



Independent Pricing and Regulatory Tribunal

Special Variation Application Form – Part B

Insert Name of Council: Cobar Shire Council
Date Submitted to IPART: Monday 11 March 2013
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The Tribunal members for this special variation assessment are:

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Mr James Cox PSM, Chief Executive Officer and Full Time Member

Mr Simon Draper, Part Time Member

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Contents

1	Introduction	2
1.1	Information requirements	3
1.2	Submitting your application	3
2	Focus on Integrated Planning and Reporting (IP&R)	7
2.1	Summary of relevant IP&R documentation	7
3	Criterion 1: Need for the variation	13
3.1	Variations for capital expenditure	13
3.2	Strategic planning information	13
3.3	Financial planning information	23
4	Criterion 2: Community engagement	32
4.1	The consultation strategy	32
4.2	Outcomes from community consultations	35
5	Criterion 3: Rating structure and the impact on ratepayers	39
5.1	Proposed rating structure	39
5.2	Impact on rates	40
5.3	Community's capacity to pay proposed rate increases	50
5.4	Addressing hardship	56
6	Criterion 4: Delivery Program and Long Term Financial Plan assumptions	58
6.1	Delivery Program assumptions	58
6.2	Long Term Financial Plan assumptions	59
8	Other information	71
6.3	Previous Instruments of Approval for expiring special variations	71
6.4	Reporting	71
6.5	Council resolution	72
7	Checklist of application contents	73
8	Certification by the General Manager and the Responsible Accounting Officer	74
9	List of Attachments	75

1 Introduction

This form must be completed by councils when applying for a special variation to general income under either section 508A or section 508(2) of the *Local Government Act 1993*.

Councils should refer to the Division of Local Government (DLG), Department of Premier and Cabinet *Guidelines for the preparation of an application for a special variation to general income* (the Guidelines) in completing this application form. The Guidelines are available on the Division's website at www.dlg.nsw.gov.au.

In November, IPART will also publish Fact Sheets on our role in local government rate setting and special variations, and community engagement for special variation applications. The Fact Sheets will be available on our website at www.ipart.nsw.gov.au.

This part of the application (Part B) must be completed in conjunction with the relevant Part A form- either:

- ▼ *Section 508(2) Special Variation Application Form 2013/14 - Part A* for single year applications under section 508(2) or
- ▼ *Section 508A Special Variation Application Form 2013/14 - Part A* for multi-year applications under section 508A.

This part of the application consists of:

- ▼ Section 2 - Focus on Integrated Planning and Reporting
- ▼ Section 3 - Criterion 1: Need for the variation
- ▼ Section 4 - Criterion 2: Community engagement
- ▼ Section 5 - Criterion 3: Rating structure and impact on ratepayers
- ▼ Section 6 - Criterion 4: Delivery Program and Long Term Financial Plan assumptions
- ▼ Section 7 - Criterion 5: Productivity improvements and cost containment strategies
- ▼ Section 8 - Other information (past Instruments of Approval (if applicable), reporting arrangements and the council's resolutions)
- ▼ Section 9 - Checklist of application contents
- ▼ Section 10 - Certification by the General Manager and the Responsible Accounting Officer.

1.1 Information requirements

The spaces provided in each section of this application form may be extended as required to fit information. Each section must be completed before we can assess the application.

Please note that the amount of information to be provided under each criterion is a matter of judgment for the council.

In general, the level of information to be provided should be proportional to the size or complexity of the council's request. Therefore, for relatively small requested increases in general income, less information is necessary than for larger increases. However, you still need to provide enough information and evidence to enable the Tribunal to assess each criterion.

The council may also submit supporting documents, including confidential documents, as part of the application. Supporting information should be relevant extracts of existing publications, if any, rather than the full publication.

If necessary, we may seek further information from you.

1.2 Submitting your application

Both Part A and Part B of the application should be completed and submitted online via the Council Portal on IPART's website at www.ipart.nsw.gov.au. A signed copy of the certification should be attached to the Part B form. We suggest that you access the User Guide for the Portal, also available on our website, to assist you in the online submission process.

Please note that file size limits apply to each part of the application in the online submission process. The limit for Part B forms is 10MB and the limit for all supporting documents together is 120MB (70MB for public documents and 50MB for confidential documents). This should generally be sufficient for the majority of council applications.

Please also submit your application to us in hard copy with a table of contents and appropriate cross referencing of attached plans and reports to:

Local Government Team
The Independent Pricing and Regulatory Tribunal
Level 17, 1 Market Street, Sydney NSW 2000 or
PO Box Q290, QVB Post Office NSW 1230

We will post all applications on our website. You should also make your application available to your community through your website.

You are required to submit your application online via the Council Portal on our website and in hard copy by **cob Monday 11 March 2013**. We encourage you to submit your application as early as possible.

Councils intending to submit an application under section 508A are also required to notify IPART of this intention by **cob Friday 14 December 2012**.

Notification is not a requirement for councils intending to submit an application for a single-year increase under section 508(2), but it would help us in our planning if you did notify us of your intentions by this date.

Cobar Shire Council Snapshot



Cobar Shire covers an area of 45,600km² and is located 300kms west of Dubbo and 360km north of Griffith – the closest regional centres

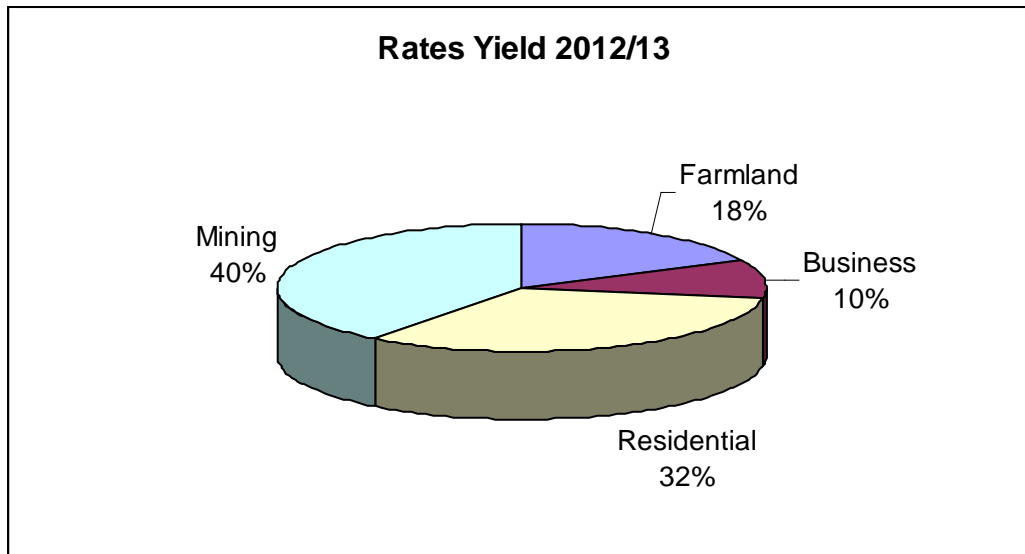
COMPARATIVE COUNCILS	PEOPLE	RATES	WORKERS
<ul style="list-style-type: none"> Division of Local Government Grouping: Group 10. 	<p>Median weekly household income</p> <ul style="list-style-type: none"> \$1,259 <p>26% have a household income less than \$600 (above the NSW average)</p> <p>-----</p> <p>Median monthly mortgage repayment:</p> <ul style="list-style-type: none"> \$1,300 <p>-----</p> <p>SEIFA Index (indication of socioeconomic disadvantage):939</p> <ul style="list-style-type: none"> quite high. <p>-----</p> <ul style="list-style-type: none"> 4.1% of population been to university or tertiary education 	<p>Rate revenue per capita</p> <ul style="list-style-type: none">\$573 <p>Average residential rates</p> <ul style="list-style-type: none">\$432 <p>Average farmland rates</p> <ul style="list-style-type: none">\$1291 <p>Average business rates</p> <ul style="list-style-type: none">\$784 <p>A 25% rate rise raises \$676,000. Mining pays at least 43% of this (mining and accommodation) leaving \$385,320 for the rest of the community to pay.</p>	<ul style="list-style-type: none"> Low unemployment rate, work long hours, mostly in mining 67.3% are in full time work with 60% working over 40 hours a week (well above the state average of 45%).
<p>HOUSING</p> <ul style="list-style-type: none"> Private dwellings 2,440, 40% are rented (well above the 30% NSW average) 			<p>INDUSTRY</p> <ul style="list-style-type: none"> Main Industries are mining, agriculture Economy worth over \$1bn annually - \$600m+ from mining <p>Over half those employed are machinery operators, trade workers or labourers.</p>
<p>POPULATION</p> <ul style="list-style-type: none"> 4710 Largest age group: 0-4yrs Median age: 35 – below the state and national average 			

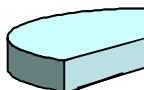


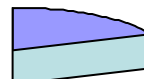
SRV Snapshot Summary



- Low rates income - \$2.7m
- Reliant on mining for large portion of rates income and economic prosperity of Shire

Rates by Source



MINING	BUSINESS	RESIDENTIAL	FARMLAND
			
Sector rates increase by \$269,918 with a SRV	Av. SRV Increase: CBD - \$327 Cobar - \$249	Av. SRV Increase: Cobar - \$102 Villages - \$52	Av SRV Increase: \$302
Assessments: 27	Assessments: 343	Assessments 2051	Assessments: 400
Minimums: 8	Minimums: 136	Minimums 714	Base \$300

Additional Funds Raised from SRV: \$676,000

Expenditure of SRV Funds

\$300,000 on financial sustainability to maintain service provision

\$200,000 on 7km bitumen reseals on Shire roads

\$176,000 on 8km gravel resheeting of Shire roads for road maintenance

Why a 25% one year increase?

- Low comparative rates
- Immediate financial sustainability issues
- Large infrastructure funding gap
- Loss of Roads to Recovery funding in 2013/2014
- Community does not want a cut in services (therefore their quality of life)

2 Focus on Integrated Planning and Reporting (IP&R)

How a council has considered and consulted on a special variation in its Integrated Planning and Reporting (IP&R) process is fundamental to our assessment of a special variation application. This is consistent with DLG's October 2012 Guidelines.

