduction	After two years: $1,367 (including 2% rate peg)	$130	$149	$279
Option C - 15% SRV (7.5%+7.5%) + $1.7M service reduction	After two years: $1,251 (including 2% rate peg)	$78	$86	$164

You can view the summary of options here or read more detailed information here

Why an SRV

Council's income base from rates is fixed. Any increase is limited to an annual 'rate peg' amount set by the State Government of between 1.5% and 2.5%.

As the cost to deliver services and maintain community assets increases above the rate peg amount each year, so does the pressure on Council's income to continue to deliver the same services for less.

The SRV is a tool used by local government to adjust Council's fixed income base when reducing operating expenditure alone does not balance the budget.

Council is not 'broke' or in debt. Council has $41.8M in cash (including reserves and unrestricted cash) and investments and has minimal borrowings.

Applying for an SRV does not mean Council has 'run out of money'. However, it is indicating that the gap between the increasing cost to deliver services and the fixed amount of income is widening and will require adjustment before significant issues occur.

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

This includes working to achieve a fully funded operating position (a balanced budget).

Why have we not been able to reduce costs?

The implementation requirements for establishing a new organisation and decisions to continue to deliver grant funded assets to increase the liveability and amenity of the region have, over time, combined with external influences such as rising costs and unexpected expenditure associated with bushfire and pandemic. These factors have gradually led to the problem which Council is now addressing.

The following issues continue to challenge Council's ability to 'spend within its means':

- Receiving significant grant funding for new and upgraded assets since 2016, which increases the cost by an estimated $460,000 per year to maintain and renew these assets over their lifetime (maintenance and depreciation costs)
- Maintaining staffing numbers, determined and regulated as part of merger obligations by the NSW Government, across the two former LGAs which impacts Council's ability to deliver a reduced organisational structure and service models
- Delivering on community expectations to provide consistent assets and service levels across the towns and villages in the LGA
- Limited asset and service consolidation opportunities due to the geography and LGA size
- Maintaining the current level of spending on asset renewal to ensure continuing good condition of Council's asset base
- Increasing services to deliver parity in service delivery across the LGA following amalgamation.

What is the timeline?

Before proceeding with an application to NSW Independent Pricing and Regulatory Tribunal (IPART) for a SRV, Council must:

- Provide enough information to the community about the options for a SRV and its impacts and consider feedback
- Decide if to continue with an application for a SRV in **November 2021**
- Complete a SRV application and provide application to the community for further comment and feedback

Any submission for a SRV to commence on 1 July 2022 must be submitted to IPART in February 2022. The application must take into account community feedback, impact on community and detail organisational savings past and future.

What options are being put forward to consider?

Council has considered a number of options to create a path to sustainability from 2022 onwards.

Council also engaged Morrison Low Consultants 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.

The Background Papers produced by Morrison Low are all available to download from the Information section on this site.

Three options are being proposed, each containing different ratios of productivity savings, service changes and SRV.

Where a service change (to cease or reduce) is referred to, although the target dollar figure to be saved as a result of the service change has been identified in each option, the specific services that may be affected have not yet been decided. Examples have been provided to assist with understanding of each impact. Council will consult the community prior to any decision on the actual service changes that would form part of an application to IPART.

In addition to finding $600,000 per year in productivity savings within the organisation of Council, the following four options were also considered to reduce the amount of any SRV:

- asset rationalisation
- change service levels
- reduce services
- increase fees and charges.

Action

Review the background information and proposed options

Download the Rates Calculator to review the impact on your property

Provide a submission

FEEDBACK FORM | QUICK SURVEY

Special Rate Variation Feedback Form

If you would like to provide feedback on the options presented within the Financial Sustainability documents, please provide your comments below.

Provide feedback

Page last updated: 22 October 2021, 13:44

Download the Rates Calculator. Have your Annual Rates Notice handy, so you can enter your Assessment Number If you do not have Microsoft Excel and/or are unable to download the calculator, contact Council on 1300 275 782 for assistance.

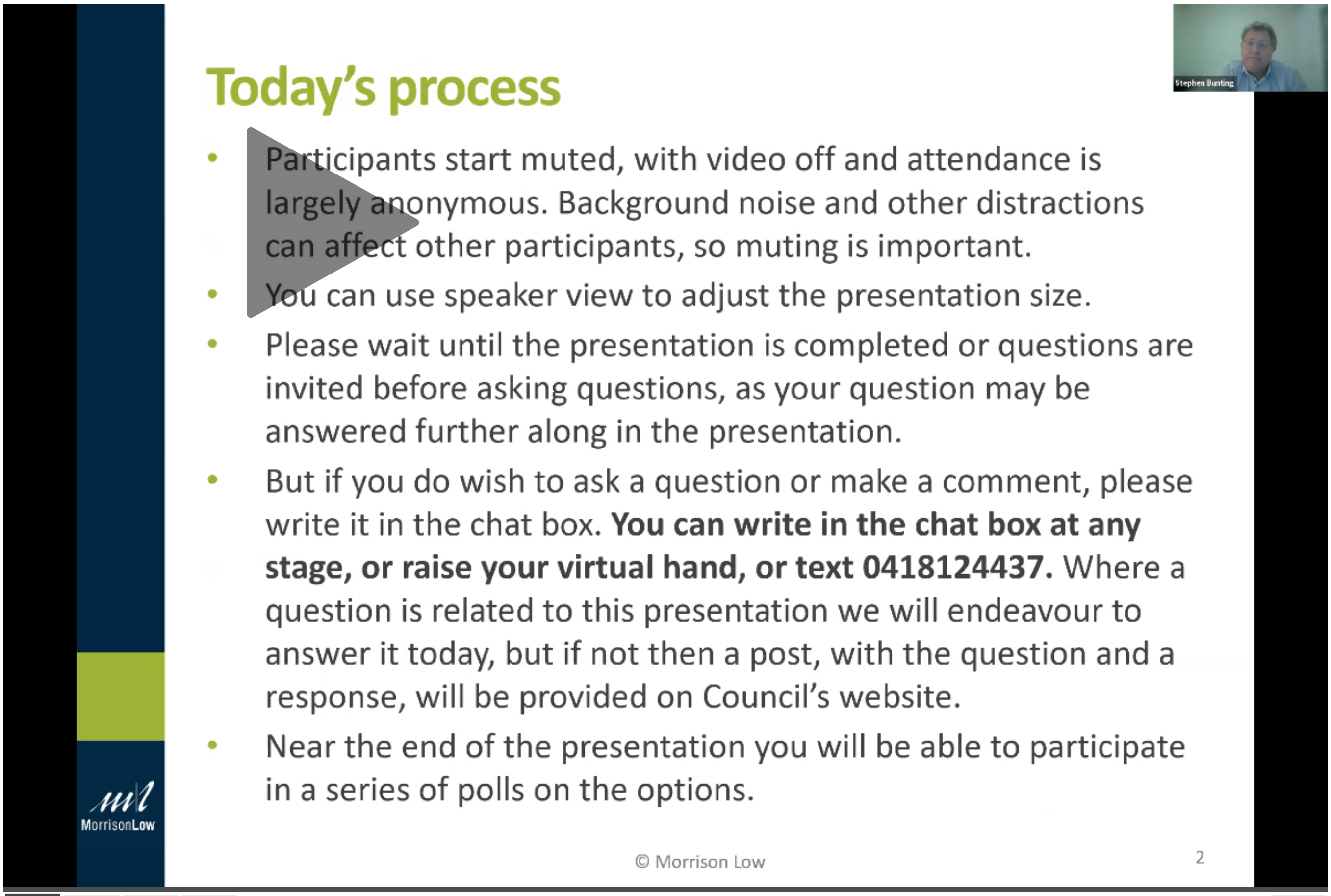
SRV Rates Calculator Snowy Valleys Council - November 2021.xlsx (406 KB) (xlsx)

Community Meetings - 15 September

12noon Online Community Meeting
15 September 2021

5.30pm Online Community Meeting
15 September 2021

Watch the Community Presentation



0:00 / 44:56 Speed: 1x *Stopped*

Information

- Sustainability Overview (274 KB) (pdf)
- Financial Overview (191 KB) (pdf)
- Assessment of Options (168 KB) (pdf)
- Council Comparison (161 KB) (pdf)
- Glossary (130 KB) (pdf)
- Q&A Detail - Community Meetings.pdf (170 KB) (pdf)
- Community Information - August 2021 (122 KB) (pdf)
- Potential close the gap options (307 KB) (pdf)

Options Summary Table

SRV Options Summary Table (9.53 KB) (pdf)

Completed Online Community Meetings

12.30pm Online Community Meeting
19 July 2021

6.00pm Online Community Meeting
19 July 2021

12.30pm Online Community Meeting
20 July 2021

6.00pm Online Community Meeting
20 July 2021

12.30pm Online Community Meeting
23 July 2021

6.00pm Online Community Meeting
26 July 2021

more..

All Day Drop In Sessions

Unfortunately Community Drop In Sessions have been postponed due to COVID-19 restrictions and public health advice. New dates and ways to get involved will be announced.
28 July 2021

Who's Listening

Susanne Andres

Chief Financial Officer

Snowy Valleys Council

SA

Email info@svc.nsw.gov.au

Morrison Low

Independent Analysts

ML

Email s.bunting@morrisonlow.com

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Snowy Valleys Council
Special Variation Community Engagement Summary and Implications

Morrison Low Consultants has been engaged by Snowy Valleys Council's ('Council') to review Council's current baseline budget and financial forecasts to provide advice on options to close the forecast general fund operating funding gap. Morrison Low also provided information to the Snowy Valleys community and facilitated a community engagement process, so that Council can make an informed decision on the options to become financially sustainable.

The Council separated the community consultation into two phases:

- Phase One engagement, with the purpose of informing and engaging the community on financial challenges and options facing Council and seeking feedback on the options put forward by Morrison Low. The options proposed included a reduction in assets, services, service levels, an increase in fees and charges and organisational savings to reduce the amount of a possible of Special Rate Variation (SRV) and a range of SRV options.
- Phase Two, to inform the community on Council's notification to the Independent Pricing and Regulatory Tribunal (IPART) that it intends to apply for an SRV and seek further feedback.

This paper summarises the Phase One engagement and its implications.

Phase One Community Engagement

Engagement Initiatives

Council undertook a number of community engagement initiatives under Phase One including:

- Establishing a Council webpage with all SRV information live from July 5. The webpage received 318 visitors.
- Creating information on the page including SRV summary, five detailed background documents, Community Q&A, recording of the Community Meeting presentation, a survey, feedback form and rates calculator.
- Advertisements in print news July 14, 16, 20, 21, 23, August 13, 18, September 8, 10, 14, 15
- Nine posted on Social Media.
- A brochure letterbox drop delivered to 8017 households, businesses, roadside mailboxes and post boxes 30 August.
- Eight online meetings independently facilitated by Morrison Low. Meetings were advertised via local newspaper, local radio, Council's website and social media.

Simultaneously Council undertook community engagement on the new Community Strategic Plan and this engagement also provided an opportunity for the community to express their views through that process.

This Community Engagement process resulted in approximately eight percent of the community making submissions. A more detailed Community Engagement Report is available on Council's website and this paper provides a high-level summary of the outcome and feedback.

Engagement Feedback

Fifteen online submissions were received to the phase one SRV engagement process through the website. Council also received 549 submissions through the Integrated Planning and Reporting (IP&R) community engagement process, which related to the SRV engagement. 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. Some also opposed service cuts and all, but a few submissions did not express preference for any alternative actions to avoid an SRV.

The eight online meetings were attended by around 30 people.

Polls were used on both the website and at the online meetings to gauge the community feelings about the importance of retaining the current range of assets, services, service levels and fees and charges. An indicative range of SRV option was also polled. Approximately 90 people responded to the polls.

The polls revealed that:

- 66% of respondents considered that maintaining the current range of assets was important, somewhat important or very important.
- 74% of respondents considered that maintaining the current service levels was important, somewhat important or very important.
- 62% of respondents considered that maintaining the current range of non- core services was important, somewhat important or very important.
- 87% of respondents believed that maintaining the current level of fees and charges was important, somewhat important or very important.

This gives Council a reasonably clear direction that current asset, services, service levels and fees and charges are highly valued and important to the community.

The polls also shown that 60% of those polled preferred the lowest SRV and 26% the highest SRV. Not all polls surveyed a 'no SRV option'.

Implications for Council

Firstly, and foremost Council must make one or more decisions that will create a sustainable future for the Snowy Valleys Council. This is not negotiable. Council has few options and must either increase revenue or reduce costs. The size of the financial gap will require a combination of actions and if the SRV is not significant the actions must result in a reduction in the assets, service , service levels, organisational savings and an increase in fees and charges for services the community values most, as shown in the poll results.

Opposition to an SRV is strong, as is opposition to service reductions. Unfortunately, these two when combined will result in a financially unsustainable Council. There is a portion of the community who favour a larger SRV over service cuts.

The most practical solution to avoid a significant reduction in current asset, services, service levels or an increase in fees and charges is to choose a combination of organisational savings and the largest SRV. A permanent SRV over two years of 17.5% (15% SRV plus the rate peg of 2.5%) per year will achieve this. This will remove the need to engage about which assets or services will reduce as an SRV of this level will enable the current services to be retained while ongoing structured efficiencies are undertaken to improve Council's sustainability.

In our view Council should notify of its intent to apply for a permanent SRV of two years of 17.5% per year representing a compounded increase of 38%, including the rate peg at 2.5% per year. This decision would enable Council to:

- Notify its intent to apply for an SRV to IPART.
- Inform the community and seek further feedback on this intent.
- The new Council consider the feedback and determine:
    - Whether to proceed with the SRV application as proposed,
    - Modify the SRV application to a lesser amount, or
    - Not proceed with an SRV.