As part of our assessment, we will examine whether the council's planning and consultation, as evidenced in its IP&R documents, meets the criteria for a special variation. For example, we will look closely at how the community's service priorities and feedback regarding various revenue options are reflected in the council's application for the special variation.

- ▼ Has the council completed its I&PR documents and relevant annual reviews of plans?

Yes No

If the answer is *No* and your council still wishes to proceed with a special variation application, we advise you to discuss your IP&R progress and options with us.

The Guidelines provide for transitional arrangements in 2013/14 regarding IPART's assessment of criteria related to the IP&R process (see Box 2.1).

Box 2.1 Transitional arrangements for assessment in 2013/14

The Guidelines provide for transitional arrangements as follows:

In light of the 2012 local government elections and the requirement for councils to review the Community Strategic Plan and Delivery Program and develop an Operation Plan by 30 June 2013, it is recognised that the revised guidelines and application timing may create a difficulty for councils who wish to apply but have not yet completed the necessary IP&R review.

Therefore, for the 2013/14 rating year only, IPART will have the discretion to award a single year variation where it assesses that the general principles of need, community awareness, reasonable ratepayer impact, realistic financial planning assumptions and cost containment and productivity achievement related to the assessment criteria are met by a council, even though the evidence is not necessarily reflected within the councils IP&R documentation.

2.1 Summary of relevant IP&R documentation

Expand the space below to briefly explain the council's IP&R process in the context of the special variation. Include when plans (eg, Asset Management Plan (AMP) or Long Term Financial Plan (LTFP)) first identified the need for a special variation, and when all relevant IP&R documents were reviewed and finalised. If the council has not yet finalised all of the relevant reviews of plans, explain when this is likely to occur.

Initial Community Consultation and Priority Setting

Cobar Shire Council is a Group 3 Council and as such, first completed the suite of IP&R documents for adoption by June 2012. Prior to late 2011 when consultations for the IP&R began, Council undertook some priority setting workshops within the community in 2009 and extensive consultations for the Cobar Social Plan 2011-2016 in late 2010. During these consultations it was evident that Council would be unable to fund the community's priorities and realistic expectations had to be set. During the development of the IP&R plans, Council commenced discussions with the community that we could not afford to continue to provide all services and that a Special Rate Variation (SRV) was needed to address sustainability issues and go towards meeting the infrastructure maintenance gap. General awareness of Council's financial situation was increased in the community and community acceptance of a rate rise started to become evident.

Developing the Community Strategic Plan

During the development of Cobar's Community Strategic Plan (CSP), Council conducted 18 meetings and workshops across the Shire and was able to involve over 430 people in face-to-face sessions, which is almost 10% of our community. This was on top of a full range of consultations undertaken a year previously in the development of Council's Social Plan 2011-2016.

In all of the CSP meetings, a presentation was given to residents outlining Council's poor financial situation, the range of services and facilities that Council provides and a discussion was had with participants on the need for a SRV. A copy of Council's presentation is attached (2.1.1). Residents were shown that Council was likely to have at least an annual \$8.15m shortfall in asset management requirements. Whilst the quantum of any increase was not raised, there was recognition by the community that rates and other income sources needed to increase, along with cost savings measures being implemented by Council.

During meetings in late 2011 with government agencies and Cobar's local State member, the need to apply for a SRV was raised and Council was encouraged to seek a rise in income by submitting an application.

SRV Adopted as Policy

In February 2012, Council discussed submitting a SRV for 2012/2013, but resolved not to, given there was inadequate time to put together an application and undertake the required community consultation. The relevant Council paper is at Attachment 2.1.2. This meeting discussed in detail the sustainability indexes of Council's assets, as identified in the Asset Management Plans and highlighted the major shortfalls between asset lifecycle costs and lifecycle expenditure. The paper stated:

Put simply, Council does not have the funds to properly maintain and repair and upgrade to the same standards its Assets. We are not alone and it is expected that Asset Management Plans by Councils across the state will show that most Councils are not sustainable. Ways have to be found to close that funding gap (life cycle gap) and it should be a combination of

loan funds, increased fees and charges, increased levels of grants from higher levels of government, developer charges and increased rates.

This meeting also highlighted the increasing operational costs of major assets and the cost of providing economic and community services. It was at this meeting that Council started to consider the type of SRV that would be appropriate and where the burden of that increase would be placed. The following resolutions came out of that meeting:

9FP.2.2012

RECOMMENDATION:

1. *That no further action be taken on the proposed Special Rate Variation application under Section 508(2) of the NSW Local Government Act 1993 that was proposed to commence in 2012/2013.*
2. *That Council take the necessary action (community consultation and application) for a Special Rate Variation under Section 508A of the NSW Local Government Act 1993 amounting up to 7% above the rate pegging limit for 7 years for Asset Sustainability and Community Services operations (essential community and transport infrastructure within the shire) with the main burden being to the Mining and Business Rate Area and a lower proportion to Residential and Farmland commencing 2013/2014 and to remain in the rate base permanently.*
3. *That the Draft Four (4) Year 2012/2013 – 2015/2016 Delivery Program and Minimum Ten (10) Year Long Term Financial Plan take into account the proposed Special Rate Variation.*

These resolutions were then incorporated into the Delivery Program (DP) and the Resource Strategy (including The Long Term Financial Plan), and the SRV was quantified. The LTFP that was adopted by Council in May 2012 outlined three scenarios.

1. The Pessimistic Case – no SRV and no R2R Program.
2. The Conservative Case – a one-off 10% SRV and a \$400,000 increase in rates from new mining operations.
3. The Preferred Case – general rates rise by 10% annually from 2013/2014 to 2019/2020.

This LTFP highlighted that *Rate rises are not likely to result in significant improvements in service delivery or asset management, but rather are required to maintain Council's operations at current levels, without creating a deficit.*

Beginning the SRV Process for 2013/2014

In July 2012, Council contacted IPART to discuss the process for developing a Special Rate Variation and on 4 October 2012, Council resolved to take two options to the community. A copy of this Council paper is at Attachment 2.1.3. Also at this

Council meeting, a Community Engagement Strategy for the SRV application process was adopted. A copy of the Council paper is at Attachment 2.1.4 and a copy of the Strategy is at Attachment 2.1.5. The resolution from that meeting was that Council:

- 257.10.2012** *Seeks community input into the proposed Special Rate Variation with two options:*
- *A one off rise of 25%;*
 - *A multi year increase of 13% per annum including rate peg for seven years.*
2. *Distributes any rate rise so that the existing rate differentials are maintained (status quo).*
3. *That Council determines to appropriate any funds raised through a Special Rate Variation as follows:*
- *\$300,000 in the operation of the Cobar Memorial Swimming Pool, thus reducing the operating deficit by the same amount;*
 - *Additional funds on roads and other assets.*

A series of 11 separate community information sessions were held across the Shire, with 313 people attending. The workshops were aimed at raising community awareness of the issues, receiving their feedback and prioritisation of service delivery, answering questions and then using this information and incorporating it into this proposal and the redevelopment of Council's IP&R documentation. The information collected from the community forums was used as a basis for a Council paper on 13 December 2012 (Attachment 2.1.6). Generally speaking, the community was very positive towards a 25% one-off rate rise and there was a very strong message that the community wanted to support current service provision and improve the road network if possible. This feedback was used to inform the redevelopment of the LTFP and the DP in early 2013. In December 2012, Council resolved to:

1. *...apply for a one-off 25% increase in rates, in line with a 508(2) application to IPART for 2013/14.*
2. *That these funds are used for the purposes of financial sustainability and asset maintenance.*
3. *That Council informs IPART of their intentions.*

Review of the IP&R Documents

As per the legislative requirements, Council has reviewed all IP&R documentation, with the Community Strategic Plan (Attachment 2.1.8), Delivery Program (Attachment 2.1.9) and Resource Strategy adopted at the February 2013 Council meeting following community consultation. Council has significantly reworked the Long Term Financial Plan (LTFP) since May 2012 in light of more sophisticated modelling techniques, a greater understanding of the underlying impacts on the

budget, changes in staff and more realistic understanding of what is achievable (Attachment 2.1.10).

Council is unlikely to achieve a \$400,000 increase in rates from new mining operations over the term of the 10 year plan, let alone in one year. This possibility has been removed from the scenario planning and potential increases in rates from mining are discussed further in this application. The future of the Roads to Recovery Program has now been announced and can be modelled confidently and used in the assumptions of the LTFP. Council has consulted with the community on what type and quantum of rate variation they would prefer and it has been used in the scenario planning for the LTFP.

Council has reworked the Transport Asset Management Plan (AMP) in line with Council's resolution to apply for this SRV (Attachment 2.1.11). The Transport AMP was reworked to again examine and determine the true rate of depreciation and to prioritise the use of an additional source of \$376,000 from 2013/2014 onwards.

The original suite of AMPs highlighted the significant gap between asset consumption (depreciation) and available funding for asset renewal. These AMPs, along with the LTFP highlighted that Council had inadequate funding to maintain the asset base, in particular the road network (Table 2.1.1). Any improvement in asset condition would most likely require a SRV, however the sheer size of the gap means relatively small inroads can be made by prioritising road works based on risk management and ensuring roads are maintained in a safe condition. As shown in the table below, there is an annual shortfall of \$8.14m in asset management.

Table 2.1.1 Lifecycle Costs of Council's Assets - from the AMPs

	p.a required \$m	Budgeted \$m	Ratio
Water	\$1.75	\$1.66	0.95
Transport	\$11.07	\$4.28	0.39
Sewer	\$0.45	\$0.23	0.51
Recreation	\$1.15	\$0.94	0.82
Stormwater	\$0.1	\$0.02	0.20
Buildings	\$1.0	\$0.28	0.28
TOTAL	\$15.52	\$7.35	0.47

Shortfall of \$8.14m annually

DLG Feedback

The DLG thought the layout of the IP&R documents was a strength for Cobar Shire. As was the widespread and comprehensive community consultation undertaken in the development of the plans. They believed the views of the community are well represented. A similar process was undertaken in consulting the community on the SRV which was then incorporated into the new set of IP&R documents.

One of the areas identified for improvement by the DLG in their review of Council's first round of IP&R documents was to identify specific groups and strategies when undertaking engagement. This was done when developing the Community Engagement Strategy for this SRV project.

3 Criterion 1: Need for the variation

In this section, you should present a case for the proposed revenue increases by showing why the special variation is needed. The need must be identified and articulated in the council's IP&R documents, including the Delivery Program and LTFFP, and AMP where relevant.

3.1 Variations for capital expenditure

Does the purpose of the proposed special variation require the council to undertake a capital expenditure review in accordance with Council Circular 10-34?

Yes No

If Yes, has a review been undertaken?

Yes No

If Yes, has this been submitted to DLG?

Yes No

3.2 Strategic planning information

In the section below, provide commentary on how the need for the special variation is reflected in the council's strategic planning documents (ie, Community Strategic Plan and Delivery Program). Provide extracts from or references to the council's IP&R documents as relevant.

Explain the likely benefits of the project, works or other activity the council is proposing to undertake with the additional special variation funds, as outlined in the IP&R documents.

If you are seeking funding for contributions plan costs above the development contributions cap, see Box 3.1.¹

¹ See Planning Circular 10-025 at www.planning.nsw.gov.au for the most recent Direction issued under section 94E of the *Environmental Planning and Assessment Act 1979*. See also Planning Circular PS10-022.

Box 3.1 Special variations for development contributions plan costs above the developer cap

For costs above the cap in contributions plans, a council must provide:

- ▼ a copy of the council's s94 contributions plan
 - ▼ a copy of the Minister for Planning and Infrastructure's response to IPART's review and details of how the council has subsequently amended the contributions plan
 - ▼ details of any other funding sources that the council is proposing to seek to use
 - ▼ any reference to the proposed contributions (which were previously to be funded by developers) in the council's planning documents (eg, LTFP and AMP)
 - ▼ any necessary revisions to financial projections contained in the LTFP and AMP to reflect the special variation.
-

Background

Whilst 25% sounds like a large percentage rise, the fact is it only raises an additional \$676,000 for Council of which \$290,680 will be raised from mining sources. The impact on the categories and subcategories is shown in Table 3.2.1. For Cobar residential ratepayers the rate rise equates to around \$25 per quarter more. Council will collect about \$2.7m in rates in 2012/2013, which is around 12% of our income (Graph 3.2.1). The large percentage increase translates into a relatively low dollar increase for most ratepayers due to the low value of our rates compared to all other councils in NSW, including those in our DLG group. Undertaking a Special Rate Variation is a priority in our Delivery Program, CSP and LTFP.

Graph 3.2.1 – Sources of Councils Income 2012/2013

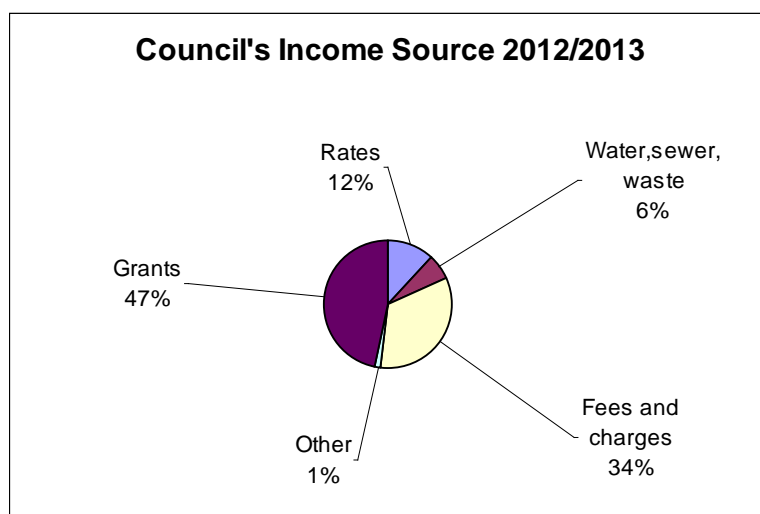


Table 3.2.1 Impact of rate increases on all Categories and subcategories (average increase)

Rating Category	2012/13 Rate	Proposed rate 2013/14	Dollar increase	Percentage Increase
Farmland	\$1201	\$1513	\$302	24.98%
Cobar Residential	\$455	\$557	\$102	22.40%
Rural Residential	\$586	\$765	\$180	30.71%
Village Residential	\$211	\$263	\$52	24.48%
Business Cobar	\$673	\$922	\$249	37.02%
Business CBD	\$1339	\$1666	\$327	24.43%
Business Village	\$302	\$376	\$75	24.75%

The mining category has been omitted from this table as an average is not indicative of what the individual companies will pay. Some are inactive sites, others just beginning development, others have been in full production for over 100 years, hence the valuations are very different.

Council needs the funding to assist with our financial sustainability and maintaining our ability to continue to provide acceptable services across a very broad range of areas to our community and for asset management. The cost of providing services to our community is high compared to the income received. We, like many NSW Councils, have a large infrastructure backlog, with the cost of annual asset maintenance (not renewal) far exceeding our ability to fund the depreciation from normal revenue sources. Put simply, the asset base will continue to deteriorate without additional funding. In our case, our major asset is our roads network.

From the LTFP:

Whilst our income has not increased by more than the CPI, Council's costs continue to rise and the gap between what is needed to be spent on providing services and managing our assets, and what is available to be spent, continues to increase. Rate pegging, cost shifting from other levels of government and increasing costs have all restricted Council's ability to meet existing and emerging community priorities with current income.

Comparison to other Councils

An assessment of our rates compared to other Group 10 Councils shows that we are well below our group average in all rating categories and continue to be even after a 25% rate rise (Graph 3.2.2). In 2010/2011, Cobar’s residential rates were \$395, compared to the group average of \$496 per assessment. This was the fourth lowest in the Group. Our farmland rates were \$1271 per assessment, compared to the Group average of \$2035. Again, Cobar was fourth lowest in the Group. Business rates averaged \$770 per assessment, compared to the Group average of \$1092. This was about the median for the group (Table 3.2.2).

Graph 3.2.2 – Comparison of Rates in Group 10

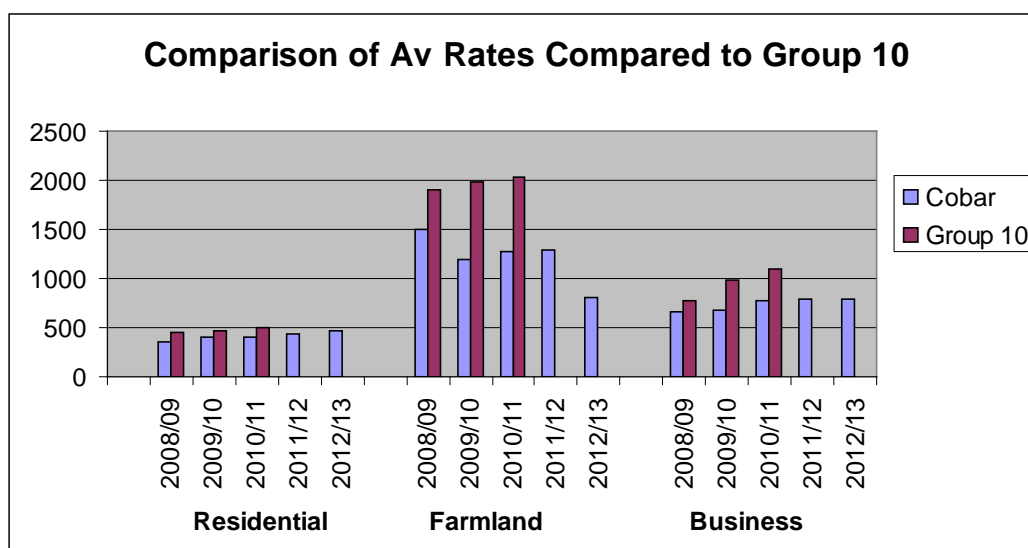


Table 3.2.2 – Group 10 Rating Comparisons for 2010/2011

Category	Cobar Rates	Group 10 average rates	Difference \$	Difference \$
Residential	\$395.26	\$495.63	Cobar \$100 lower	20% below group av
Farmland	\$1271.36	\$2035.49	Cobar \$764 lower	38% below group av
Business	\$769.94	\$1091.96	Cobar \$322 lower	30% below group av

Following a 25% increase in rates across all categories, Cobar rates continue to be below the group average (Table 3.2.3). Whilst residential rates become close to the group average (only 4% below, assuming the Group average increases by the rate

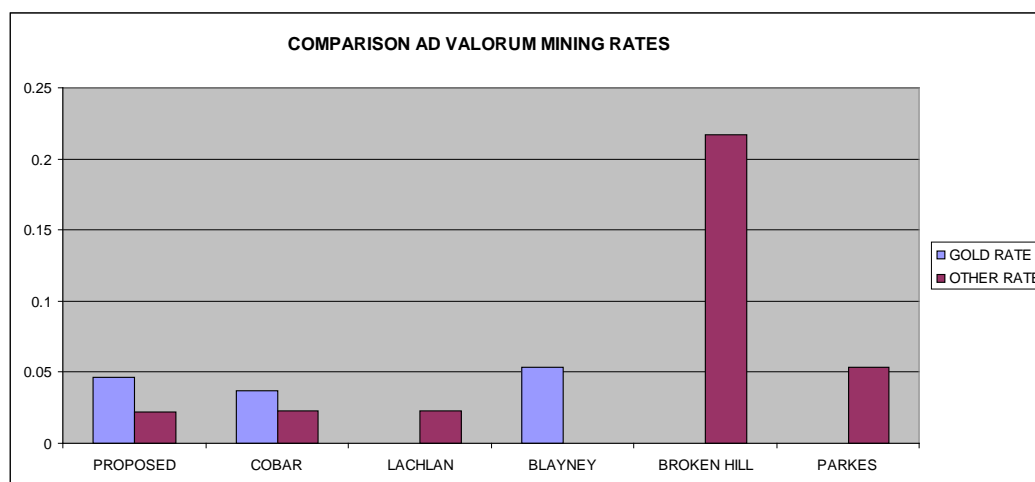
peg), farmland (33% lower) and business rates (15% lower) continue to be well below the group average.