	2021/22 Average Rate	SRV Increase 2022/23	SRV Increase 2023/24	Total SRV Increase - over 2 years	2023/24 Average Rate
		Including 2.5% Rate Peg	Including 2.5% Rate Peg	Including 2.5% Annual Rate Peg	
Average Annual Ordinary Rate across all Rating Categories	**$1,043**	$183	$214	$397	**$1,440**
Average Annual Ordinary Residential Rate	**$661**	$116	$136	$252	**$913**
Average Annual Ordinary Business Rate	**$1,521**	$266	$313	$579	**$2,100**
Average Annual Ordinary Farmland Rate	**$2,007**	$351	$413	$764	**$2,771**

	2021/22 Average Rate	SRV Increase 2022/23	SRV Increase 2023/24	Total SRV Increase - over 2 years	2023/24 Average Rate
		Including 2.5% Rate Peg	Including 2.5% Rate Peg	Including 2.5% Annual Rate Peg	
Average Annual Ordinary Rate across all Rating Categories	**$1,043**	$183	$214	$397	**$1,440**
Average Annual Ordinary Residential Rate	**$661**	$116	$136	$252	**$913**
Average Annual Ordinary Business Rate	**$1,521**	$266	$313	$579	**$2,100**
Average Annual Ordinary Farmland Rate	**$2,007**	$351	$413	$764	**$2,771**

SRV Community Information - November

From July to September 2021 Council undertook community consultation and received feedback from the community regarding the potential introduction of a Special Rate Variation (SRV).

After reviewing this feedback and budget and financial forecast advice from Morrison Low at the October Council Meeting, Council resolved to lodge a *Notice of Intent to Apply for a Special Rate Variation* with the Independent Pricing and Regulatory Tribunal before November 2021 for an SRV of 17.5% in 2022/23 and 17.5% in 2023/24.

The decision instructs Council staff to:

- proceed with the development of an application for consideration by the new Council in January 2022
- develop and deliver information and opportunities for feedback to the community on the SRV of 17.5%+17.5% (including rate peg) between 25 October and 28 November 2021
- place the updated Long-Term Financial Plan reflecting the proposed SRV on public exhibition
- develop a report on the community consultation outcomes, along with the completed Special Variation Application for consideration and determination of an application for a Special Rate Variation by Councillors at the January 2022 Council meeting.

The new Council will consider the feedback and determine:

- whether to proceed with the SRV application as proposed,
- modify the SRV application to a lesser amount, or
- not proceed with an SRV.

Special Rate Variation - application detail

The cumulative effect of a 15% plus 15% SRV plus rate peg of 2.5% in each year results in a rate rise of 38.06% (compounded) over the two years.

The impact of the SRV on the average rate overall and per category is listed below. A rates calculator is available from this website to allow you to review the impact of the proposed SRV on your annual rates bill.

	2021/22 Average Rate	SRV Increase 2022/23	SRV Increase 2023/24	Total SRV Increase - over 2 years	2023/24 Average Rate
		Including 2.5% Rate Peg	Including 2.5% Rate Peg	Including 2.5% Annual Rate Peg	
Average Annual Ordinary Rate across all Rating Categories	**$1,043**	$183	$214	$397	**$1,440**
Average Annual Ordinary Residential Rate	**$661**	$116	$136	$252	**$913**
Average Annual Ordinary Business Rate	**$1,521**	$266	$313	$579	**$2,100**
Average Annual Ordinary Farmland Rate	**$2,007**	$351	$413	$764	**$2,771**

The SRV (including rate peg) will raise additional rates income of $1.35M in year 1 and $2.97M in year 2. This equates to an annual increase of approximately $183 and $397 on the average rate.

In addition, Council will pursue productivity savings through employee cost savings of $600K annually in 2022/23 and 2023/24, and continue to implement actions of the Financial Sustainability Plan to create permanent reductions to ongoing expenditure.

The proposed SRV requires only minimal service level adjustments to community services.

The proposed SRV will allow Council to:

- maintain service levels as close as possible to current levels,
- fund ongoing maintenance,
- fund renewal of infrastructure assets,
- increase capacity to renew deteriorating assets,
- ensure and improve financial sustainability,
- reduce reliance on external grant funding for asset renewals.

Why an SRV

Council's income base from rates is fixed. Any increase is limited to an annual 'rate peg' amount set by the State Government of between 1.5% and 2.5%.

As the cost to deliver services and maintain community assets increases above the rate peg amount each year, so does the pressure on Council's income to continue to deliver the same services for less.

The SRV is a tool used by local government to adjust Council's fixed income base when reducing operating expenditure alone does not balance the budget.

Council is not 'broke' or in debt. Council has $36M in cash (including reserves and unrestricted cash) and investments at the end of September 2021 and has minimal borrowings.

Applying for an SRV does not mean Council has ‘run out of money’. However, it is indicating that the gap between the increasing cost to deliver services and the fixed amount of income is widening and will require adjustment before significant issues occur.

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

This includes working to achieve a fully funded operating position (a balanced budget).

Why have we not been able to reduce costs?

The implementation requirements for establishing a new organisation and decisions to continue to deliver grant funded assets to increase the liveability and amenity of the region have, over time, combined with external influences such as rising costs and unexpected expenditure associated with bushfire and pandemic. These factors have gradually led to the problem which Council is now addressing.

The following issues continue to challenge Council’s ability to ‘spend within its means’:

- Receiving significant grant funding for new and upgraded assets since 2016, which increases the cost by an estimated $460,000 per year to maintain and renew these assets over their lifetime (maintenance and depreciation costs)
- Maintaining staffing numbers, determined and regulated as part of merger obligations by the NSW Government, across the two former LGAs which impacts Council’s ability to deliver a reduced organisational structure and service models
- Delivering on community expectations to provide consistent assets and service levels across the towns and villages in the LGA
- Limited asset and service consolidation opportunities due to the geography and LGA size
- Maintaining the current level of spending on asset renewal to ensure continuing good condition of Council’s asset base
- Increasing services to deliver parity in service delivery across the LGA following amalgamation.

Background information

Council considered a number of options to create a path to sustainability from 2022 onwards.

Council also engaged Morrison Low Consultants 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
- As a result of the information assessment and community consultation, advise Council on the options to become financially sustainable

The Background Papers produced by Morrison Low, and information and results of previous community consultation is all available to download from the Information section on this site.

Special Rate Variation

Snowy Valleys Council

Community Information August 2021

Council is investigating a Special Rate Variation (SRV) and the introduction of increased efficiency measures

This is to meet costs associated with maintenance and renewal of valued community assets and delivery of desired services.

The current sustainability target – the annual amount required to balance the budget with the income without grant funding - is approximately $3.8M.

To meet the sustainability target, Council's options include:

- saving money by disposing, repurposing or selling assets,
- reducing services and cutting staff, and
- increasing income generated through rates, user fees and charges. .

Each option includes Council making at least $600,000 in efficiency gains – finding savings internally.

How to assess the proposed changes

A Special Rate Variation is calculated on the Ordinary Rate only. This is listed as a separate line item on your Rates Notice. Use only this amount to calculate the percentage increase applicable each year.

Your rates notice could also contain separate charges for Sewer, Water and Waste. These items are not impacted by any SRV.

At the completion of the implementation period for the SRV, currently proposed as a two year period, annual increases return to rate pegging amount only (typically between 1.5% - 2.5% set by the State Government).

An example table for the impact of the SRV options is below. You can also access a Rates Calculator on Council's website **www.svc.nsw.gov.au/srv**

	Average Rate	$ SRV increase 2022	$ SRV increase 2023	$ SRV increase total
Current	$1,043			
Option A - 30% (15%+15%)	After two years: $1,428 (including 2% rate peg)	$156	$183	$339
Option B - 25% (12.5%+12.5%)	After two years: $1,367 (including 2% rate peg)	$130	$149	$279
Option C - 15% (7.5%+7.5%)	After two years: $1,251 (including 2% rate peg)	$78	$86	$164

Service Changes

Council is considering the following four actions to reduce expenditure and the amount of any Special Rate Variation

Asset rationalisation

Selling, disposing, or repurposing buildings, structures or land that could be suitable for alternative management, are underutilised or no longer needed.

Council spends approximately 4.5% of building values on depreciation and maintenance each year.

Council has identified $9.7M of building assets that could be considered for selling, suitable for alternative management or repurposing to achieve a possible annual saving of $437,000. Some of these include:

- Tumut Boys Club
- Tumut Museum
- Tumut Neighbourhood Centre
- Tumut Community Centre Complex
- Tumbarumba Retirement Village
- Pioneer Hall.

Reduce services

Cease providing a service or transition the service to someone else to provide, such as a community group or private operator.

Council currently spends $2.5M of its general rate income delivering services that are outside Council's legislative obligation, which - with community approval - could be transferred or closed.

Transferring or ceasing 20% of these services would close the gap by approximately $500,000.

Services that could be considered include:

- Provision of community grants
- Community donations
- Saleyard operations
- Delivering and supporting events
- Tourism development and promotions
- Community development activities – school holiday programs, public health campaigns.

Change service levels

Reviewing the frequency, quality and quantity of services provided to community.

An option to change current service levels is to reduce opening hours of Council facilities. It costs approximately $100 per hour to keep these services open and accessible to the community.

Council's customer centres, community services, libraries and visitor information centre are open a combined 380 hours per week.

- Community services - 155 hours per week across all services
- Visitor information centres - 43 hours per week
- Libraries - 118 hours per week across all libraries
- Customer centres - 64 hours per week across both centres

Increase fees and charges

Transfer a larger portion of the cost of a service or facility to the direct users/ beneficiaries rather than general ratepayers.

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 income.

A 10% increase in fees and charges would generate and an additional $64,000 in revenue.

Special Rate Variation Options for consideration and review

Three options are put forward for consideration, each containing different ratios of productivity savings, service changes and SRV

Option A

Special Rate Variation:	**30% – implemented over two years (15% + 15%).**
Productivity saving:	**$600,000**
Service changes:	**Nil**

Option B

Special Rate Variation:	**25% – implemented over two years (12.5% + 12.5%)**
Productivity saving:	**$600,000**
Service changes:	**$700,000 made up of -**
Asset rationalisation:	Sell, dispose of or repurpose $4.8M of identified underutilised or redundant assets to reduce annual costs by $220,000
Change to service levels:	Reduce six hours per week across all or select services to reduce costs by approximately $30,000
Reduce services:	Transfer/cease services to reduce net costs by $400,000 – the equivalent of the operation of Visitor Information Centres and tourism support activities.
Increase fees and charges:	8% additional increase in fees and charges to generate a further $50,000 in annual revenue.

Option C

Special Rate Variation:	**15% – implemented over two years (7.5% + 7.5%)**
Productivity saving:	**$600,000**
Service changes:	**$1.7M made up of -**
Asset rationalisation:	Sell, dispose of or repurpose $7.3M of underutilised assets to reduce annual costs by $330,000
Change to service levels:	Reduce 12 hours per week across all or select services to reduce costs by approximately $60,000
Reduce services:	Transfer/cease services to reduce net costs by $1.2M – the equivalent of Community Grants, Community Donations, Community Development, the operation of Visitor Information Centres and tourism support activities, Saleyards operations.
Increase fees and charges:	18% additional increase in fees and charges to generate a further $110,000 in annual revenue.

Have your say!
Visit www.svc.nsw.gov.au/srv

- Review detailed information
- Use the rates calculator
- Complete a short survey

- Make a submission for Council to review

Mail: 76 Capper St, Tumut, NSW 2720
email: info@svc.nsw.gov.au

Contact Council on:
1300 ASK SVC (1300 275 782)

Snowy Valleys Council

Special Rate Variation

Public Exhibition:
Special Rate Variation and updated Long Term Financial Plan October 25 - November 28 2021

Council is preparing an application and updated Long Term Financial Plan to consider the implementation of a Special Rate Variation of:
17.5% (including rate peg) in 2022-23 + 17.5% (including rate peg) in 2023-24.

The SRV will be used to meet increased costs associated with the maintenance and renewal of valued community assets and continue current delivery of desired services.

At the Council Meeting on 20 January 2022, the new Council will consider the application and community submissions and decide if to proceed with lodging an application with NSW Independent Pricing and Regulatory tribunal for review and determination.

The indicative impact of the SRV on average rate in each category is shown below. A rates calculator is available at www.svc.nsw.gov.au/srv or by calling 1300 275 782.

	2021-22 Average Rate	$ SRV increase 2022-23 Including 2.5% rate peg	$ SRV increase 2023-24 Including 2.5% rate peg	Total increase over 2 years including 2.5% annual rate peg	2023-24 Average Rate
Average Annual Ordinary Rate across all Rating Categories	$1,043	$183	$214	$397	**$1,440**
Average Annual Residential Rate	$661	$116	$136	$252	**$913**
Average Annual Business Rate	$1,521	$266	$313	$579	**$2,100**
Average Annual Farmland Rate	$2,007	$351	$413	$764	**$2,771**

For more information:
www.svc.nsw.gov.au/srv or call 1300 275 782

Make a submission:
76 Capper Street, Tumut NSW 2720
info@svc.nsw.gov.au

Come along to an online community meeting:
Monday 22 November at 6.00pm
by following the link at www.svc.nsw.gov.au/srv

Snowy Valleys Council

Special Rate Variation

Public Exhibition:
Special Rate Variation and updated Long Term Financial Plan October 25 - November 28 2021

Council is preparing an application and updated Long Term Financial Plan to consider the implementation of a Special Rate Variation of:

17.5% (including rate peg) in 2022-23 + 17.5% (including rate peg) in 2023-24.