Table 3.2.3 - Group 10 Rating Comparisons for 2013/2014 - with a 25% Rise

Category	Cobar Rates 2013/14	Group 10 average rates	Difference \$	Difference %
Residential	\$526.67	\$545.80	\$19 below group av	4% below group av
Farmland	\$1512.50	\$2240.98	\$728 below group av	33% below group av
Business	\$1027.26	\$1202.49	\$175 below group av	15% below group av

The other significant rating category for Cobar is mining. Around 40% of rates income is derived from this sector. Whilst the DLG comparative report does not look at mining, a comparative analysis of other towns with metaliferous mining operations can be made based on their Statement of Compliance. Cobar has two mining categories, gold and other. Gold has traditionally had a higher ad valorem rate, due to a higher value of production. Graph 3.2.3 compares Cobar (both current rates and following a 25% rate rise) mining rates to four other gold producing Shires. Cobar's rates are below all but Lachlan, even after a 25% rate rise.

Graph 3.2.3 - Comparison of ad valorem mining rates with other Metaliferous mining shires



Financial sustainability

A quick look at the cost of providing the services our community demands highlights our financial sustainability issues (refer to Table 3.2.4). Council provides a range of assets and services that most of our regional and urban cousins would not have to consider. For instance, Cobar Shire Council has built a medical centre (and associated house) and a medical practice, provides a dental clinic and house,

provides housing for nurses and runs a 34 bed aged care facility. These are not core Council operations, however due to the failure of other levels of government to provide adequate medical services for our community, Council and the community has had to step up over the years and do so, at a cost of around \$9m. That is \$9m that could otherwise be used to provide services or maintain infrastructure.

Council must also maintain a housing stock in order to attract key professional and technical staff to relocate to Cobar. Whilst it is an incentive and used as part of a salary package, often due to the strength of the local mining industry, if Council did not have housing stock, they would not be able to attract new staff to Cobar as they simply would not be able to rent a house in town. At present, there are no rental properties available in Cobar (Attachment 3.2.1).

Table 3.2.4 shows the key services Council provides to the community and the net cost of doing so (ie the cost minus any income received. Income includes admissions, government grants and funding). It must be remembered, Council receives just \$2.7m in rates income.

Table 3.2.4 - Cost of Service Provision

Service	Net <u>Cost</u> To Council
Lilliane Brady Village	\$120,000
Aerodromes	\$36,000
Cobar Youth and Fitness Centre	\$166,000
Television Services	\$4,000
Public Cemeteries	\$42,000
Emergency Services	\$173,000
Noxious Weeds	\$56,000
Libraries	\$276,000
Tourism	\$162,000
Museum	\$195,000
Swimming Pool	\$400,000
Roads and Footpaths	\$2,900,000
Parks and Gardens	\$569,000

A Case Study – The Cobar Memorial Swimming Pool

The cost of running key community services has been increasing well above the rate of inflation. In 2009, the Cobar Memorial Swimming Pool was updated to comply with new legislation – a situation that many Councils have been faced with where pools were built in the 1960's. At the time, no allowance was made for the increased running costs (Attachment 3.2.2). The cost of operating the Cobar Memorial Swimming Pool has increased two and a half fold in the last five years. This is due to a range of factors, including increased management costs, water and chemical costs and electricity costs. In hindsight, Council should have applied for a Special Rate Variation to cover the additional operational costs of the new pool facility in conjunction with the upgrade.

The upgrade included an additional Pool Water Treatment Plant (PWTP) being installed to clean the multipurpose pool (water was previously treated by the main pool PWT plant). This allowed the water to be treated three times more quickly and allowing Council to meet their legislative health requirements. The multipurpose pool also had a heater installed to allow residents to undertake warm water therapy and to encourage more users at either end of the swimming season. These improvements significantly added to the electricity use and therefore costs (along with large increases in electricity prices), despite the installation of a 20KW solar electricity generation system.

Council also started operating the pool as per the Royal Lifesaving Guidelines and the DLG's Practice Note No. 15 Water Safety, which added to the operating costs of the pool (in terms of additional lifeguards). Council was unable to attract staff to run the pool, so the management was let to private operators, via tender. In 2006/2007, the pool cost Council \$170,785 to operate. In 2012/2013, it is forecast to cost Council \$468,254.

A Case Study – The Cobar Airport

Another example of rising costs of providing a community asset is the Cobar Airport. Cobar is currently serviced by 11 Regular Passenger Transport (RPT) services a week, plus various charter flights. However, from December 2008 to September 2010 Cobar was without an RPT service when the airline at the time withdrew their services, due in part to the global financial crisis and the downturn in the mining industry at that time. Whether or not an RPT service exists (which provides revenue), Council must still maintain the asset. The airport is regularly used by the Royal Flying Doctors Service (with between 18 and 31 flights a month) and other medical users.

The current strong usage of the airport is due to the strength of the mining industry. The cost of maintaining the asset has increased with the increased usage of the facility – there are more aircraft movements, and larger aircraft are now flying into Cobar. The airport is an ageing asset and maintenance costs are getting higher. For instance, Attachment 3.2.3 shows that lighting costs continue to increase, with an expected cost this year of \$31,000 compared to \$2,500 in 2006/2007 and general maintenance costs increasing from \$18,000 to \$99,000 over the same time period.

Depreciation costs over that period have increased from \$14,800 in 2006/2007 to \$40,600 this year.

The 18 seater Metroliner aircraft that has been used on the Sydney Cobar route since September 2010 has recently been replaced by a 30 seater Jetstream J-41 aircraft which puts greater wear and tear on the runway and apron. Council has limited capacity to recover the full cost of maintaining the airport yet it is vital to the economy and health needs of the community. Ratepayers cover the shortfall at the expense of the provision of other services and asset maintenance. However, Attachment 3.2.3 also shows an increase in income from the airport as Council staff now have the contract to undertake ground services and refuelling, and the amount of airport landing fees collected has increased with the number and size of flights.

Whilst Council has been able to access some grant funds to undertake safety improvement works, these grants must be matched. Because of Council's precarious financial position, the matching of future grants will prove difficult and opportunities may have to be foregone. The age of the asset means Council will be faced with significant increases in maintenance costs in coming years and the cost of compliance with CASA requirements also impacts on the operational costs to Council. Some of the major issues currently affecting the airport are highlighted in the Transport AMP, of which an extract is presented below in Table 3.2.5.

Table 3.2.5 -Extract from Transport AMP Known Service Performance Deficiencies

Location	Service Deficiency
Cobar Regional Airport & Village Airstrips	Runway Sealed surface has reached the end of its useful life and requires resealing. Pal lighting system does not meet the current standards and requires replacement. Cobar Airport requires the installation of an AFRU reporting station to comply with RPT standards. Unsealed runways are not available in periods of wet weather.

The Road Network

The importance of the road network to residents is captured in the CSP.

COMMUNITY OUTCOME	
4.3	Good transport networks that increase the accessibility of Cobar and markets
COUNCIL STRATEGY	
4.3.1	Seek ways to expand the sealed road network and improve and maintain the unsealed road network

The road network is critical to residents in the Shire. Our rural residents rely on it to be able to get their produce to markets, to access medical services, food and other

supplies including mail and education, and for social interaction. Many of the shire roads are not trafficable in rain (which includes falls of less than 25mm, as outlined in the Transport AMP). The mining industry relies on the road network so employees can get to work, ore can get to the mill and concentrate can be transported to the rail heads.

Council maintains an extensive road network comprising 488kms of sealed town, shire and regional roads and 1821kms of unsealed shire and regional roads (Table 3.2.6). The recent review of the Transport AMP highlighted the need to increase the amount of depreciation in the LTFP from \$1.9m annually to \$7.8m per annum. Whilst \$1.9m has historically been used for accounting purposes, it is believed that \$7.8m is a realistic assessment of what is required.

Table 3.2.6 - Summary of Road Lengths in Shire

Asset Category	Dimension	Replacement Value \$m
Regional Roads Sealed	284km	\$57.30
Regional Roads Unsealed (gravel surface)	76km	\$13.66
Regional Roads Unsealed (natural surface)	256km	\$13.26
Shire Roads Sealed	142km	\$27.91
Shire Roads Unsealed (gravel surface)	213km	\$33.25
Shire Roads Unsealed (natural surface)	1275km	\$62.15
Town and Village Streets (sealed)	62km	\$13.56
Town and Village Streets (unsealed)	1km	\$0.10

The two varied figures of \$1.9m and \$7.8m are used in the scenarios of both the Transport AMP and the LTFP. From the Transport AMP Scenario 2 represents the \$7.8m depreciation figure and Scenario 3 represents to the \$1.9m depreciation figure. *Scenario 3 is the reality of the situation when the capital renewal expenditures that can be achieved are provided for in the LTFP.*

Under the revised Transport AMP, it is estimated that an average in excess of \$8m is required each year for maintenance, renewal and upgrade of the asset base. However, only about \$4.68m is available in the budget, creating an annual shortfall

of around \$4.14m. Consequently, the service level that Council can provide is below what is required. The best Council can aim for is to maintain the asset base in a safe condition. In the LTFFP, Scenarios 3 and 4 use \$7.8m depreciation. The plan states *This scenario demonstrates the dire state of our asset base and the inability of Council to fund it... Council is unlikely to be able to attract the additional funding required to invest to the levels identified in the AMPs.*

The priority areas identified in the AMP are bitumen reseals and gravel resheeting. Renewal and upgrade works will be undertaken based on a risk assessment as per the Transport AMP. It is estimated that an additional 8km of gravel resheeting can be undertaken each year at a cost of \$176,000 and around 7km of bitumen reseals can be completed at a cost of around \$200,000.