The SRV will be used to meet increased costs associated with the maintenance and renewal of valued community assets and continue current delivery of desired services.

At the Council Meeting on 20 January 2022, the new Council will consider the application and community submissions and decide if to proceed with lodging an application with NSW Independent Pricing and Regulatory tribunal for review and determination.

The indicative impact of the SRV on average rate in each category is shown below. A rates calculator is available at www.svc.nsw.gov.au/srv or by calling 1300 275 782.

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Snowy Valleys Council

Special Rate Variation

Online Community Meeting

Do you have any questions about the Special Rate Variation options currently being reviewed by Council?

Participate in an online community meeting:

- Wednesday 15 September, 12pm
- Wednesday 15 September, 5.30pm

To attend, follow the meeting links at www.svc.nsw.gov.au/srv

Three options are currently being reviewed, each containing different ratios of productivity savings, service changes and Special Rate Variation:

	Average Rate	$ SRV increase 2022	$ SRV increase 2023	$ SRV increase total
Current	$1,043			
Option A - 30% SRV (15%+15%) No service reduction	After two years: $1,428 (including 2% rate peg)	$156	$183	$339
Option B - 25% SRV (12.5%+12.5%) + $700K service reduction	After two years: $1,367 (including 2% rate peg)	$130	$149	$279
Option C - 15% SRV (7.5%+7.5%) + $1.7M service reduction	After two years: $1,251 (including 2% rate peg)	$78	$86	$164

Go to **www.svc.nsw.gov.au/srv** to review detailed information, use the rates calculator, complete a short survey or submit feedback.

You can also contact Council on **1300 ASK SVC (1300 275 782).**

Snowy Valleys Council

Special Rate Variation

Explore the options and have your say

Council is seeking further feedback from the community on options to maintain valued community assets and deliver desired services within a balanced budget.

You'll soon receive an information pack outlining options for financial sustainability and how to provide feedback.

You can also find out more online, in community meetings or Drop In sessions.

Council adopted its Long Term Financial Plan in June 2021.

This document included scenarios for achieving financial sustainability through the introduction of a Special Rate Variation.

To investigate further, we're now seeking your feedback on specific options designed to deliver future financial sustainability and meet community need.

How do we address the financial challenge of meeting rising costs on a fixed income?

What is the preferred mix of operational efficiencies, reduced services or increased income needed to balance the budget?

Is a Special Rate Variation an option?

Explore the options and ask questions in an online community meeting:

- Monday 19 July, 12.30pm
- Monday 19 July. 6.00pm
- Tuesday 20 July, 12.30pm
- Tuesday 20 July, 6.00pm
- Friday 23 July, 12.30pm
- Monday 26 July, 6.00pm

Attend a Community Drop In session:

- Wednesday 28 July, 11am-6.30pm
  Boys Club Hall, Tumut
- Thursday 29 July, 11am-6.30pm
  RSL Hall, Tumbarumba

To find out more and attend an online community meeting go to:
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- Monday 26 July, 6.00pm

Unfortunately, Community Drop In Sessions scheduled for next week have been postponed due to COVID-19 restrictions and public health advice.

New dates and ways to get involved will be announced

To find out more and attend an online community meeting go to:
www.svc.nsw.gov.au/srv or call **1300 ASK SVC (1300 275 782)**

Council Ordinary Meeting 21 October 2021

FOR PUBLIC EXHIBITION

This updated Long Term Financial Plan 2021-2031 was adopted by Council at its Ordinary Meeting held XXXX, following consideration of comments or submissions received from public exhibition and consultation with the community.

Table of Contents

Updated Long-Term Financial Plan October 2021 3
Introduction 3
1. Key Financial Sustainability Objectives 3
2. Key Items of Operating Revenue and Expenditure 4
3. Rates Harmonisation 5
4. Special Rate Variation 5
5. Baseline Scenario 6
Rates and User Fees & Charges 6
Grants and other External Funding 6
Employee Costs and Organisational Structure 6
Materials & Contracts and Other Inputs 6
Population Growth Projections 7
Indexation 7
Asset Ownership, Management and Renewal 7
Depreciation 7
Service Levels 7
Natural Disasters 7
External Factors 8
Interest Rates 8
External Borrowings 8
Implications 8
Baseline Scenario – Primary Financial Reports 9
6. SRV Scenario 14
Assumptions 14
Implications 14
SRV Scenario – Primary Financial Reports 15
7. Sensitivity Analysis 18
Employee Costs 18
Interest Rates 18
Capital Works Programs 18
Grant Programs 18
Rates Income 18
Cost Shifting 18
Energy Costs 18
Insurance and Workers Compensation 18
Superannuation 19
8. Indicators 19
Operating Performance Ratio – Benchmark > 0% 19
Own Source Revenue – Benchmark > 60% 19
Unrestricted Current Ratio – Benchmark >1.5 19
Debt Service Cover Ratio – Benchmark >2 19
Rates and Annual Charges Outstanding – Benchmark <10% 19
Cash Expenses Cover Ratio – Benchmark >3 months 19
9. Capital Works Program 20

Updated Long-Term Financial Plan October 2021

Council's current Long-Term Financial Plan (LTFP) has been reviewed to inform the community engagement around the potential introduction of a Special Rate Variation (SRV) from 2022/23. The updated LTFP is provided for public exhibition to assist the community in their understanding of matters relevant to long-term financial sustainability.

The Integrated Planning & Reporting (IP&R) documents were adopted by Council in June 2021. Council is currently preparing its new Community Strategic Plan, Resourcing Strategy, Delivery Program and Operational Plan for adoption by the newly elected Council for the next IP&R cycle beginning 2022/23. Specifically, Council's Delivery Program expired at the end of 2020/21, but due to the delayed Council election is currently being relied on for service delivery. The Delivery Plan is not being updated at this stage as it needs to be informed by the Community Strategic Plan. The Long-Term Financial Plan forms part of the Resourcing Strategy and is required to be updated prior to a possible application for a Special Rate Variation (SRV) to IPART.

Introduction

The Long-Term Financial Plan (LTFP) is a planning and decision-making tool that shows the long-term financial impacts of Council's decisions based on a set of assumptions. It is a requirement under the Integrated Planning and Reporting (IP&R) framework for NSW Local Government. Snowy Valleys Council's LTFP is an important and central part of Council's strategic planning process that spans a rolling 10-year period and is a document that is intended to remain flexible. The LTFP is reviewed and updated at least annually.

The three key elements of the LTFP correspond to Council's primary financial reporting documents, namely the income statement, the statement of financial position and the statement of cash flows. The income statement (or profit and loss statement) details Council's operating revenue and expenditure associated with ongoing activities with a focus on the operating result which shows whether Council is spending more or less than it earns. The statement of financial position (or balance sheet) details changes in Council's assets and liabilities. The statement of cash flows details where Council plans to generate and spend its cash in operating (ongoing) activities and capital programs (renewals, upgrades and new assets).

The key focus of this updated LTFP is Council's general fund which includes all activities except for water supply and wastewater businesses, which are accounted for separately under National Competition Policy requirements. The LTFP has been updated in October 2021 specifically to address the consequences of a potential introduction of an SRV. A baseline scenario is provided and an SRV scenario outlines the changes that will be achieved from the baseline scenario if an SRV is introduced.

Council's Water Supply and Wastewater Funds are included for information, but these have not been updated from the previously adopted LTFP (Council 17 June 2021).

1. Key Financial Sustainability Objectives

Council recognises that the principles of sound financial management in the NSW Local Government Act (chapter 3, section 8B) emphasise two key elements:

- Responsible and sustainable spending (aligning general revenue and expenses and achieving a small operating surplus); and

- Responsible and sustainable infrastructure investment (adequate provision in maintenance and renewal).

Assumptions informing the SRV scenario for the general fund have been developed with the primary aim of achieving an operating surplus in the long-term.

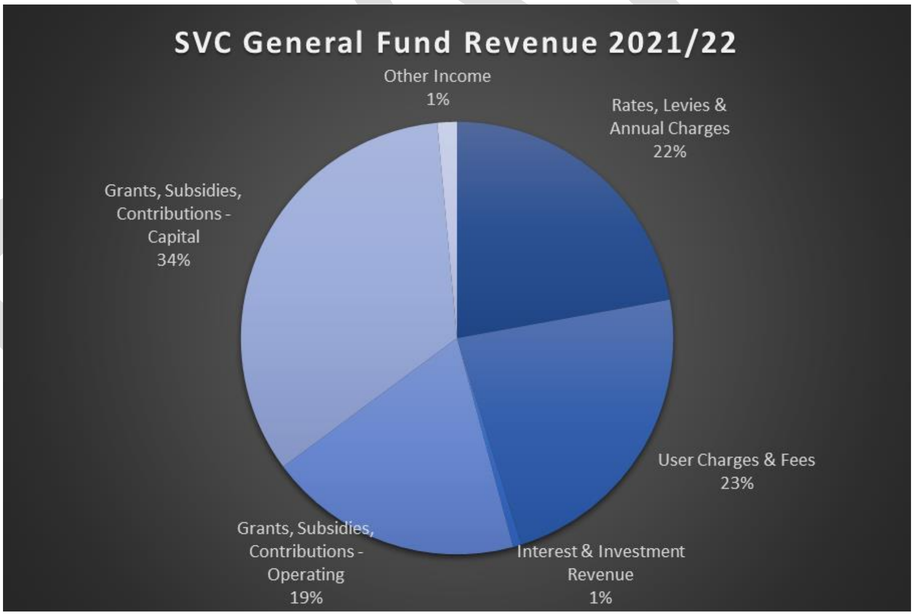
Council also ensures it provides sufficient funding for renewal of existing assets based on an analysis of renewal requirements as set out in its Service Management Plans. Because its assets are in good condition, Council proposes to keep its renewal program stable, but may revise this forecast following a needs analysis in consultation with users.

In addition to the above, Council aims to maintain sufficient cash, manage its debtors, maintain its debt within acceptable limits and to keep the typical residential bill for water and wastewater services as low as possible and stable over the long term. Initial modelling has been undertaken to assess the need for changes.

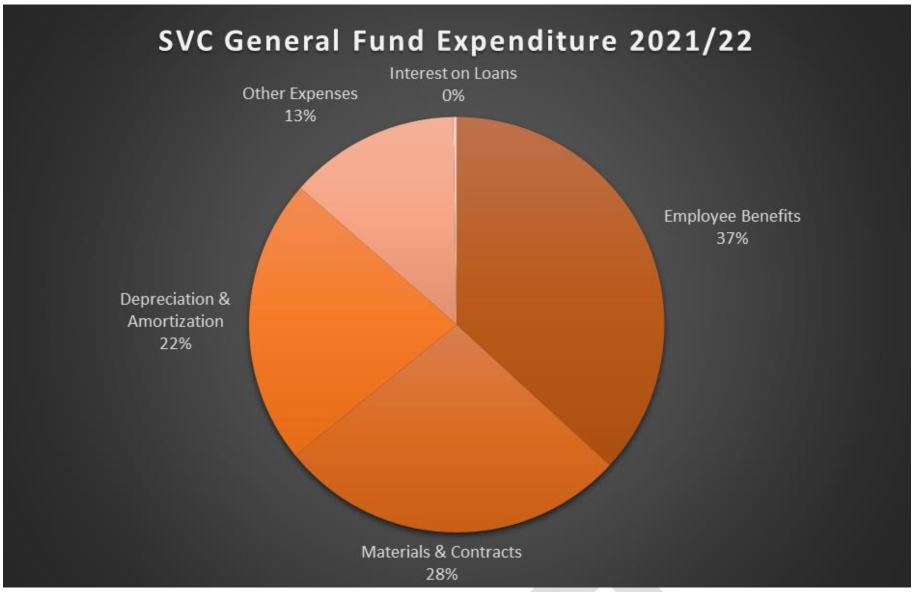
2. Key Items of Operating Revenue and Expenditure

This section is unchanged from the previously adopted LTFP. The annual budget 2021/22 will be reviewed quarterly and presented to Council in the Quarterly Budget Reviews.

The following charts summarise the key areas of revenue and expenditure associated with operational programs in Council's 2021/22 budget for the **General Fund**:



Council expects to receive 45% of its revenue from rates, levies, annual charges and user charges and fees. 53% of revenue is expected to result from operational and capital grants, which for 2021/22 includes $9.9M grant from Softwoods and $9.5 in bushfire recovery / economic stimulus funding. The remaining 2% of revenue are from investment returns and other income streams.



Council expenditure on employee benefits is expected to comprise 37% of total expenditure. Materials, contracts, and other expenses that are used in direct inputs to operations will make up 41% and depreciation 22%. Interest payments on outstanding loans are below 1% of total expenditure.

3. Rates Harmonisation

Council approved the structure of its harmonised rates across its local government area after extensive community consultation. From the financial year 2021/22 Council levies general rates within four rating categories, residential, business, farmland, and mining. Details are available in the Revenue Policy and on Council's website.

4. Special Rate Variation

A Special Rate Variation (SRV) applied to residential and business land in the former Tumut Shire and expired on 30 June 2020. To date no additional SRV has been imposed. However, it is evident that Council is unable to continue to provide services at current levels, maintain and renew its infrastructure and continue to replace ageing community assets within the currently available revenues without posting ongoing operational deficits.