Council inherited the regional road network from the NSW government and does not receive adequate funding to maintain it. The road network is at the latter end of its lifecycle and requires significant repair and replacement. Council will continue to lobby for additional regional roads funding to a level comparable to neighbouring shires which are maintaining the same road network (Attachment 3.2.4). In a briefing paper to the NSW Government regarding the level of funding received by Cobar Shire Council for regional roads maintenance it was stated:

Council in 2012/2013 will receive \$1,561,000... \$1,890,000 of funding is the minimum needed to maintain the Regional Road asset or \$3,050/km. This is not including heavy patching and sealed road reconstruction and traffic facilities such as signs, marker posts and line marking...

The financial assistance allocation does not allow for appropriate amounts of capital works such bitumen resealing, gravel resheeting, sealed road reconstruction or sealed road construction and accordingly the asset continues to depreciate and deteriorate leading to Council being financially unsustainable.

Income from the Federal Government’s current Roads to Recovery program will be reduced from \$761,000 in 2012/2013 to \$461,000 in 2013/2014. We have made the assumption in the models that Roads to Recovery funding will be re-established from 2014/2015 onwards at current levels.

The reduction of funds in 2013/2014 will have a significant impact on Council’s roads maintenance and renewal program. This reduction of income in 2013/2014 is one of the driving forces behind applying for a large, one-off SRV, to help cover the temporary shortfall (rather than a number of smaller annual increases). Council will also focus on trying to win more private works to make up the shortfall and to ensure the road crews and machinery productivity is maintained or improved.

The need for the SRV is highlighted in the CSP, the DP and the AOP. From the CSP:

COMMUNITY OUTCOME				
3.1	A well funded Council that is well managed and well governed			
Strategies	Responsibility	Support	Timing	
3.1.1	Increase Council’s income stream	Council	Community Government	2012-2013

And from the Delivery Program

3.1.1 Increase Council's income stream		
Council Activities		
Activities/Services	Responsibility	Performance Indicators
Apply for a Special Rate Variation to improve the sustainability of Council's assets and services	GM / DCCS	Special Rate Variation submitted.

3.3 Financial planning information

The justification for the special variation and its timing must be based on the council's Long Term Financial Plan (LTFP). The LTFP needs to include various budget scenarios, including scenarios with and without the special variation, that are based on clear and reasonable assumptions (see Section 6).

In the section below, explain the need for the variation in the context of the LTFP and the various budget scenarios. Provide extracts from or references to the LTFP as necessary.

It may also be useful to comment on external assessments of the council's financial sustainability (eg, by Treasury Corporation), or the council's recent revenue and expenditure history and how this relates to the need for the additional funding from the special variation.

The key justification for the timing of the SRV is Council's current financial sustainability concerns. Council incurred a \$700,000 (after adjusting for the early FAGS payment) operating deficit in 2011/2012 (down from \$1.5m in 2010/2011). Significant efforts to improve the budget were made and are continuing to be undertaken.

This year, a deficit of \$694,000 is forecast. The LTFP indicates a deficit of this magnitude will continue into the future. The quantum of the SRV was based on the operating deficit. Whilst \$300,000 will go straight towards improving the budget bottom line through sustainability measures to support service provision, \$376,000 will reduce the asset maintenance gap. Council will continue to seek initiatives to reduce and eventually eliminate the operating deficit outlined in the LTFP.

The urgency of the need to apply for a SRV was also highlighted through discussions with government agencies (including the DLG) and the member for Barwon.

Cobar's LTFP investigates four scenarios:

1. The Status Quo - there is no special rate variation, depreciation of the roads network is retained at \$1.9m pa.
2. Successful SRV - Council receives a one-off SRV of 25% (including the rate peg amount of 3.4%) in 2013/2014 and depreciation of the roads network is retained at \$1.9m pa. Funds generated through the SRV are split with \$300,000 towards financial sustainability and the remainder funding maintenance works on the Shire road network (split between bitumen reseals and gravel resheeting).
3. Status Quo with \$7.8m pa in road depreciation. According to the reworked Transport Asset Management Plan, an additional \$7.8m pa should be spent on maintaining (not improving) the road network. This very large gap is unlikely to be funded in the short or medium term.
4. SRV application for 25% increase in 2013/2014 successful, and road depreciation set at \$7.8m pa.

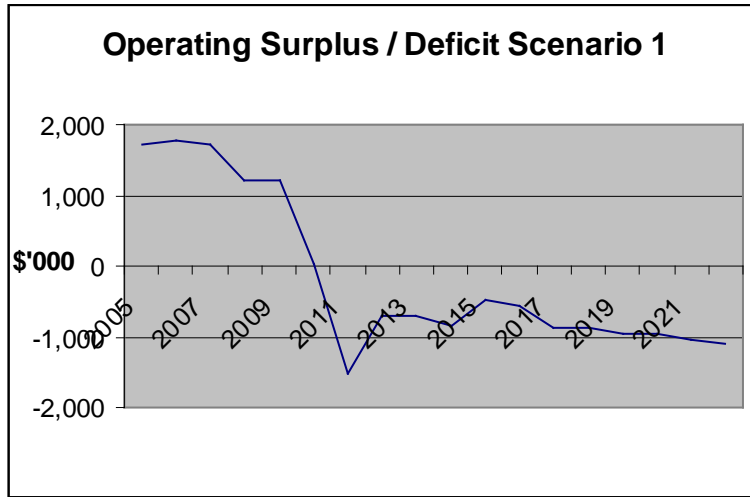
These are discussed further in Section 6.

Consideration of a reduction in services was not considered due to the very strong community feedback that they do not want a fall in service level provision. This is discussed further in the community engagement section. The business sector, including mining, are already finding it difficult to attract staff to Cobar due to the lack of infrastructure and services that are available in larger and more accessible centres. Given Cobar's isolation, residents do not want to see a fall in service provision as the next closest regional centre is 300km away. Older residents in particular cannot travel that distance to access services if they are not available in Cobar - they will simply go without. However, Council in its preliminary budget discussions for 2013/2014m is already planning to reduce community services if the SRV is not received.

Operating Surplus and Deficits

In 2010/2011, Council incurred a \$1.5m operating deficit (Graph 3.2.3), after allowing for capital income of \$1.9m. This deficit was caused by a \$1.4m reduction in road works from the NSW Government and an increase in depreciation of \$394,000 after some classes of assets were revalued.

Graph 3.2.3 Operating Surplus/Deficit - Scenario 1 LTFP

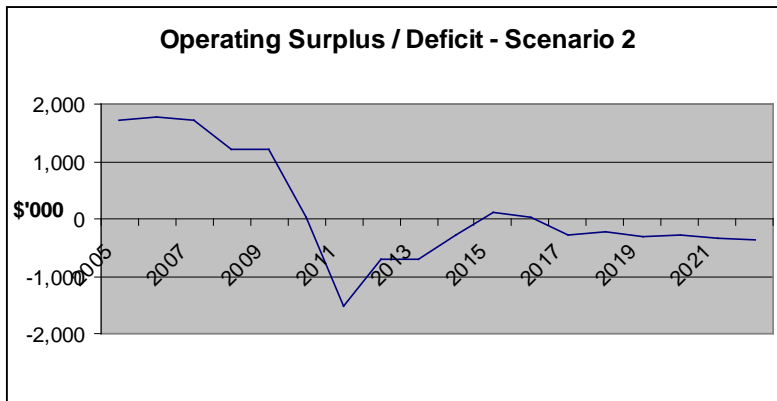


Since 2010/2011, the bottom line has improved substantially, however a deficit remains. In 2011/2012 the operating deficit was \$700,000 and is forecast to fall to \$664,000 in 2012/2013 (after adjusting for irregularities of early FAGS payments). The deficit is currently forecast to increase again in 2013/2014 (if a SRV is not successful) due to the loss of Roads to Recovery funding. The deficit then returns to levels similar to this year until 2016/2017 when it falls again as more funding is injected into road maintenance. With service levels not being reduced, the deficit will remain.

With a SRV of 25%, Council will still be facing an operating deficit of around \$200,000 pa. Graph 3.2.4 shows the impact on the operating deficit of the 25% rate rise. Under this scenario, Council does have cash reserves of around \$4m at the end of 2021/2022. From the LTFP:

The unrestricted current ratio rises to 2.08 and the gap between depreciation and capital expenditure falls to around \$614,000

Graph 3.2.4 - Operating Surplus/Deficit with a 25% Rate Rise - Scenario 2 - LTFP



Treasury Corp are currently assessing Cobar Shire Council's LTFP and the results of that review are not yet available. Council's auditor has reported several times in recent reviews that Council's income is insufficient to cover its expenses. In recent years Cobar Shire Council's audit report has been qualified due to Council's General Fund using monies belonging to the other funds without the Ministers permission.

3.3.1 Prioritization of proposed spending

If possible, also explain how the council has prioritized the proposed spending in its program of expenditure (incorporated into its LTFP and as indicated in Worksheet 6 of Part A of the application form). If a special variation application is approved for a lesser amount than requested, it is useful for the council to be able to indicate which projects would be funded first.

Any reduction in the amount of SRV that is granted will be split proportionally between financial sustainability and asset maintenance. Council will have to undertake further community consultation to determine which services or assets will be reduced to reduce the budget deficit.

Scenario 1 in the LTFP shows the impact on Council's finances if no SRV is granted. Council continues to live off its assets by not fully funding depreciation. To eliminate this, significant cuts to services will be required and Council will not be able to meet the outcomes identified in the CSP and Delivery Program. Reductions will be required across all sections of Council and a further fall in staff numbers is likely. This is not the community's preference.

Both the LTFP and the AMPs show that urgent action is required to reduce the operating deficit and start funding assets to appropriate levels rather than to continue to erode the asset base. A SRV is urgently required, along with Council's continued efforts to find budget savings and other sources of income.

Council has been systematically reviewing expenditure and income to identify savings, new income sources and to create efficiencies. These are discussed in more detail in Section 7. The cost of Council services exceeds the rate of inflation or Council's ability to raise income. This is expected to continue.

3.3.2 Alternative options

In explaining why the special variation is needed, you should indicate how the council has considered a range of alternative financing options (eg, borrowing, private public partnerships, joint ventures, user pays) and why the special variation is the most appropriate option. It is important that you explain how the decision to apply for the variation has been made after all other options (ie, alternative revenue sources, changing expenditure priorities, alternative modes of service delivery) have been considered. Once again, provide extracts from, or references to, the LTFP which shows the council's consideration of alternative revenue options.