The SRV scenario (second below) includes a proposed new and permanent SRV from 2022/23 onwards to allow Council to:

- maintain current service levels,
- fund ongoing maintenance,
- fund renewal of infrastructure assets,
- increase capacity to renew deteriorating assets,
- ensure and improve financial sustainability,
- deliver key priorities in the Community Strategic Plan and Delivery Program, and
- reduce reliance on external grant funding for asset renewals.

The SRV scenario includes a compounded SRV of 32.25% including the IPART rate peg introduced in two steps of 15% over two years. Each step is made up of the IPART prescribed 2.5% rate peg plus 12.5% additional increase in the financial years 2022/23 and

2023/24. The baseline scenario has been forecast without an SRV. Council believes that an SRV is unavoidable unless service levels are considerably reduced across the Council area.

Between July and September 2021 Council undertook extensive community engagement around a potential SRV to establish community understanding and willingness to accept an SRV to allow Council to return to a sustainable operating model. A report outlining this engagement and the feedback received is presented to Council at its ordinary meeting on 21 October 2021. A further phase of community engagement will be undertaken following this meeting to allow Council to make an informed decision prior to Council's submission to the Independent Pricing & Regulatory Tribunal (IPART).

5. Baseline Scenario

The assumptions that inform the baseline scenario are detailed below. The baseline scenario extrapolates from the 2021/22 operational budget. The primary financial reports for the scenario follow the discussion of assumptions. It is important to remember that the LTFP is subject to uncertainties and change including changes due to uncontrollable events such as legislative changes, natural disasters, and economic shocks.

Rates and User Fees & Charges

Rates, Fees and Charges increase in line with assumed CPI. However, in the future Council utilities charges may change at a different rate depending on service level plans and infrastructure needs.

Commercial works revenue is included in fees & charges revenue, albeit at a reduced level from year 3 due to ongoing uncertainty over commercial works contracts.

Grants and other External Funding

Operational grant funding is assumed to remain at current levels. Council will pursue funding with a preference for operational funding. Any new and upgrade proposals to service levels and asset infrastructure are reviewed prior to funding submission and recommendations are based on whole-of-life costing, community benefit and affordability in the long-term. Financially unsustainable projects will not be pursued.

Employee Costs and Organisational Structure

Council's organisational structure budget reflects all current positions. It is based on the re-structured administration that was put in place in November 2019. Further organisational structure reviews are expected and will have an impact on future planning.

Employee costs make up 37% of consolidated Council ongoing expenses. The overall salaries and wages budget is $17.9M for the financial year 2021/22. Cost decreases resulted from a recent restructure and from a shift in accounting for some employees (primarily those working in the Infrastructure Works division) from operational activities to capital activities, particularly grant-funded construction projects. Cost increases result from mandated wage increases under the Local Government Award and staff moving through the Award structure. Historically, award increases have been higher than CPI and the allowable increase in rates revenue under the rating peg. Statutory increase in superannuation contributions come into effect during the next 5 years.

Materials & Contracts and Other Inputs

Materials and contracts make up 28% and other operational inputs 12% of Council ongoing expenses. These costs are assumed to increase in line with CPI.

Population Growth Projections

Overall population growth is forecast to be less than 1%. Due to the minor forecast, the LTFP has been prepared based on a no-net population change basis.

Indexation

Base indexation of assumed CPI of 2% has been used except for employee expenses to which an assumed index of 2.5% has been applied.

Asset Ownership, Management and Renewal

Council is seeking to maximise the useful life of all assets and aims to achieve this by adequately funding maintenance and renewals. Council continues to manage assets in accordance with its adopted Asset Management Plans within budget constraints. Council owned/controlled assets receive priority spending and Council will continue to review circumstances that have an impact on strategy, including condition assessment protocols, determining remaining asset lives and service levels.

The forecast expenditure is insufficient to meet the cost of predicted asset renewals risking declining levels of asset conditions leading to more costly replacements, reductions in service levels and a backlog of renewals. Council is fully utilising the revenue from Roads to Recovery and other State and Commonwealth grants to fund renewals and maintenance activities. A key assumption in the LTFP is that capital works are at least partially linked to external grant funding. Council may need to identify additional income sources and/or reduce the service levels provided should the level of grant funding decrease in future years,

Depreciation

Depreciation makes up 22% of consolidated Council operating expenses. By the end of the 10-year forecast period, depreciation is expected to rise to 24%. The forecast assumes no significant valuation movements that would affect the current charges and the method for applying useful lives. There is potential to reduce depreciation by disposing of underutilised assets, and such a move will need to be considered in consultation with users.

Council's stormwater drainage assets were being revalued in the financial year 2020/21. This did not result in a change to depreciation expenses.

Service Levels

Council is currently undertaking a comprehensive service level review and preparing new and updated Service Management Plans (SMP). Corporate overhead costs and, where applicable, identified direct costs will be recovered from all services, capital projects and commercial works to avoid cross-subsidisation of services.

All services are being evaluated for community benefit, delivery costs, full-cost recovery, community service obligations and alternative delivery options. In engagement with the community, Council will identify services the private sector may be better placed to efficiently deliver and low-value services for reduction, divesting and rationalisation. Services that promise highest value to the community and are financially sustainable will be prioritised and those services that draw excessively on Council resources will be considered for reduction. Maintenance management systems and plans are aligned with preferred service levels and funding opportunities.

Natural Disasters

The LTFP assumes that Natural Disaster impacts on public infrastructure will be funded from State / Commonwealth natural disaster arrangements. However, the recent bushfire crisis has shown that in the case of a major disaster, these funding arrangements are inadequate to cover all costs to Council and result in cash flow management issues. No allowance has been made for future disaster events, however, if Council achieves its financial sustainability goals, it will be much better placed to respond should a major disaster affect the area. The baseline scenario leaves no room for this. Disaster funding is not received for Water and Wastewater Infrastructure, Public Open Space and Recreational Facilities, damage to which must be funded from available reserves or be covered under insurance arrangements.

External Factors

In the past few years financial assistance grants have been partially prepaid. While this has a negative effect (reduction in income) on the operating budget of the following year, the fact that it has occurred on a regular basis has resulted in minimal impact against forecast income. All scenarios assume that all grant funding will be received during the financial year it has been allocated.

Interest Rates

Due to the ongoing economic uncertainty a conservative approach has been taken for the initial two years. For the following years, a slightly higher return has been assumed.

External Borrowings

Council currently holds several external loans against water, wastewater, caravan park and building assets. At this stage only one future loan is forecast within the LTFP (Water Fund). Loans will be considered in future where required and beneficial to Council's cash flow management.

Implications

The baseline scenario shows an operating deficit after capital grants for all 10 years. The importance of the implications of an ongoing operating deficit forecast in this scenario cannot be overstated. Over the next 10 years the general fund cumulative deficit $40 million and the consolidated cumulative deficit reaches $35 million. General fund cash holdings reduce by $16 million, to well below the level of cash required for ongoing operations. It will also result in deteriorating infrastructure assets due to the inability to fund required renewals. This scenario fails to meet the key principle of financial sustainability to achieve a balanced result.

Council's sustainability cannot be maintained if grant funding reduces. Over the longer term, as assets which are currently in good condition deteriorate, Council will need to increase its investment in replacements and to do so, it will need to draw on its operating income and its reserves unless additional grant funding can be sourced. The baseline scenario shows no room to achieve this.

Without taking measures to increase revenue and decrease expenditure, Council will not be able to afford the provision of the level of services and infrastructure it currently provides to the community. Such a course of action will also fail to meet the key principle of financial sustainability regarding intergenerational equity where Council is unable to maintain its infrastructure assets as required.

Baseline Scenario – Primary Financial Reports

Following are the reports for Council's General Fund, Water Supply Fund and Wastewater Fund and a consolidated model incorporating all three.

Income Statement - General Fund

Base Case	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Income from continuing operations											
Rates and annual charges	9,581	9,757	9,997	10,243	10,448	10,657	10,870	11,088	11,310	11,536	11,766
User charges and fees	13,205	12,927	13,186	13,450	13,719	13,993	14,273	14,558	14,849	15,146	15,449
Interest and investment revenue	289	350	767	765	480	472	466	460	456	454	452
Other revenues	4,368	4,141	4,224	4,308	4,394	4,482	4,572	4,663	4,757	4,852	4,949
Grants and contributions - Operating	25,335	10,740	10,955	11,174	11,398	11,625	11,858	12,095	12,337	12,584	12,835
Grants and contributions - Capital	10,343	17,875	7,710	1,744	1,779	1,814	1,851	1,888	1,926	1,964	2,003
Net gain from the disposal of assets	(6)	-	-	-	-	-	-	-	-	-	-
Share of interest in joint ventures	-	-	-	-	-	-	-	-	-	-	-
Total Income	**63,115**	**55,791**	**46,839**	**41,684**	**42,218**	**43,045**	**43,889**	**44,752**	**45,634**	**46,535**	**47,455**
Expenses from continuing operations											
Employee benefits and oncosts	18,582	13,987	14,337	14,695	15,063	15,439	15,825	16,221	16,627	17,042	17,468
Borrowing costs	155	94	88	81	73	66	60	53	48	42	36
Materials and contracts	28,723	9,174	9,357	9,544	9,735	9,930	10,129	10,331	10,538	10,748	10,963
Depreciation and amortisation	8,151	8,789	9,724	10,184	10,388	10,596	10,808	11,024	11,244	11,469	11,699
Impairment	-	-	-	-	-	-	-	-	-	-	-
Other expenses	165	7,613	7,765	7,921	8,079	8,241	8,406	8,574	8,745	8,920	9,098
Net loss from the disposal of assets	2,284	-	-	-	-	-	-	-	-	-	-
Total Expenses	**58,060**	**39,657**	**41,272**	**42,426**	**43,338**	**44,272**	**45,227**	**46,203**	**47,202**	**48,222**	**49,264**
Net Operating Result	**5,055**	**16,133**	**5,567**	**(742)**	**(1,120)**	**(1,227)**	**(1,338)**	**(1,451)**	**(1,567)**	**(1,687)**	**(1,809)**
Net operating result before grants and contributions provided for capital purposes	**(5,289)**	**(1,742)**	**(2,143)**	**(2,486)**	**(2,899)**	**(3,042)**	**(3,189)**	**(3,339)**	**(3,493)**	**(3,651)**	**(3,813)**

Statement of Financial Position - General Fund

Base Case	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Current assets											
Cash and investments	13,075	33,342	33,242	19,017	18,618	18,275	17,987	17,818	17,676	17,596	17,518
Receivables	11,598	7,647	7,815	7,987	8,147	8,309	8,476	8,645	8,818	8,994	9,174
Inventories	92	137	140	143	146	149	152	155	158	161	164
Other	344	344	344	344	344	344	344	344	344	344	344
Total current assets	**25,109**	**41,470**	**41,541**	**27,490**	**27,254**	**27,078**	**26,959**	**26,962**	**26,996**	**27,095**	**27,201**
Non-current assets											
Investments	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Receivables	11	12	13	13	13	13	14	14	14	14	15
Inventories	147	113	115	117	120	122	125	127	130	132	135
Infrastructure, property, plant and equipment	542,516	575,295	594,957	622,835	637,104	651,597	666,232	681,000	695,999	711,143	726,493
Investment property	340	340	340	340	340	340	340	340	340	340	340
Intangible assets	448	-	-	-	-	-	-	-	-	-	-
Joint venture investments	-	-	-	-	-	-	-	-	-	-	-
Total non-current assets	**548,462**	**580,761**	**600,424**	**628,305**	**642,577**	**657,072**	**671,710**	**686,481**	**701,483**	**716,629**	**731,982**
Total Assets	**573,571**	**622,231**	**641,965**	**655,795**	**669,831**	**684,150**	**698,668**	**713,443**	**728,479**	**743,725**	**759,183**
Current liabilities											
Payables	3,764	1,954	1,997	2,042	2,087	2,134	2,182	2,230	2,280	2,331	2,383
Income received in advance	8,629	8,629	8,629	8,629	8,629	8,629	8,629	8,629	8,629	8,629	8,629
Borrowings	200	273	279	273	191	197	149	100	106	112	118
Provisions	5,030	3,916	4,014	4,115	4,218	4,323	4,431	4,542	4,655	4,772	4,891
Total current liabilities	**17,623**	**14,772**	**14,920**	**15,058**	**15,125**	**15,283**	**15,390**	**15,501**	**15,670**	**15,843**	**16,021**
Non-current liabilities											
Payables	-	-	-	-	-	-	-	-	-	-	-
Borrowings	2,431	(273)	(279)	(273)	(191)	(197)	(149)	(100)	(106)	(112)	(118)
Provisions	2,158	2,158	2,158	2,158	2,158	2,158	2,158	2,158	2,158	2,158	2,158
Total non-current liabilities	**4,589**	**1,885**	**1,879**	**1,885**	**1,967**	**1,961**	**2,009**	**2,058**	**2,052**	**2,046**	**2,040**
Total Liabilities	**22,212**	**16,657**	**16,799**	**16,944**	**17,092**	**17,244**	**17,400**	**17,559**	**17,722**	**17,890**	**18,061**
NET ASSETS	**551,359**	**605,574**	**625,167**	**638,851**	**652,739**	**666,906**	**681,269**	**695,884**	**710,757**	**725,835**	**741,122**
Equity											
Accumulated surplus	476,965	493,099	498,666	497,924	496,804	495,576	494,239	492,787	491,220	489,534	487,724
Revaluation reserves	74,394	112,475	126,501	140,927	155,935	171,330	187,030	203,097	219,537	236,301	253,397
TOTAL EQUITY	**551,359**	**605,574**	**625,167**	**638,851**	**652,739**	**666,906**	**681,269**	**695,884**	**710,757**	**725,835**	**741,122**

Statement of Cash Flows - General Fund

Base Case	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Cash flows from operating activities											
Receipts:											
Rates and annual charges	9,581	9,757	9,997	10,243	10,448	10,657	10,870	11,088	11,310	11,536	11,766
User charges and fees	8,277	16,878	13,018	13,278	13,559	13,830	14,107	14,389	14,677	14,970	15,269
Investment revenue and interest	289	350	767	765	480	472	466	460	456	454	452
Grants and contributions	35,678	28,615	18,665	12,918	13,176	13,440	13,709	13,983	14,263	14,548	14,839
Other	4,368	4,142	4,224	4,308	4,395	4,482	4,572	4,664	4,757	4,852	4,949
Payments:											
Employee benefits and on-costs	(18,989)	(12,873)	(14,435)	(14,796)	(15,166)	(15,545)	(15,933)	(16,332)	(16,740)	(17,159)	(17,588)
Materials and contracts	(27,207)	(10,995)	(9,319)	(9,505)	(9,695)	(9,889)	(10,086)	(10,288)	(10,494)	(10,703)	(10,917)
Borrowing costs	(155)	(94)	(88)	(81)	(73)	(66)	(60)	(53)	(48)	(42)	(36)
Other	(500)	(7,613)	(7,765)	(7,921)	(8,079)	(8,241)	(8,406)	(8,574)	(8,745)	(8,920)	(9,098)
Net cash provided (or used) in operating activities	**11,343**	**28,167**	**15,064**	**9,210**	**9,046**	**9,142**	**9,238**	**9,336**	**9,435**	**9,535**	**9,637**
Cash flows from investing activities											
Receipts:											
Sale of investments	13,503	-	-	-	-	-	-	-	-	-	-
Sale of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	(2,290)	-	-	-	-	-	-	-	-	-	-
Other	158	448	-	-	-	-	-	-	-	-	-
Payments:											
Purchase of investments	(5,003)	-	-	-	-	-	-	-	-	-	-
Purchase of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(8,672)	(28,074)	(15,086)	(23,357)	(9,377)	(9,503)	(9,545)	(9,577)	(9,704)	(9,742)	(9,841)
Other	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (or used) in investing activities	**(2,305)**	**(27,626)**	**(15,086)**	**(23,357)**	**(9,377)**	**(9,503)**	**(9,545)**	**(9,577)**	**(9,704)**	**(9,742)**	**(9,841)**
Cash flows from financing activities											
Receipts:											
New loans	-	-	-	-	-	-	-	-	-	-	-
Payments:											
Loan repayments	(105)	(190)	(273)	(279)	(273)	(191)	(197)	(149)	(100)	(106)	(112)
Net cash provided (or used) in financing activities	**(105)**	**(190)**	**(273)**	**(279)**	**(273)**	**(191)**	**(197)**	**(149)**	**(100)**	**(106)**	**(112)**
Net increase / (decrease) in cash	8,933	351	(296)	(14,425)	(604)	(553)	(504)	(390)	(369)	(313)	(316)

Income Statement - Water Fund

Base Case	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Income from continuing operations											
Rates and annual charges	955	1,602	1,634	1,667	1,700	1,734	1,769	1,804	1,840	1,877	1,915
User charges and fees	2,999	3,000	3,060	3,121	3,184	3,247	3,312	3,378	3,446	3,515	3,585
Interest and investment revenue	55	30	100	44	-	-	-	-	-	-	-
Other revenues	569	-	-	-	-	-	-	-	-	-	-
Grants and contributions - Operating	-	-	-	-	-	-	-	-	-	-	-
Grants and contributions - Capital	365	66	-	-	-	-	-	-	-	-	-
Net gain from the disposal of assets	6	-	-	-	-	-	-	-	-	-	-
Share of interest in joint ventures	-	-	-	-	-	-	-	-	-	-	-
Total Income	**4,949**	**4,698**	**4,794**	**4,832**	**4,884**	**4,981**	**5,081**	**5,183**	**5,286**	**5,392**	**5,500**
Expenses from continuing operations											
Employee benefits and oncosts	675	974	998	1,023	1,049	1,075	1,102	1,130	1,158	1,187	1,217
Borrowing costs	170	138	34	8	2	-	-	-	-	-	-
Materials and contracts	2,148	759	774	789	805	821	838	854	871	889	907
Depreciation and amortisation	1,318	1,167	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-	-
Other expenses	320	1,389	1,417	1,445	1,474	1,503	1,533	1,564	1,595	1,627	1,660
Net loss from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	**4,631**	**4,427**	**3,223**	**3,266**	**3,330**	**3,400**	**3,473**	**3,548**	**3,625**	**3,703**	**3,783**
Net Operating Result	**318**	**271**	**1,572**	**1,566**	**1,554**	**1,581**	**1,608**	**1,634**	**1,661**	**1,689**	**1,717**
Net operating result before grants and contributions provided for capital purposes	**(47)**	**205**	**1,572**	**1,566**	**1,554**	**1,581**	**1,608**	**1,634**	**1,661**	**1,689**	**1,717**

Statement of Financial Position - Water Fund

Base Case	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Current assets											
Cash and investments	7,255	5,012	2,215	(4,108)	(3,871)	(3,117)	(2,646)	(3,509)	(2,749)	(2,052)	(2,142)
Receivables	241	269	275	280	286	292	297	303	309	316	322
Inventories	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Total current assets	**7,496**	**5,281**	**2,489**	**(3,828)**	**(3,585)**	**(2,825)**	**(2,349)**	**(3,205)**	**(2,440)**	**(1,737)**	**(1,820)**
Non-current assets											
Investments	-	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant and equipment	49,212	52,276	57,767	67,382	70,481	73,088	76,041	80,393	83,196	86,128	89,914
Investment property	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-
Joint venture investments	-	-	-	-	-	-	-	-	-	-	-
Total non-current assets	**49,212**	**52,276**	**57,767**	**67,382**	**70,481**	**73,088**	**76,041**	**80,393**	**83,196**	**86,128**	**89,914**
Total Assets	**56,708**	**57,557**	**60,257**	**63,555**	**66,895**	**70,263**	**73,692**	**77,187**	**80,756**	**84,391**	**88,094**
Current liabilities											
Payables	91	53	52	54	55	56	57	58	60	61	62
Income received in advance	-	-	-	-	-	-	-	-	-	-	-
Borrowings	624	502	(54)	(40)	-	-	-	-	-	-	-
Provisions	-	273	280	287	294	301	309	316	324	332	341
Total current liabilities	**715**	**828**	**278**	**300**	**348**	**357**	**366**	**375**	**384**	**393**	**403**
Non-current liabilities											
Payables	-	-	-	-	-	-	-	-	-	-	-
Borrowings	1,649	(502)	54	40	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	-	-	-	-	-
Total non-current liabilities	**1,649**	**(502)**	**54**	**40**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Liabilities	**2,364**	**326**	**332**	**340**	**348**	**357**	**366**	**375**	**384**	**393**	**403**
NET ASSETS	**54,344**	**57,231**	**59,925**	**63,215**	**66,547**	**69,906**	**73,326**	**76,813**	**80,372**	**83,998**	**87,691**
Equity											
Accumulated surplus	52,436	53,824	54,893	56,513	58,107	59,689	61,296	62,931	64,592	66,281	67,998
Revaluation reserves	1,825	3,408	5,031	6,701	8,440	10,217	12,030	13,882	15,780	17,717	19,693
TOTAL EQUITY	**54,261**	**57,231**	**59,925**	**63,215**	**66,547**	**69,905**	**73,326**	**76,812**	**80,372**	**83,998**	**87,691**

Statement of Cash Flows - Water Fund

Base Case	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Cash flows from operating activities											
Receipts:											
Rates and annual charges	955	1,602	1,634	1,667	1,700	1,734	1,769	1,804	1,840	1,877	1,915
User charges and fees	2,977	2,972	3,055	3,116	3,178	3,242	3,306	3,373	3,440	3,509	3,579
Investment revenue and interest	55	30	100	44	-	-	-	-	-	-	-
Grants and contributions	365	66	-	-	-	-	-	-	-	-	-
Other	569	-	-	-	-	-	-	-	-	-	-
Payments:											
Employee benefits and on-costs	(675)	(1,247)	(1,005)	(1,030)	(1,056)	(1,083)	(1,110)	(1,137)	(1,166)	(1,195)	(1,225)
Materials and contracts	(2,120)	(797)	(774)	(788)	(804)	(820)	(836)	(853)	(870)	(888)	(905)
Borrowing costs	(170)	(138)	(34)	(8)	(2)	-	-	-	-	-	-
Other	(320)	(1,389)	(1,417)	(1,445)	(1,474)	(1,503)	(1,533)	(1,564)	(1,595)	(1,627)	(1,660)
Net cash provided (or used) in operating activities	**1,636**	**1,099**	**1,559**	**1,555**	**1,542**	**1,570**	**1,596**	**1,622**	**1,649**	**1,676**	**1,703**
Cash flows from investing activities											
Receipts:											
Sale of investments	-	-	-	-	-	-	-	-	-	-	-
Sale of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	6	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Payments:											
Purchase of investments	-	-	-	-	-	-	-	-	-	-	-
Purchase of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(600)	(2,635)	(3,868)	(7,945)	(1,360)	(830)	(1,140)	(2,500)	(905)	(995)	(1,810)
Other	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (or used) in investing activities	**(594)**	**(2,635)**	**(3,868)**	**(7,945)**	**(1,360)**	**(830)**	**(1,140)**	**(2,500)**	**(905)**	**(995)**	**(1,810)**
Cash flows from financing activities											
Receipts:											
New loans	-	-	-	-	-	-	-	-	-	-	-
Payments:											
Loan repayments	(443)	(471)	(502)	54	40	-	-	-	-	-	-
Net cash provided (or used) in financing activities	**(443)**	**(471)**	**(502)**	**54**	**40**	**-**	**-**	**-**	**-**	**-**	**-**
Net increase / (decrease) in cash	599	(2,007)	(2,811)	(6,336)	222	740	456	(878)	744	681	(107)

Income Statement - Sewer Fund

Base Case	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Income from continuing operations											
Rates and annual charges	4,090	4,408	4,496	4,586	4,678	4,771	4,867	4,964	5,063	5,165	5,268
User charges and fees	575	277	283	288	294	300	306	312	318	325	331
Interest and investment revenue	81	30	181	109	119	113	121	117	113	46	-
Other revenues	191	-	-	-	-	-	-	-	-	-	-
Grants and contributions - Operating	15	-	-	-	-	-	-	-	-	-	-
Grants and contributions - Capital	400	-	-	-	-	-	-	-	-	-	-
Net gain from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Share of interest in joint ventures	-	-	-	-	-	-	-	-	-	-	-
Total Income	**5,352**	**4,715**	**4,960**	**4,983**	**5,091**	**5,184**	**5,294**	**5,393**	**5,494**	**5,536**	**5,599**
Expenses from continuing operations											
Employee benefits and oncosts	633	1,090	1,117	1,145	1,174	1,203	1,233	1,264	1,295	1,328	1,361
Borrowing costs	136	123	159	152	145	136	128	118	109	99	88
Materials and contracts	2,547	775	791	807	823	839	856	873	891	908	927
Depreciation and amortisation	1,643	810	1,546	1,583	1,615	1,653	1,687	1,736	1,789	1,824	1,861
Impairment	-	-	-	-	-	-	-	-	-	-	-
Other expenses	192	1,519	1,549	1,580	1,612	1,644	1,677	1,710	1,745	1,779	1,815
Net loss from the disposal of assets	21	-	-	-	-	-	-	-	-	-	-
Total Expenses	**5,172**	**4,317**	**5,163**	**5,267**	**5,368**	**5,476**	**5,581**	**5,702**	**5,828**	**5,939**	**6,051**
Net Operating Result	**180**	**398**	**(203)**	**(284)**	**(277)**	**(291)**	**(287)**	**(309)**	**(334)**	**(403)**	**(452)**
Net operating result before grants and contributions provided for capital purposes	**(220)**	**398**	**(203)**	**(284)**	**(277)**	**(291)**	**(287)**	**(309)**	**(334)**	**(403)**	**(452)**