Financial Sustainability

Cobar Memorial Swimming Pool

Council has critically analysed all fees and charges for Council assets and service provision. Admission charges at the Cobar Memorial Swimming Pool have been increased by 33% in 2012/2013, with the proposal for similar increases in the next two years (Attachment 3.3.2.1 - 2012/2013 Fees and Charges). It is estimated to generate an additional \$20,000 in 2012/2013. The current adult rate of \$5.20 per visit is already at the upper end of charges for rural swimming pools. The pool was a highly valued community asset in community consultations. This view was held by Euabalong residents as they live about 250km from Cobar so do not access many services operating out of the town of Cobar. Council continues to seek cost saving measures to run the swimming pool and is currently undertaking investigations regarding electricity use. Alternative management options have been sought, however Council was unable to recruit pool managers/staff when positions were advertised (there were no applicants). Consequently, Council has management contractors running the pool. This was put out to tender. Three tenders were received, and the best value for money option was selected (which was also the cheapest in cost). Council is continuing to investigate cost saving options. If the total value of the SRV is not received, Council will consider the option of reducing the length of the swimming season to assist in keeping costs down.

Cobar Airport

The landing fees for the Cobar Airport have increased significantly in recognition of the rising costs and user pays principles of operating the airport. For instance, the passenger movement fee has increased from \$13 per passenger in 2012/2012 to \$22 per passenger in 2013/2014. (Draft Council Fees and Charges 2013/2014). This is indicative of most of other fees and charges for the airport. Council has also implemented systems to ensure all users of the airport are charged a landing fee, in particular charter aircraft. It is believed there is little scope to generate further income from the current airport operations. Council is trying to expand and attract business to the airport to generate additional income. There has been some interest, but no financial gains to date. Council has introduced a car hire charge at the airport, increased hanger fees and has taken on the contract to provide ground and refuelling services in a bid to increase income.

Trying to find additional income from new business ventures operating from the airport was a key activity in the CSP and Delivery Program.

COMMUNITY OUTCOME	
2.3	A strong business hub operating out of the Cobar airport
COUNCIL STRATEGY	
2.3.1	Develop a business case to attract businesses to Cobar Airport
Council Activities	

Activities/Services	Responsibility	Performance Indicators
Actively seek out business opportunities to enhance the operations at Cobar Airport	WM	Number of businesses operating at Cobar Airport.

Asset Management

The key asset of Cobar Shire Council is the road network. It is also suffering the greatest gap between annual asset repair and maintenance costs and funds available to undertake works. Council is responsible for maintaining 1488kms of unsealed Shire roads and 142kms of sealed Shire roads. Council is not attempting to increase the seal length of these roads, but rather to improve the quality of the unsealed network through a good gravel resheeting program and to maintain the existing sealed network through a reseal program. No shire roads have been resealed since they were originally sealed.

Council has been focusing on improving the quality of the work undertaken on the road network through the Plant Utilisation Improvement Program (Attachment 3.3.2.2). Staff are being trained in improved methods for undertaking works. New equipment to improve efficiencies such as better water tanker pumps have been purchased. Retraining Council staff to achieve improved efficiencies and quality of work is an ongoing process. Resident feedback at Rural Roads Advisory Committee meetings has been positive. Council has also worked on improving efficiencies of the road and other outdoor crews by installing GPS tracking devices to equipment. Productivity improvements are further discussed in Section 7.

Should Council not receive the total 25% rate rise, a proportional reduction in the amount of road maintenance works undertaken on the Shire road network will occur, based on the cost being \$28,500/km for gravel resheeting and \$21,400/km for bitumen reseals. Each year Council staff will provide Council with a list for prioritisation of works, based on the actual condition of roads at the time and the Transport AMP. The current method of staff advising Council of works to be undertaken each quarter will continue.

Alternative Financing Options

As at 28 February 2013, Council had borrowings of \$3,054,214. We believe this to be our maximum borrowing limit due to our inability to repay or service debt at a higher level with such a low rate base and maintain reasonable service levels. Of these funds, \$1m is used as liquidity. The remainder of the funds were borrowed to cover the capital costs associated with the upgrade of the swimming pool and the main street improvements undertaken in 2008-2010. Additional borrowing is not an option.

Cobar Shire is a small Council and does not have the ability or capacity to attract or enter into a private public partnership. It is also unlikely that a partner would exist. Two recent attempts have confirmed this.

Council has been trying to enter into joint ventures or partnership arrangements where possible. For example, Council has developed a Voluntary Planning Agreement with Hera Mine aimed at addressing required roads projects and community projects in the Nymagee area. As part of the Development Application consent conditions, Wonawinta Mine has responsibility to upkeep their entrance road (a Shire road) and associated intersections. Council has a partnership arrangement with Peak Gold Mine to develop new community infrastructure, mainly a new skate park, with significant contributions from the mine.

From the Delivery Program:

3.1.3	Investigate how to reduce the cost of Council's community facilities through partnerships with other organisations	
Council Activities		
Activities/Services	Responsibility	Performance Indicators
Investigate partnership options, and enact if advantageous for the Cobar Youth and Fitness Centre	DCCS / MFA	Investigations made. Partnership enacted if applicable.
Investigate partnership options, and enact if advantageous for the Lilliane Brady Village	DCCS / DON	Investigations made. Partnership enacted if applicable.

Council has approached PCYC in a bid to enter a joint venture for the management of the Cobar Youth and Fitness Centre. This building has annual operating costs of \$150,000 which includes depreciation of \$70,000. The cost of running the centre is putting a strain on Council's resources. At this stage PCYC are not considering establishing any new centres in NSW, however should an opportunity come up in the future, Council will explore it.

Council put out Expressions of Interest for the ownership or management of the Lilliane Brady Village Residential Aged Care Facility in 2012. Four interested parties responded (Attachment 3.3.2.3) but no-one formally submitted a formal tender and they indicated that it was not financially viable (Attachment 3.3.2.4).

Council cannot identify any other joint venture possibilities at this stage.

3.3.3 Impact of special variation on key financial indicators

Outline below how the special variation impacts the council's key financial indicators over the 10 year planning period, as identified in the LTFFP. This should include the impact on key indicators under the various budget scenarios (with and without the special variation).

Key indicators may include:

- ▼ Operating balance ratio (net operating result (excluding capital items) as a percentage of operating revenue (excluding capital items))

- ▼ Unrestricted current ratio (the unrestricted current assets divided by unrestricted current liabilities)
- ▼ Rates and annual charges ratio (rates and annual charges divided by operating revenue)
- ▼ Debt service ratio (net debt service cost divided by revenue from continuing operations)
- ▼ Broad liabilities ratio (total debt plus cost to clear infrastructure backlogs (Special Schedule 7) divided by operating revenue)
- ▼ Asset renewal ratio (asset renewals expenditure divided by depreciation, amortisation and impairment expenses)

If the variation is to fund asset or infrastructure expenditure, the application should include an explanation of relevant asset replacement, renewal or repair expenses, and how the expenditure addresses backlogs over time.

Operating Balance Ratio

The appropriation of \$300,000 of the proceeds of a successful rate variation application towards the existing recurrent operating deficit and \$376,000 to road renewal expenditure results in, on balance, a marginally negative *operating balance ratio* for the life of this plan – albeit with marginal surpluses in two of those years. The 2013 year is skewed by the early receipt in 2011/2012 of \$1.055m in Financial Assistance Grants.

When viewed in conjunction with the *unrestricted cash ratio* it demonstrates that Council can remain viable and not be under threat of being unable to fund its day to day operations. Conversely, should the application be unsuccessful Council will have liquidity issues of some proportion.

The financial projections and key financial indicator projections forcefully demonstrates that Council still requires further initiatives to de risk its position and expend more on asset management. The level of expenditure on asset maintenance and renewal is unsatisfactory even if the application is successful.

Unrestricted Cash Ratio

This cash injection enables Council to manage its cash and cash equivalents in a positive comfort zone for the life of the plan. When viewed in conjunction with the *debt service ratio* it can be seen that Council, whilst underspending on assets, is able to meet its day to day commitments and service its debt. Council has in recent years breached the Local Government Act due to the General Fund borrowing on an unapproved basis from the Water and Sewer Funds. This cash injection enables it to preserve the integrity of all of its funds and cover its restricted cash requirements.

Rates and Annual Charges

This remains at around 16% during the life of the plan. A key element of Cobar Shire's justification for a special rate variation is based upon its rating being significantly lower than comparable Councils and that the average increase per household assessed is only \$102 for Cobar residential.

Debt Service Ratio

Cobar Shire Council has an extremely low debt service ratio and is well below acceptable benchmarks. The plan does not call for fresh borrowings.

Asset Renewal Ratio

The plan clearly demonstrates that whilst Council is able to fund its day to day operations it is not able to fund sufficient asset renewal. Deterioration of assets is at a rate significantly greater than their renewal with the average asset renewal ratio during the life of the plan being 68%. A video will be available shortly on Council's website highlighting the issues with Council's roads network.

4 Criterion 2: Community engagement

To meet this criterion, you must provide evidence from the council's IP&R documentation that the council has consulted on the proposed special variation and that the community is aware of the need for, and the extent of, the rate increases. You should also show that the council has sought to obtain community input on both the proposed spending area, the revenue path in the council's LTFP incorporating the council's proposal, and the community's willingness to pay the rate increases.

In assessing the evidence, we will consider how transparent the council's engagement with the community has been, and that the information provided to the community shows:

- ▼ the proposed rate increases including the rate peg;
- ▼ the alternative rate levels without the special variation;
- ▼ if the requested special variation includes an expiring special variation (see Box 4.1 below);
- ▼ rates on an annual increase basis (and not just on a weekly basis); and
- ▼ if the council is proposing increases for any of its other charges, for example, waste management, when these are likely to exceed CPI increases.

Box 4.1 Does the council seek to renew or replace an expiring special variation?