Statement of Financial Position - Sewer Fund

Base Case	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Current assets											
Cash and investments	10,410	9,066	5,458	5,949	5,651	6,069	5,845	5,627	2,314	(468)	476
Receivables	290	358	365	373	380	388	395	403	411	420	428
Inventories	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Total current assets	**10,700**	**9,424**	**5,823**	**6,321**	**6,031**	**6,457**	**6,240**	**6,030**	**2,726**	**(48)**	**904**
Non-current assets											
Investments	-	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant and equipment	65,974	69,348	74,693	75,893	77,930	79,272	81,305	83,345	88,512	93,142	94,033
Investment property	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-
Joint venture investments	-	-	-	-	-	-	-	-	-	-	-
Total non-current assets	**65,974**	**69,348**	**74,693**	**75,893**	**77,930**	**79,272**	**81,305**	**83,345**	**88,512**	**93,142**	**94,033**
Total Assets	**76,674**	**78,773**	**80,517**	**82,214**	**83,961**	**85,729**	**87,545**	**89,376**	**91,238**	**93,094**	**94,938**
Current liabilities											
Payables	22	30	30	31	32	32	33	34	34	35	36
Income received in advance	-	-	-	-	-	-	-	-	-	-	-
Borrowings	322	145	153	161	170	179	189	199	210	221	233
Provisions	-	305	313	321	329	337	345	354	363	372	381
Total current liabilities	**344**	**480**	**496**	**512**	**530**	**548**	**567**	**586**	**607**	**628**	**650**
Non-current liabilities											
Payables	-	-	-	-	-	-	-	-	-	-	-
Borrowings	2,343	(145)	(153)	(161)	(170)	(179)	(189)	(199)	(210)	(221)	(233)
Provisions	-	-	-	-	-	-	-	-	-	-	-
Total non-current liabilities	**2,343**	**(145)**	**(153)**	**(161)**	**(170)**	**(179)**	**(189)**	**(199)**	**(210)**	**(221)**	**(233)**
Total Liabilities	**2,687**	**335**	**343**	**352**	**360**	**369**	**378**	**388**	**397**	**407**	**417**
NET ASSETS	**73,987**	**78,438**	**80,174**	**81,863**	**83,600**	**85,360**	**87,166**	**88,988**	**90,841**	**92,687**	**94,521**
Equity											
Accumulated surplus	67,841	68,239	68,036	67,753	67,476	67,184	66,897	66,588	66,254	65,851	65,398
Revaluation reserves	6,146	10,199	12,137	14,110	16,125	18,176	20,269	22,400	24,587	26,836	29,122
TOTAL EQUITY	**73,987**	**78,438**	**80,174**	**81,863**	**83,600**	**85,360**	**87,166**	**88,988**	**90,841**	**92,687**	**94,521**

Statement of Cash Flows - Sewer Fund

Base Case	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Cash flows from operating activities											
Receipts:											
Rates and annual charges	4,090	4,408	4,496	4,586	4,678	4,771	4,867	4,964	5,063	5,165	5,268
User charges and fees	623	209	275	281	287	292	298	304	310	316	323
Investment revenue and interest	81	30	181	109	119	113	121	117	113	46	-
Grants and contributions	415	-	-	-	-	-	-	-	-	-	-
Other	191	-	-	-	-	-	-	-	-	-	-
Payments:											
Employee benefits and on-costs	(633)	(1,395)	(1,125)	(1,153)	(1,182)	(1,211)	(1,241)	(1,273)	(1,304)	(1,337)	(1,370)
Materials and contracts	(2,552)	(768)	(790)	(806)	(822)	(838)	(855)	(872)	(890)	(908)	(926)
Borrowing costs	(136)	(123)	(159)	(152)	(145)	(136)	(128)	(118)	(109)	(99)	(88)
Other	(192)	(1,519)	(1,549)	(1,580)	(1,612)	(1,644)	(1,677)	(1,710)	(1,745)	(1,779)	(1,815)
Net cash provided (or used) in operating activities	**1,887**	**842**	**1,329**	**1,285**	**1,323**	**1,347**	**1,385**	**1,411**	**1,438**	**1,405**	**1,392**
Cash flows from investing activities											
Receipts:											
Sale of investments	-	-	-	-	-	-	-	-	-	-	-
Sale of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	(21)	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Payments:											
Purchase of investments	-	-	-	-	-	-	-	-	-	-	-
Purchase of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(465)	(2,559)	(4,808)	(658)	(1,476)	(775)	(1,448)	(1,458)	(4,570)	(3,995)	(245)
Other	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (or used) in investing activities	**(486)**	**(2,559)**	**(4,808)**	**(658)**	**(1,476)**	**(775)**	**(1,448)**	**(1,458)**	**(4,570)**	**(3,995)**	**(245)**
Cash flows from financing activities											
Receipts:											
New loans	-	-	-	-	-	-	-	-	-	-	-
Payments:											
Loan repayments	(70)	(73)	(145)	(153)	(161)	(170)	(179)	(189)	(199)	(210)	(221)
Net cash provided (or used) in financing activities	**(70)**	**(73)**	**(145)**	**(153)**	**(161)**	**(170)**	**(179)**	**(189)**	**(199)**	**(210)**	**(221)**
Net increase / (decrease) in cash	1,331	(1,790)	(3,623)	475	(314)	402	(241)	(235)	(3,330)	(2,800)	925

Income Statement - Consolidated

Base Case	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Income from continuing operations											
Rates and annual charges	17,051	19,144	19,572	20,009	20,410	20,818	21,234	21,659	22,092	22,534	22,985
User charges and fees	16,905	16,273	16,598	16,930	17,269	17,614	17,967	18,326	18,693	19,066	19,448
Interest and investment revenue	435	410	1,050	933	628	628	646	643	654	602	576
Other revenues	5,218	4,221	4,305	4,391	4,479	4,569	4,660	4,753	4,848	4,945	5,044
Grants and contributions - Operating	25,350	10,740	10,955	11,174	11,398	11,625	11,858	12,095	12,337	12,584	12,835
Grants and contributions - Capital	11,740	19,053	8,844	2,901	2,959	3,018	3,078	3,140	3,203	3,267	3,332
Net gain from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Share of interest in joint ventures	-	-	-	-	-	-	-	-	-	-	-
Total Income	**76,699**	**69,841**	**61,325**	**56,340**	**57,143**	**58,273**	**59,444**	**60,616**	**61,827**	**62,999**	**64,220**
Expenses from continuing operations											
Employee benefits and oncosts	20,246	16,677	17,094	17,521	17,959	18,408	18,868	19,340	19,824	20,319	20,827
Borrowing costs	473	367	302	254	224	202	188	172	157	140	123
Materials and contracts	34,453	12,384	12,632	12,884	13,142	13,405	13,673	13,946	14,225	14,510	14,800
Depreciation and amortisation	11,172	10,826	11,270	11,767	12,003	12,249	12,495	12,760	13,033	13,294	13,560
Impairment	-	-	-	-	-	-	-	-	-	-	-
Other expenses	1,290	11,582	11,813	12,049	12,290	12,536	12,787	13,043	13,304	13,570	13,841
Net loss from the disposal of assets	2,305	-	-	-	-	-	-	-	-	-	-
Total Expenses	**69,939**	**51,835**	**53,110**	**54,476**	**55,619**	**56,801**	**58,011**	**59,261**	**60,542**	**61,833**	**63,151**
Net Operating Result	**6,760**	**18,006**	**8,214**	**1,863**	**1,523**	**1,472**	**1,433**	**1,355**	**1,285**	**1,166**	**1,069**
Net operating result before grants and contributions provided for capital purposes	**(4,980)**	**(1,047)**	**(630)**	**(1,038)**	**(1,436)**	**(1,546)**	**(1,646)**	**(1,785)**	**(1,918)**	**(2,101)**	**(2,263)**

Statement of Financial Position - Consolidated

Base Case	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Current assets											
Cash and investments	33,017	47,499	41,665	22,300	22,526	24,185	24,487	24,199	22,369	21,281	23,212
Receivables	12,129	8,274	8,455	8,640	8,812	8,989	9,168	9,352	9,539	9,730	9,924
Inventories	92	137	140	143	146	149	152	155	158	161	164
Other	344	344	344	344	344	344	344	344	344	344	344
Total current assets	**45,582**	**56,254**	**50,604**	**31,427**	**31,828**	**33,667**	**34,152**	**34,050**	**32,410**	**31,516**	**33,644**
Non-current assets											
Investments	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Receivables	11	12	13	13	13	13	14	14	14	14	15
Inventories	147	113	115	117	120	122	125	127	130	132	135
Infrastructure, property, plant and equipment	657,702	700,257	731,276	770,506	790,494	809,582	830,373	852,122	875,821	899,086	919,646
Investment property	340	340	340	340	340	340	340	340	340	340	340
Intangible assets	448	-	-	-	-	-	-	-	-	-	-
Joint venture investments	-	-	-	-	-	-	-	-	-	-	-
Total non-current assets	**663,648**	**705,722**	**736,743**	**775,976**	**795,967**	**815,057**	**835,852**	**857,603**	**881,304**	**904,573**	**925,136**
Total Assets	**709,230**	**761,976**	**787,347**	**807,403**	**827,795**	**848,724**	**870,003**	**891,653**	**913,714**	**936,088**	**958,780**
Current liabilities											
Payables	3,877	2,037	2,080	2,126	2,174	2,222	2,272	2,322	2,374	2,427	2,481
Income received in advance	8,629	8,629	8,629	8,629	8,629	8,629	8,629	8,629	8,629	8,629	8,629
Borrowings	1,285	1,066	532	554	361	376	337	298	315	333	352
Provisions	5,130	4,670	4,786	4,906	5,029	5,154	5,283	5,415	5,551	5,689	5,832
Total current liabilities	**18,921**	**16,401**	**16,027**	**16,216**	**16,192**	**16,381**	**16,521**	**16,665**	**16,869**	**17,078**	**17,293**
Non-current liabilities											
Payables	-	-	-	-	-	-	-	-	-	-	-
Borrowings	6,284	(1,066)	(532)	(554)	(361)	(376)	(337)	(298)	(315)	(333)	(352)
Provisions	2,158	2,158	2,158	2,158	2,158	2,158	2,158	2,158	2,158	2,158	2,158
Total non-current liabilities	**8,442**	**1,092**	**1,626**	**1,604**	**1,797**	**1,782**	**1,821**	**1,860**	**1,843**	**1,825**	**1,806**
Total Liabilities	**27,363**	**17,493**	**17,653**	**17,819**	**17,989**	**18,163**	**18,342**	**18,524**	**18,712**	**18,903**	**19,100**
NET ASSETS	**681,867**	**744,483**	**769,694**	**789,584**	**809,806**	**830,560**	**851,661**	**873,128**	**895,002**	**917,185**	**939,680**
Equity											
Accumulated surplus	600,084	619,205	626,914	628,831	630,394	631,866	633,299	634,654	635,939	637,105	638,174
Revaluation reserves	81,783	125,278	142,780	160,753	179,411	198,694	218,363	238,474	259,063	280,080	301,506
TOTAL EQUITY	**681,867**	**744,483**	**769,694**	**789,584**	**809,806**	**830,560**	**851,661**	**873,128**	**895,002**	**917,185**	**939,680**

Statement of Cash Flows - Consolidated

Base Case	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Cash flows from operating activities											
Receipts:											
Rates and annual charges	17,051	19,144	19,572	20,009	20,410	20,818	21,234	21,659	22,092	22,534	22,985
User charges and fees	12,003	20,128	16,418	16,746	17,096	17,438	17,787	18,143	18,506	18,876	19,253
Investment revenue and interest	435	410	1,050	933	628	628	646	643	654	602	576
Grants and contributions	37,090	29,793	19,799	14,075	14,356	14,644	14,936	15,235	15,540	15,851	16,168
Other	5,218	4,222	4,306	4,392	4,479	4,569	4,660	4,754	4,849	4,946	5,045
Payments:											
Employee benefits and on-costs	(20,752)	(16,217)	(17,211)	(17,641)	(18,082)	(18,534)	(18,997)	(19,472)	(19,959)	(20,458)	(20,970)
Materials and contracts	(32,914)	(14,236)	(12,593)	(12,843)	(13,100)	(13,362)	(13,629)	(13,901)	(14,179)	(14,463)	(14,752)
Borrowing costs	(473)	(367)	(302)	(254)	(224)	(202)	(188)	(172)	(157)	(140)	(123)
Other	(1,625)	(11,582)	(11,813)	(12,049)	(12,290)	(12,536)	(12,787)	(13,043)	(13,304)	(13,570)	(13,841)
Net cash provided (or used) in operating activities	**16,033**	**31,296**	**19,226**	**13,368**	**13,274**	**13,462**	**13,663**	**13,845**	**14,042**	**14,178**	**14,341**
Cash flows from investing activities											
Receipts:											
Sale of investments	13,503	-	-	-	-	-	-	-	-	-	-
Sale of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	(2,305)	-	-	-	-	-	-	-	-	-	-
Other	158	448	-	-	-	-	-	-	-	-	-
Payments:											
Purchase of investments	(5,003)	-	-	-	-	-	-	-	-	-	-
Purchase of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(10,837)	(36,665)	(24,227)	(32,439)	(12,739)	(11,693)	(13,242)	(14,059)	(15,844)	(15,227)	(12,361)
Other	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (or used) in investing activities	**(4,484)**	**(36,217)**	**(24,227)**	**(32,439)**	**(12,739)**	**(11,693)**	**(13,242)**	**(14,059)**	**(15,844)**	**(15,227)**	**(12,361)**
Cash flows from financing activities											
Receipts:											
New loans	-	-	-	-	-	-	-	-	-	-	-
Payments:											
Loan repayments	(801)	(875)	(1,066)	(532)	(554)	(361)	(376)	(337)	(298)	(315)	(333)
Net cash provided (or used) in financing activities	**(801)**	**(875)**	**(1,066)**	**(532)**	**(554)**	**(361)**	**(376)**	**(337)**	**(298)**	**(315)**	**(333)**
Net increase / (decrease) in cash	10,748	(5,795)	(6,067)	(19,603)	(19)	1,408	45	(552)	(2,101)	(1,365)	1,647

6. SRV Scenario

Based on feedback received from the community as part of the Service Level Review and Rates Harmonisation and further feedback during the initial engagement around a potential SRV, Council does not believe that the community is willing to accept vastly reduced service levels or declining infrastructure.

The SRV scenario shows a path that allows Council to increase its revenues via increased rates and reduce its expenditure through efficiency gains and cost savings with moderate adjustments to service levels. It assumes that these shifts can be sustained in the long-term. Council's Road to Sustainability Plan outlines several actions Council is taking to achieve its objective of delivering sustainable best value to the community.

The SRV scenario represents Council's preferred long-term path to financial sustainability.