If so, this needs to be clearly explained to the community. Councils should explain:

- ▼ that there is a special variation due to expire during the time period covered by the current special variation application, or the time period immediately before
- ▼ that, if the special variation were not approved (ie, only the rate peg were applied), the year-on-year increase in rates would not be as high, or there would be a rates decrease (whichever is applicable)
- ▼ if applicable, that the expiring special variation is being replaced with a permanent increase to the rate base.

Refer to DLG's Guidelines, the IP&R manual, and IPART's fact sheet on community engagement for more information about how community engagement might best be approached.

4.1 The consultation strategy

In the section below, provide details of the consultation strategy undertaken, including the range of methods used to inform the community about the special variation proposal and to obtain community input on this option (eg, media release, mail out to ratepayers, focus group, survey, online discussion, town hall meeting,

newspaper advertisement or public exhibition of documents). Provide relevant extracts from the IP&R documentation to explain the strategy, where possible.

The information should clearly identify:

- ▼ key stakeholders in the consultation process
- ▼ the information that was presented to the community regarding the special variation proposal
- ▼ methods of consultation and why these were selected
- ▼ timing of the consultations (including exhibition of Draft Community Strategic Plan, Draft Delivery Program and Draft Operational Plan as applicable).

Attach relevant samples of the council's consultation material to the application.

Background

Whilst Cobar Shire encompasses a wide geographical area, the population is relatively accessible and Council is very close to our community. Cobar also has a highly transient population, due to the nature of mining, and this group is notoriously difficult to engage with, as they often do not think of Cobar as 'home'. The mobile sections of the workforce are often not ratepayers.

Council prepared a Consultation Strategy (Attachment 2.1.4) to guide consultations during October and November 2012. We tried hard to identify and target key groups across the Shire to get participation and to spread the message. Council undertook 11 separate community information sessions across the Shire, with 323 people attending in total. This included a session in three of the villages (Euabalong, Nymagee and Mount Hope). In addition, Council prepared three information sheets that were distributed via Council's website, at public meetings, from the Administration building of Council and via email (Attachment 4.1.1). A flyer on the SRV was sent out to residents with the 31 October 2012 water notices.

Stakeholders and Consultation process

The first group targeted was Council staff. It was critical that staff were aware of the issues, the reasons why Council was considering a Special Rate Variation, what actions had been undertaken by Council to-date and for staff to have ample opportunity to have their questions answered.

A presentation was given on 21 September to Council's outdoor staff at their annual induction day. The aim of the workshop was to inform staff so they were able to comment and answer questions if asked by residents and to encourage the community to get involved in the process and have their say. It was also important that our staff fully understood the extent of Council's financial situation, how it may impact on them and the level of service they could provide and the importance of identifying further options for productivity increases and cost reductions within each of the teams.

The following week the new Councillors received an in-depth background workshop on the SRV. A workshop was held with indoor staff who were good advocates at getting the community involved. Two Cobar public forums were held, one in October and another in November. These were advertised in the Cobar Weekly - advertisements and editorials (Attachment 4.1.2). The forums were promoted through debate on Facebook sites (Council does not have a Facebook site, however staff monitor Cobar Buy Swap and Sell - more than the name suggests, and staff manage the Cobar Youthie Facebook page). The public forums involved a presentation (Attachment 4.1.3) followed by an opportunity to question Councillors and staff.

Council wanted to ensure adequate opportunity was provided for community input, but wanted to ensure consultations were well targeted, informative and able to let residents participate in the decision making process by gathering information on community priorities, desired service levels and willingness to pay a rate rise.

From Community Engagement Strategy:

Council is now preparing an engagement strategy to consult, inform and involve the Cobar community to determine service levels required by the community, again to determine their priorities given the option for a special rate variation and their preferences for a SRV.

As our community is relatively small, we need to limit the number of times we go to the community asking their input. As this has been done each year for the past two years, we need to ensure our consultation is targeted and the community is still encouraged to participate. Consultation and information provision will be combined into one session.

Council was able to encourage good debate and question time during the public information sessions.

Staff and Councillors also held meetings with the mine managers. It is to be noted that the mines and mining employees provide the majority of the economic growth and stimulation in Cobar. A presentation was to be given to the Rural Roads Advisory Committee in November however low attendance negated it. Verbal updates and information sessions have been provided at each Committee meeting over the last year on Council's financial situation and the SRV process with an opportunity for questions, however there were not priority setting opportunities. Workshops were held with the communities in Nymagee, Euabalong and Mount Hope with the assistance of the Progress Associations.

In order to access our older residents, the Men's Shed and View Clubs were contacted, with the View Club asking for a presentation. To access younger families, the Cobar and District Mothers Association was contacted, however they were all renters and did not think they would be affected (mostly in houses owned by employers).

All material was available on Council's website (except the survey - only hard copies were available or sent out via email), in Council's Administration building,

libraries and at the Lilliane Brady Village. Staff were available at any time to discuss the issues and met with rate payers one-on-one.

Updates and interviews were given through the papers and local radio (ABC, 2WEB and 2DU) stations. A flyer was sent out with the October water notices (Attachment 4.1.4) which provided information and advertised the second public meeting. Emails were distributed to Council's business database and community directory database advertising the SRV and public meetings. Posters were prepared for the village meetings (Attachment 4.1.5), the Nymagee Progress Association advertised it in the Nymagee Magpie (community newsletter) and Progress Association members rang and emailed their communities and distributed the posters. Information was provided verbally to the Murrin Bridge Interagency.

The draft CSP and DP were publically exhibited during late January and February 2013 prior to being adopted by Council on 28 February 2013. The community was informed in December of Council's decision to apply for a one off 25% rate rise via the newspaper and radio.

The Engagement Strategy also highlighted the roles and responsibilities of stakeholders.

There are a number of key stakeholders and their roles and responsibilities are outlined below.

- *Cobar ratepayers– their preferences and priorities are critical in informing debate and the final outcome of any application. The ratepayers need to be kept informed and have access to information so they can confidently input into the process.*
- *Councillors – make the final decision on what the SRV application will look like – the quantum, the distribution of funds and how the burden is spread across rating categories. This decision is based on what the community has said. Councillors need to be involved in the community consultation process.*
- *IPART – makes the final determination, based on the application provided. IPART staff prepare the information Council provides for the IPART Board to make the decision.*
- *Council staff – prepare the preliminary and background information, organise the community consultation, answer questions and provide information to the public as needed and as per the Community Engagement Strategy, and prepare the application, based on Council's decision.*

4.2 Outcomes from community consultations

In this section provide a summary of the outcomes from the council's community engagement activities, as presented in the council's IP&R documentation (eg, number of attendees at events, percentage of responses indicating support for certain services/projects or rate increases, overall sentiment of representations, results of surveys).

Also provide a summary of submissions received in response to the exhibition of the Draft Operational Plan where they relate to the proposed special variation. Identify the nature of the feedback related to the proposal (including by relevant stakeholder

group) and any action proposed by the council to address issues of common concern.

Results from Consultations

Attachment 4.2.1 is a summary of the consultations undertaken, how the sessions were advertised, how many attended and the key issues raised. Generally speaking, all sessions were accepting of a SRV, except the Euabalong community. The issues raised are explored in detail in Section 5.2. For the rest of the community, 73% were in support of a SRV of either 25% of a multi year increase of 13% for 7 years.

Cobar is an isolated community, 300km from the nearest regional centre. The community did not want to see a fall in services from Council. There is little scope for other organisations or departments to take over the functions Council is undertaking and the community does not want to see their quality of life fall .

The main lifeblood of business and the community is the road network and whilst there was always plenty of feedback on the state of the road network, residents did understand that it is a lack of finances (the gap between expenditure and depreciation of the asset base) that is the problem, so were supportive of a rate rise to fund the road network.

The community appreciate the opportunity to get a greater understanding of how much it costs to provide various services. From this discussion they were in agreement that Council would need further funding. They were also adamant that these funds were not to be wasted and were satisfied that the Annual Report would account for the SRV funds.

From the Survey

Council prepared a survey, aimed at workshop participants. 118 people responded to the survey (questions at Attachment 4.2.2). The survey aimed to get the community to prioritise their service provision preferences, to help Council determine what can be cut should the SRV not be wanted or not be successful.

We aimed to get everyone to participate in a workshop prior to completing the survey questionnaire. This way we could get an informed response. The survey results are at Attachment 4.2.3.

- Nearly 79% of respondents had been to a presentation, with more respondents being female (62%) than male.
- The majority who completed a form were older residents (37% were 60 yrs+ and 25% were 50-59 yrs) who had lived in Cobar Shire for over 20 years (60%).

- 58% came from Cobar town and 20% from Euabalong.
- 80% owned their own home and 17% were business operators.
- The majority of participants ranked all services provided as either important or very important. Importance of services (important or very important) were ranked as follows:
 - Maintaining the road network (85%)
 - Operating the airport (78%)
 - Maintaining parks and gardens (72%)
 - Providing library services (63%)
 - Operating the youth and fitness centre (61%)
 - Operating the swimming pool (60%)
 - Running community activities and events (60%)
 - Running the Lillian Brady Village (59%)
 - Undertaking tourism generation work (56%)
 - Operating the Great Cobar Heritage Centre (54%)

When asked to say if services should remain at current levels, lower levels or higher levels, all ranked over 50% at current levels, except maintaining the road network where 60% wanted higher levels.

The community was in agreement that Council does not receive enough income to maintain current services and infrastructure into the future (62%). 54% agreed Council needed to raise rates above the rate peg and 43% preferred a 25% rate rise, 24% an annual 13% rate rise for 7 years and 33% none.

If the results from Euabalong are removed, 63% agreed that Council rates need to be raised above the rate peg. 52% preferred a one-off 25% rate rise, 24% preferred a multi-year rate rise and just 14% preferred no rate rise at all. 21% of responses to the survey were from the Euabalong area – either village or farmland.

Submissions

Only one submission was received regarding the SRV (Attachment 4.2.4). This was from a resident of Euabalong (farmland). The points from the letter are addressed in detail in Section 5.2. In addition, one letter to the editor was published (Attachment 4.2.5.) on 12 December 2012 which asks a number of questions of Council's finances,

particularly around income versus expenditure. Further discussion on what Council has done in these areas is in Sections 3 and 7.