Assumptions

The key assumptions contrasting to the baseline scenario are:

- Introduction of a permanent SRV under S508A of the *Local Government Act* of 38.06% (compounded and including the IPART rate peg of 2.5%) over two years
- Efficiency savings through staff savings of $600K annually from 2022/23 with some savings effected during 2021/22

Council may consider other saving options over the longer term, such as:

- Selling, disposing, or repurposing buildings, structures or land that could be suitable for alternative management, are underutilised or no longer needed.
- Ceasing of services or transition of services to someone else to provide
- Review of frequency, quality and quantity of services provided to the community
- Transfer of a larger portion of the cost of services and facilities to the direct users/beneficiaries rather than the general ratepayer

Implications

The SRV scenario shows a return to operating profits for the general fund from year 2023/24. It allows Council to increase its asset replacement reserves to make sure services can be delivered into the future. The SRV scenario meets the key principles of sound financial management. It returns operations to a surplus in the long-term, invests responsibly in infrastructure and avoids burdening future generations with excessive costs or extensive reductions to services.

However, while this scenario shows reduced reliance on external grant funding, Council continues to rely on external funding for infrastructure renewals. External funding will still be required to fully fund required renewals in the general fund. Council considers the ongoing level of additional funding achievable.

SRV Scenario – Primary Financial Reports

Following are the reports for Council's General Fund and the consolidated model. Note that the Water Supply Fund and Wastewater Fund do not change under this scenario.

Income Statement - General Fund - SRV

SRV Scenario	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Income from continuing operations											
Rates and annual charges	9,581	9,757	11,346	13,211	13,475	13,744	14,019	14,300	14,586	14,877	15,175
User charges and fees	13,205	12,927	13,186	13,450	13,719	13,993	14,273	14,558	14,849	15,146	15,449
Interest and investment revenue	289	350	776	804	578	641	708	778	854	933	1,017
Other revenues	4,368	4,141	4,224	4,308	4,394	4,482	4,572	4,663	4,757	4,852	4,949
Grants and contributions - Operating	25,335	10,740	10,955	11,174	11,398	11,625	11,858	12,095	12,337	12,584	12,835
Grants and contributions - Capital	10,343	17,875	7,710	1,744	1,779	1,814	1,851	1,888	1,926	1,964	2,003
Net gain from the disposal of assets	(6)	-	-	-	-	-	-	-	-	-	-
Share of interest in joint ventures	-	-	-	-	-	-	-	-	-	-	-
Total Income	**63,115**	**55,791**	**48,196**	**44,690**	**45,342**	**46,300**	**47,280**	**48,282**	**49,308**	**50,356**	**51,428**
Expenses from continuing operations											
Employee benefits and oncosts	18,582	13,987	14,337	14,695	15,063	15,439	15,825	16,221	16,627	17,042	17,468
Borrowing costs	155	94	88	81	73	66	60	53	48	42	36
Materials and contracts	28,723	9,074	8,757	9,084	9,278	9,476	9,677	9,883	10,092	10,306	10,524
Depreciation and amortisation	8,151	8,789	9,724	10,184	10,388	10,596	10,808	11,024	11,244	11,469	11,699
Impairment	-	-	-	-	-	-	-	-	-	-	-
Other expenses	165	7,613	7,765	7,921	8,079	8,241	8,406	8,574	8,745	8,920	9,098
Net loss from the disposal of assets	2,284	-	-	-	-	-	-	-	-	-	-
Total Expenses	**58,060**	**39,557**	**40,672**	**41,966**	**42,881**	**43,818**	**44,776**	**45,755**	**46,756**	**47,780**	**48,825**
Net Operating Result	**5,055**	**16,233**	**7,524**	**2,724**	**2,461**	**2,482**	**2,505**	**2,528**	**2,552**	**2,577**	**2,603**
Net operating result before grants and contributions provided for capital purposes	**(5,289)**	**(1,642)**	**(186)**	**980**	**682**	**668**	**654**	**640**	**627**	**613**	**600**

Statement of Financial Position - General Fund

SRV Scenario	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Current assets											
Cash and investments	13,075	33,777	35,179	23,878	27,040	30,387	33,921	37,710	41,665	45,827	50,139
Receivables	7,681	7,647	8,270	8,987	9,167	9,350	9,537	9,728	9,922	10,121	10,323
Inventories	430	137	140	145	148	151	154	157	160	163	167
Other	9	9	9	9	9	9	9	9	9	9	9
Total current assets	**21,196**	**41,570**	**43,598**	**33,019**	**36,364**	**39,897**	**43,621**	**47,604**	**51,757**	**56,120**	**60,637**
Non-current assets											
Investments	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Receivables	12	12	13	14	15	15	15	16	16	16	17
Inventories	353	113	115	119	121	124	126	129	131	134	137
Infrastructure, property, plant and equipment	541,297	573,761	593,423	621,300	635,570	650,063	664,697	679,466	694,465	709,609	724,958
Investment property	340	340	340	340	340	340	340	340	340	340	340
Intangible assets	448	-	-	-	-	-	-	-	-	-	-
Joint venture investments	-	-	-	-	-	-	-	-	-	-	-
Total non-current assets	**547,450**	**579,226**	**598,891**	**626,774**	**641,046**	**655,542**	**670,179**	**684,950**	**699,953**	**715,099**	**730,452**
Total Assets	**568,646**	**620,797**	**642,489**	**659,793**	**677,410**	**695,439**	**713,800**	**732,554**	**751,709**	**771,219**	**791,089**
Current liabilities											
Payables	3,014	1,954	1,997	2,051	2,097	2,143	2,191	2,240	2,290	2,341	2,393
Income received in advance	8,629	8,629	8,629	8,629	8,629	8,629	8,629	8,629	8,629	8,629	8,629
Borrowings	190	273	279	273	191	197	149	100	106	112	118
Provisions	5,203	3,916	4,014	4,115	4,218	4,323	4,431	4,542	4,655	4,772	4,891
Total current liabilities	**17,036**	**14,772**	**14,920**	**15,067**	**15,134**	**15,292**	**15,400**	**15,510**	**15,680**	**15,854**	**16,032**
Non-current liabilities											
Payables	-	-	-	-	-	-	-	-	-	-	-
Borrowings	(190)	(273)	(279)	(273)	(191)	(197)	(149)	(100)	(106)	(112)	(118)
Provisions	2,158	2,158	2,158	2,158	2,158	2,158	2,158	2,158	2,158	2,158	2,158
Total non-current liabilities	**1,968**	**1,885**	**1,879**	**1,885**	**1,967**	**1,961**	**2,009**	**2,058**	**2,052**	**2,046**	**2,040**
Total Liabilities	**19,004**	**16,657**	**16,799**	**16,953**	**17,101**	**17,253**	**17,409**	**17,569**	**17,732**	**17,900**	**18,071**
NET ASSETS	**549,642**	**604,139**	**625,690**	**642,841**	**660,309**	**678,186**	**696,391**	**714,985**	**733,977**	**753,319**	**773,018**
Equity											
Accumulated surplus	476,638	492,872	500,396	503,120	505,581	508,063	510,568	513,096	515,648	518,225	520,828
Revaluation reserves	73,003	111,268	125,294	139,720	154,728	170,122	185,823	201,889	218,329	235,094	252,190
TOTAL EQUITY	**549,642**	**604,139**	**625,690**	**642,841**	**660,309**	**678,186**	**696,391**	**714,985**	**733,977**	**753,319**	**773,018**

Statement of Cash Flows - General Fund

SRV Scenario	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Cash flows from operating activities											
Receipts:											
Rates and annual charges	9,581	9,757	11,346	13,211	13,475	13,744	14,019	14,300	14,586	14,877	15,175
User charges and fees	12,194	12,961	12,563	12,732	13,539	13,810	14,086	14,367	14,655	14,948	15,247
Investment revenue and interest	289	350	776	804	578	641	708	778	854	933	1,017
Grants and contributions	35,678	28,615	18,665	12,918	13,176	13,440	13,709	13,983	14,263	14,548	14,839
Other	4,369	4,141	4,225	4,309	4,395	4,482	4,572	4,664	4,757	4,852	4,949
Payments:											
Employee benefits and on-costs	(19,161)	(12,701)	(14,435)	(14,796)	(15,166)	(15,545)	(15,933)	(16,332)	(16,740)	(17,159)	(17,588)
Materials and contracts	(28,501)	(9,601)	(8,719)	(9,040)	(9,238)	(9,434)	(9,635)	(9,839)	(10,048)	(10,261)	(10,478)
Borrowing costs	(155)	(94)	(88)	(81)	(73)	(66)	(60)	(53)	(48)	(42)	(36)
Other	(165)	(7,613)	(7,765)	(7,921)	(8,079)	(8,241)	(8,406)	(8,574)	(8,745)	(8,920)	(9,098)
Net cash provided (or used) in operating activities	**14,129**	**25,816**	**16,567**	**12,137**	**12,607**	**12,831**	**13,060**	**13,294**	**13,533**	**13,777**	**14,026**
Cash flows from investing activities											
Receipts:											
Sale of investments	13,503	-	-	-	-	-	-	-	-	-	-
Sale of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	(2,290)	-	-	-	-	-	-	-	-	-	-
Other	158	448	-	-	-	-	-	-	-	-	-
Payments:											
Purchase of investments	(5,003)	-	-	-	-	-	-	-	-	-	-
Purchase of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(8,672)	(28,074)	(15,086)	(23,357)	(9,377)	(9,503)	(9,545)	(9,577)	(9,704)	(9,742)	(9,841)
Other	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (or used) in investing activities	**(2,305)**	**(27,626)**	**(15,086)**	**(23,357)**	**(9,377)**	**(9,503)**	**(9,545)**	**(9,577)**	**(9,704)**	**(9,742)**	**(9,841)**
Cash flows from financing activities											
Receipts:											
New loans	-	-	-	-	-	-	-	-	-	-	-
Payments:											
Loan repayments	(105)	(190)	(273)	(279)	(273)	(191)	(197)	(149)	(100)	(106)	(112)
Net cash provided (or used) in financing activities	**(105)**	**(190)**	**(273)**	**(279)**	**(273)**	**(191)**	**(197)**	**(149)**	**(100)**	**(106)**	**(112)**
Net increase / (decrease) in cash	11,719	(2,000)	1,208	(11,499)	2,957	3,137	3,318	3,568	3,729	3,929	4,074

Income Statement - Consolidated SRV

Consolidated SRV	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Income from continuing operations											
Rates and annual charges	17,051	19,144	19,572	21,392	23,436	23,905	24,383	24,871	25,368	25,875	26,393
User charges and fees	16,905	16,273	16,598	16,930	17,269	17,614	17,967	18,326	18,693	19,066	19,448
Interest and investment revenue	435	410	1,059	975	729	800	892	965	1,056	1,086	1,141
Other revenues	5,218	4,221	4,305	4,391	4,479	4,569	4,660	4,753	4,848	4,945	5,044
Grants and contributions - Operating	25,350	10,740	10,955	11,174	11,398	11,625	11,858	12,095	12,337	12,584	12,835
Grants and contributions - Capital	11,740	19,053	8,844	2,901	2,959	3,018	3,078	3,140	3,203	3,267	3,332
Net gain from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Share of interest in joint ventures	-	-	-	-	-	-	-	-	-	-	-
Total Income	**76,699**	**69,841**	**61,334**	**57,764**	**60,270**	**61,531**	**62,838**	**64,150**	**65,505**	**66,824**	**68,193**
Expenses from continuing operations											
Employee benefits and oncosts	20,246	16,677	17,094	17,521	17,959	18,408	18,868	19,340	19,824	20,319	20,827
Borrowing costs	473	367	302	254	224	202	188	172	157	140	123
Materials and contracts	34,453	12,284	12,032	12,424	12,685	12,950	13,221	13,498	13,780	14,067	14,361
Depreciation and amortisation	11,172	10,826	11,270	11,767	12,003	12,249	12,495	12,760	13,033	13,294	13,560
Impairment	-	-	-	-	-	-	-	-	-	-	-
Other expenses	1,290	11,582	11,813	12,049	12,290	12,536	12,787	13,043	13,304	13,570	13,841
Net loss from the disposal of assets	2,305	-	-	-	-	-	-	-	-	-	-
Total Expenses	**69,939**	**51,735**	**52,510**	**54,016**	**55,162**	**56,346**	**57,560**	**58,812**	**60,097**	**61,391**	**62,712**
Net Operating Result	**6,760**	**18,106**	**8,823**	**3,748**	**5,107**	**5,185**	**5,278**	**5,338**	**5,408**	**5,433**	**5,481**
Net operating result before grants and contributions provided for capital purposes	**(4,980)**	**(947)**	**(21)**	**847**	**2,149**	**2,167**	**2,200**	**2,198**	**2,205**	**2,166**	**2,149**

Statement of Financial Position - Consolidated

Consolidated SRV	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Current assets											
Cash and investments	33,017	47,934	43,766	27,330	31,119	36,472	40,599	44,272	46,543	49,700	56,021
Receivables	8,212	8,274	8,910	9,640	9,833	10,029	10,230	10,435	10,643	10,856	11,073
Inventories	430	137	140	145	148	151	154	157	160	163	167
Other	9	9	9	9	9	9	9	9	9	9	9
Total current assets	**41,668**	**56,354**	**52,825**	**37,124**	**41,109**	**46,661**	**50,992**	**54,873**	**57,355**	**60,729**	**67,270**
Non-current assets											
Investments	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Receivables	12	12	13	14	15	15	15	16	16	16	17
Inventories	353	113	115	119	121	124	126	129	131	134	137
Infrastructure, property, plant and equipment	656,483	698,723	729,742	768,972	788,960	808,048	828,839	850,588	874,287	897,552	918,112
Investment property	340	340	340	340	340	340	340	340	340	340	340
Intangible assets	448	-	-	-	-	-	-	-	-	-	-
Joint venture investments	-	-	-	-	-	-	-	-	-	-	-
Total non-current assets	**662,636**	**704,188**	**735,210**	**774,445**	**794,436**	**813,526**	**834,321**	**856,072**	**879,774**	**903,042**	**923,605**
Total Assets	**704,304**	**760,542**	**788,035**	**811,569**	**835,545**	**860,187**	**885,313**	**910,945**	**937,129**	**963,771**	**990,875**
Current liabilities											
Payables	3,127	2,037	2,080	2,135	2,183	2,231	2,281	2,332	2,384	2,437	2,491
Income received in advance	8,629	8,629	8,629	8,629	8,629	8,629	8,629	8,629	8,629	8,629	8,629
Borrowings	1,276	1,066	532	554	361	376	337	298	315	333	352
Provisions	5,303	4,670	4,786	4,906	5,029	5,154	5,283	5,415	5,551	5,689	5,832
Total current liabilities	**18,334**	**16,401**	**16,027**	**16,225**	**16,201**	**16,390**	**16,531**	**16,675**	**16,879**	**17,088**	**17,304**
Non-current liabilities											
Payables	-	-	-	-	-	-	-	-	-	-	-
Borrowings	3,662	(1,066)	(532)	(554)	(361)	(376)	(337)	(298)	(315)	(333)	(352)
Provisions	2,158	2,158	2,158	2,158	2,158	2,158	2,158	2,158	2,158	2,158	2,158
Total non-current liabilities	**5,820**	**1,092**	**1,626**	**1,604**	**1,797**	**1,782**	**1,821**	**1,860**	**1,843**	**1,825**	**1,806**
Total Liabilities	**24,155**	**17,493**	**17,653**	**17,828**	**17,998**	**18,173**	**18,351**	**18,534**	**18,721**	**18,913**	**19,110**
NET ASSETS	**680,150**	**743,049**	**770,382**	**793,741**	**817,547**	**842,015**	**866,962**	**892,411**	**918,408**	**944,858**	**971,765**
Equity											
Accumulated surplus	480,807	498,912	509,084	514,417	519,524	524,709	529,988	535,325	540,733	546,166	551,648
Revaluation reserves	199,343	244,137	261,298	279,324	298,023	317,306	336,974	357,085	377,674	398,691	420,117
TOTAL EQUITY	**680,150**	**743,049**	**770,382**	**793,741**	**817,547**	**842,015**	**866,962**	**892,411**	**918,408**	**944,858**	**971,765**

Statement of Cash Flows - Consolidated

Consolidated SRV	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Cash flows from operating activities											
Receipts:											
Rates and annual charges	17,051	19,144	19,572	21,392	23,436	23,905	24,383	24,871	25,368	25,875	26,393
User charges and fees	15,920	16,211	15,963	16,200	17,076	17,418	17,766	18,121	18,484	18,854	19,231
Investment revenue and interest	435	410	1,059	975	729	800	892	965	1,056	1,086	1,141
Grants and contributions	37,090	29,793	19,799	14,075	14,356	14,644	14,936	15,235	15,540	15,851	16,168
Other	5,219	4,221	4,306	4,393	4,479	4,569	4,660	4,754	4,849	4,946	5,045
Payments:											
Employee benefits and on-costs	(20,925)	(16,044)	(17,211)	(17,641)	(18,082)	(18,534)	(18,997)	(19,472)	(19,959)	(20,458)	(20,970)
Materials and contracts	(34,208)	(12,841)	(11,993)	(12,378)	(12,643)	(12,907)	(13,177)	(13,453)	(13,734)	(14,020)	(14,312)
Borrowing costs	(473)	(367)	(302)	(254)	(224)	(202)	(188)	(172)	(157)	(140)	(123)
Other	(1,290)	(11,582)	(11,813)	(12,049)	(12,290)	(12,536)	(12,787)	(13,043)	(13,304)	(13,570)	(13,841)
Net cash provided (or used) in operating activities	**18,819**	**28,945**	**19,381**	**14,713**	**16,838**	**17,155**	**17,488**	**17,806**	**18,143**	**18,423**	**18,730**
Cash flows from investing activities											
Receipts:											
Sale of investments	13,503	-	-	-	-	-	-	-	-	-	-
Sale of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	(2,305)	-	-	-	-	-	-	-	-	-	-
Other	158	448	-	-	-	-	-	-	-	-	-
Payments:											
Purchase of investments	(5,003)	-	-	-	-	-	-	-	-	-	-
Purchase of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(10,837)	(36,665)	(24,227)	(32,439)	(12,739)	(11,693)	(13,242)	(14,059)	(15,844)	(15,227)	(12,361)
Other	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (or used) in investing activities	**(4,484)**	**(36,217)**	**(24,227)**	**(32,439)**	**(12,739)**	**(11,693)**	**(13,242)**	**(14,059)**	**(15,844)**	**(15,227)**	**(12,361)**
Cash flows from financing activities											
Receipts:											
New loans	-	-	-	-	-	-	-	-	-	-	-
Payments:											
Loan repayments	(801)	(875)	(1,066)	(532)	(554)	(361)	(376)	(337)	(298)	(315)	(333)
Net cash provided (or used) in financing activities	**(801)**	**(875)**	**(1,066)**	**(532)**	**(554)**	**(361)**	**(376)**	**(337)**	**(298)**	**(315)**	**(333)**
Net increase / (decrease) in cash	13,534	(8,146)	(5,912)	(18,258)	3,545	5,101	3,870	3,410	2,001	2,880	6,037

7. Sensitivity Analysis

Both the baseline and SRV scenario have been evaluated in relation to their sensitivity to changes in the assumptions.

Employee Costs

Council's ability to contain rises in employee costs has a major impact on future performance. A key issue is the level of capitalisation (allocating employees to capital works programs rather than operational) and the level of resourcing required for civil contracting activities.

Future increases (indexation) of employee costs due to award increases and progression of staff through the salary system are critical components of the modelling. Employee costs increasing by an average of 1% higher than the assumed rate results in an additional $9 million and $8 million respectively to employee costs by the end of the 10-year period for the baseline and SRV scenario respectively.

Interest Rates

Council has very low levels of borrowings and the existing loans are at fixed rates with interest payments decreasing over time. However, the interest received on investments has an impact on operating results. Further, utilising reserves for major capital investments decreases the available investment assets from which interest is received.

Capital Works Programs

A significant increase in Council's capital works programs over what is proposed in the updated LTFP will reduce reserves and cash holdings. If Council embarked on adding new capital projects resulting in additional assets, not only will the reserves decrease, but operational costs will increase both for maintenance and depreciation.

Grant Programs

Council relies heavily on external funding for its operations and capital works renewal program. If such grants are reduced or discontinued, Council will have to generate considerably more revenues from other sources. It has been assumed that Government funding remains stable, however, should such funding decrease because of current economic stimulus spending, Council's operating result would significantly worsen.

Rates Income

Rates Income is restricted to rate pegging as set each financial year by the Independent Pricing & Regulatory Tribunal (IPART). If rate pegging was abolished, Council would have greater flexibility to achieve financial sustainability.

Cost Shifting

Over the years other levels of government have shifted costs associated, among other, with emergency services, weed management, food safety regulation, road safety programs and fire and emergency services to local government without funding. It is likely that this trend will continue and negatively affect Council's operating results.

Energy Costs

Increased energy costs are occurring with Council continually looking at ways to minimise future costs. Solar panels and geothermal heating/cooling for Council buildings have resulted in savings with further projects being investigated.

Insurance and Workers Compensation

Forecasting insurance premiums is difficult. Considerable increases in insurance premiums are possible, influenced by several issues, particularly the occurrence of natural disasters, economic uncertainty and climate change.

Workers' compensation premiums can increase at any time following a rise in claims or with major open cases. Council's safety, risk & quality committee is committed to reducing premiums and claims through increased risk mitigation, awareness and workplace safety programs.

Superannuation

Council is responsible to fund investment shortfalls in the defined benefits member scheme until all staff in the scheme have retired. Council has been advised to expect to be called upon to fund investment shortfalls in this scheme due to the current economic environment. However, no additional allowance has been made in the financial forecast at this stage as the extend of the funding requirement is unclear.

8. Indicators

Council's key objectives include the achievement of an operating surplus over the planning cycle and adequate funding of asset renewals. This is achieved under the SRV Scenario. Other considerations include the achievement of industry benchmarks that Council must report on as part of its annual report.

The following ratios are anticipated to occur under the SRV scenario (comment included where divergent for the baseline scenario):

Operating Performance Ratio – Benchmark > 0%

This ratio measures financial sustainability and indicates Council's capacity to meet its ongoing expenditure by comparing revenues with operating expenses (excluding capital grants and contributions). In the SRV scenario, Council reaches the benchmark by 2023/24. Under the baseline scenario, Council is unable to reach this benchmark.

Own Source Revenue – Benchmark > 60%

This ratio indicates Council's ability to control its own operating performance and financial sustainability. It compares operating revenues gained from sources other than grants and contributions to its total operating revenues. Council meets this benchmark in 9 out of 10 years.

Unrestricted Current Ratio – Benchmark >1.5

This ratio indicates Council's ability to meet short term obligations as they fall due. Council meets this ratio throughout the period of the LTFP. However, in the baseline scenario, Council assets quickly deplete, and Council is unable to meet this ratio from about 2025/26.

Debt Service Cover Ratio – Benchmark >2

This ratio indicates the proportion of operating revenues being utilised for interest and principal repayments on loans. Council is well within the benchmark over the entire period of the LTFP.

Rates and Annual Charges Outstanding – Benchmark <10%

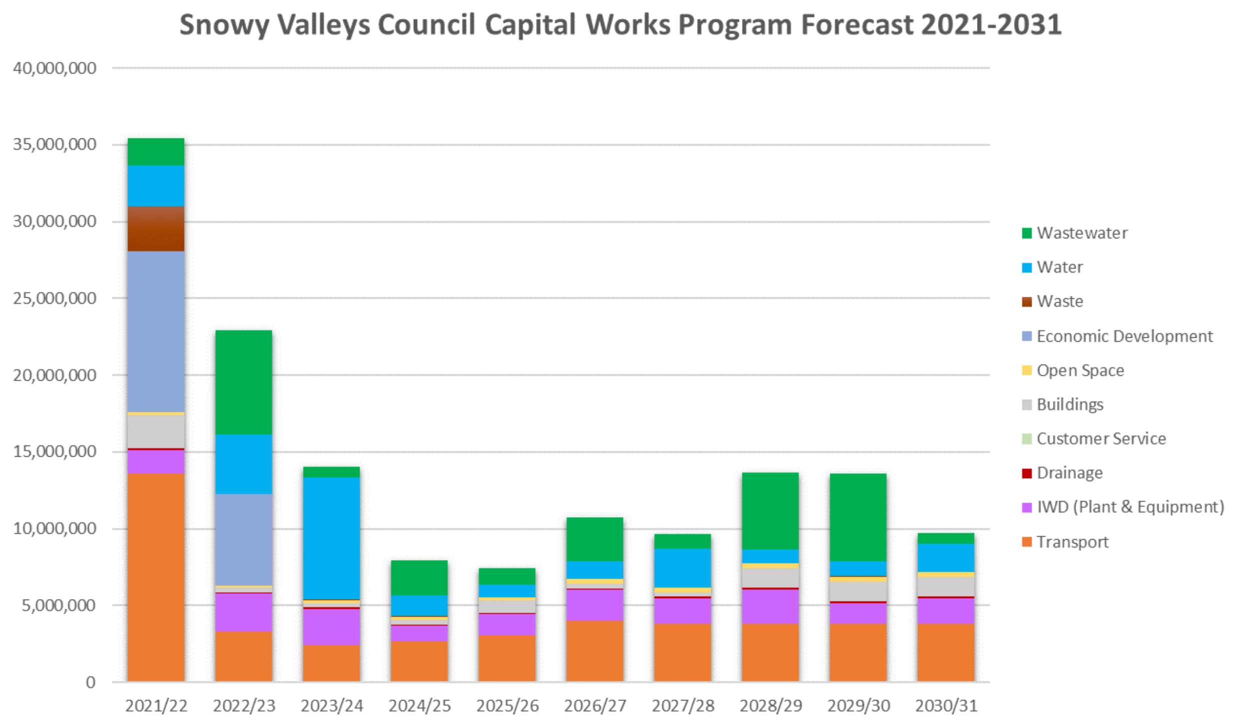
This ratio assesses the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts. It is expected to be achieved over the entire period of the LTFP. However, economic factors may influence rates and charges collection in the earlier years of the forecast.

Cash Expenses Cover Ratio – Benchmark >3 months

This ratio indicates Council's liquidity. It determines the number of months a Council can continue paying for its immediate expenses without additional cash flow. The ratio is expected to be achieved over the period of the LTFP. But under the baseline scenario Council is unable to meet this ratio from year 2027/28.

9. Capital Works Program

The capital works program for 2021/22 is included in the operational plan and budget paper. The chart below shows the planned capital expenditure over the next ten years, however, this is forecast requires regular updating due to changes to the works program and available funding opportunities. It will be updated in line with the Community Strategic Plan and Delivery Program.



Council's Strategic Asset Management Plan contains further information on Council's asset portfolio.