5 Criterion 3: Rating structure and the impact on ratepayers

Councils must also fill in the worksheets in Part A of the application in order to provide the information and calculations underpinning the proposed rating structure, the impact of the special variation and rate increases.

5.1 Proposed rating structure

In the section below, provide an explanation of the proposed rating structure for the variation under two scenarios – the proposed rating structure if approved and the proposed structure should it not be approved.

The rating structure for both scenarios is in the worksheets, Par A, Worksheet 5.

Rating Structure if SRV Approved

Table 5.1.1 – Impact on Average Ordinary Rates if SRV approved

Impact on Average Ordinary Rates								
Category	Sub-category	Current Average Rate 2012/13	Average rates in 2013/14 without SV	Annual \$ Increase	Annual % Increase	Average rates in 2013/14 with SV	Annual \$ Increase	Annual % Increase
Farmland	Farmland	\$1,210.20	1251.00	\$40.80	3.37%	\$1,512.51	\$302.31	24.98%
Residential	Cobar	\$455.29	469.69	\$14.41	3.16%	\$557.28	\$101.99	22.40%
Residential	Rural	\$585.57	605.00	\$19.43	3.32%	\$765.41	\$179.84	30.71%
Residential	Villages	\$211.16	218.13	\$6.97	3.30%	\$262.86	\$51.70	24.48%
Business	Business	\$672.63	705.70	\$33.07	4.92%	\$921.61	\$248.98	37.02%
Business	Cobar CBD	\$1,338.85	1386.85	\$47.99	3.58%	\$1,665.99	\$327.13	24.43%
Business	Villages	\$301.69	311.43	\$9.74	3.23%	\$376.37	\$74.68	24.75%
Mining	Gold	\$19,132.05	19793.38	\$661.33	3.46%	\$24,013.21	\$4,881.16	25.51%
Mining	Other	\$98,577.38	101937.54	\$3,360.15	3.41%	\$123,191.37	\$24,613.99	24.97%

Council is proposing to spread the burden of the SRV evenly across categories. However, some slight variations do exist. For instance, Rural Residential average rates will increase by 30.71% as Council continues to gradually increase their ad valorem rates to bring parity to Cobar residential rates. There are 86 assessments on the edge of Cobar that receive the same level of service as Cobar residential ratepayers at a higher cost to Council (in terms of road maintenance costs per dwelling). Twenty of these assessments are on minimums.

The Business category is increasing by 37%. Again, this is part of Council's ongoing incremental changes to bring the business category closer to the Business CBD category. The current strength of the mining industry, and therefore of the industrial business sector, compared to the retail (CBD) sector is the main reason behind a larger increase in the Business Category than 25%. In 2014/2015, Council will re-examine the business categories to determine if the rating structure is appropriate. In the meantime, incremental increases will continue to be applied. Of the 206 assessments, 118 are on minimum rates.

Minimum amounts will not increase by 25% to protect those with lower valued properties from the impact of the SRV. Minimum amounts have been based on the

2012/2013 maximum minimum values allowed, plus 3%. Hence, those assessments paying minimum amounts (858 assessments, or 30%) are partially shielded from the SRV.

Rating Structure if SRV Is Not Approved

If the SRV is not approved, and Council is only able to increase rates by the 3.4% rate peg, the rates burden will again be spread evenly across categories. However, the business category will increase by 4.9%, again as Council moves to bring the rates for this category closer to those paid by CBD businesses. Minimum values have been increased by 3%.

5.2 Impact on rates

Comment on the cumulative impact of the proposed increases on different rating types and categories, as detailed in Worksheet 5 of Part A of the application, and explain why the rate increases are reasonable.

Include an explanation of any differences between the requested percentage increases of different rating types or categories.

Also include commentary on average rates (defined as Notional Income Yield divided by the number of assessments for each rating category, sub-category or special rate) and the impact of the proposed rate increases across the rates distribution.

Provide references from the relevant pages in the council's IP&R documents to demonstrate reasonableness.

Background

Table 5.2.1 shows a summary of the average increases in rates payable per subcategory for the two scenarios – without a SRV and with a SRV. Each category is discussed in detail below.

Table 5.2.1 Summary of Rate Increases per Subcategory

Subcategory	Average increase in 2013/14 WITHOUT a SRV	Average increase in 2013/14 WITH a SRV
Farmland	\$40.80	\$302.31
Residential – Cobar	\$14.41	\$101.99
Residential – Rural	\$19.43	\$179.84
Residential – Villages	\$6.97	\$51.70
Business – Cobar	\$33.07	\$248.98
Business – CBD	\$47.99	\$327.13
Business – Village	\$9.74	\$74.68

The mining category is currently responsible for paying over 43% of direct rates in Cobar Shire. This includes 40% from mining leases through the mining category (a total of 27 assessments) and 3% from their housing stock.

The ratepayers in the Farmland category pay 18% of rates and are responsible for managing the vast proportion of land mass in the Shire. Most farmland is leasehold, however there are sections that are freehold title. The amount of rates collected from this category is vulnerable to changes of use from farmland to crown land reserves and national parks (for which no rates are collected). Non rateable land currently accounts for around 7% of the landmass in the Shire. A base amount is used to calculate farmland rates to smooth the large differences in land valuations across the Shire.

Residential ratepayers account for 29% of rates (not including the 3% from mining housing stock). The village residential assessments are on base amounts due to the low value of house blocks in the villages.

The business category accounts for the last 10% of rates income, with most assessments in the Cobar Business category. A separate category accounts for the businesses in the CBD area. 51 villages business assessments are on base amounts, again due to their low land values. Vacant village blocks are included in this category.

Council has decided to maintain the rate burden between the rating categories, and to impose a flat 25% increase across the board. Council had considered the idea of increasing rates on the mining category by a higher percentage (Council resolution of February 2012, Attachment 2.1.2), to put a significant proportion of the burden on this sector and shield the other ratepayers. However, Council determined that the burden of rates on the mining companies was already significant and in the past (such as drought years) the burden of the rate peg has been fully laid on the mining category. Rural rates have not increased in years of drought.

Whilst this category may currently be in a position to pay, it is not good management of risk to place too high a burden on one category, should the economics of it change significantly in the future. This would leave Council very exposed to a large fall in rates income, that cannot be made up elsewhere.

Mining in Cobar

Cobar's prosperity is built around the thriving mining – copper, lead, gold, silver and zinc industries. Cobar has three well established long term mines as well as one that started production in 2012, one that has just commenced development work with production to commence over the next 12 months and one that is expected to restart production on an old mining site within the next two years. There is also significant exploration activity across the Shire that may lead to new or expanded operations in the future.

Currently, 39.5% of rates income is paid by assessments in the mining category. In addition to this, mining companies own motels, houses, flats and mining camps that all generate additional rate income for Council. In total, this makes up another 3.3% of the rateable income of Council (or around \$81,520). Due to the high proportion of rates already paid by this sector, and the exposure Council has to the one industry, it was deemed a lower risk strategy to evenly spread the burden across rating categories as all are well below the group average.

Table 5.2.2 - Income from Mining Owed Accommodation 2012/2013

Accommodation Type	Number of Assessments	Rates Income
Houses	172	\$76,100
Motels	2	\$1,320
Flats	5	\$4,100
Total		\$81,520
% of rates		3.26%

It is thought that given the current strength of the industry and future prospects for the Cobar area, combined with the relatively low ad valorem rates that Cobar Shire

charges, the mining category is able to afford an additional 25% rates expenditure, with strong profits generated in recent years. During consultations on the SRV, the mining industry noted that they did not want to see any fall in services or decline in infrastructure. It is very difficult to attract staff to Cobar and to get them to reside here, which is the industry preference. Recently, the number of fly-in, fly-out and drive-in, drive out workers has increased, in part due to the difficulty in attracting residential employees to live in Cobar. Community services and facilities are required to make Cobar an attractive destination for workers, in a very competitive industry. Mining is an extremely important industry for Cobar and Council wants to work with the industry to attract and retain residential employees and to reduce the transient nature of the industry where possible by providing good quality infrastructure and services and creating a community where people want to live, work and play.

Rate Pegging and the Mining Industry

Whilst Cobar Shire's prosperity is extremely dependent on the fortunes of the metaliferous mining industry, Council has not been able to benefit from the current mining boom. It is estimated that around \$30m is paid in mining royalties from the Cobar region each year, of which very little is returned in the form of government grants and projects.

Two of Cobar's mines have been in operation since the 1800's when copper and gold were first discovered in the area. A third mine has been operational since 1983. Many of the developments that take place on these sites are exempt from a DA and Council makes no money from DA fees and contributions. In fact, due to rate pegging, when these leases are revalued (due to upgrades in infrastructure or new mineral discoveries) Council receives no benefit at all.

In 2011/2012, one mine was significantly revalued. The new valuation saw the rate in the dollar for mining fall and farmland and residential rates fall so that Council could stay within the 3.6% rate peg figure. This was despite a doubling in the valuation for the mine and a significant increase in the rates they had to pay.

Cobar has three other mines that are either in the development or early production phases. All prospective new mining operations within the Shire are not expected to be high value operations, and consequently, any new rating income is minimal (ie \$50k or less). Council is unlikely to receive significant additional income from new or expanded mining operations in the short to medium term.

Farmland Across the Shire

The per unit value of farmland across the 45,600 km² of the Shire varies greatly. The most productive areas, and therefore with the highest Valuer General valuations occur in the southern parts of the Shire where the farms are smaller in area but more productive. This is shown on the maps at Attachment 5.2.1 where the value of the land (\$/ha) is mapped. As a result, the rates paid are higher around the villages of Euabalong, and Euabalong West. In this area, a number of landholders can access water, cropping is possible, as is greater managed livestock production. Also a greater proportion is freehold title. As a result of the higher rates paid, these

landholders will pay larger dollar increases in rates than other landholders in the Shire.

Euabalong Area

Description of the Euabalong Area

The area around Euabalong consists of the villages of Euabalong West (37 residential assessments, 4 business assessments), Euabalong (71 residential assessments and 7 business assessments) and the Aboriginal community of Murrin Bridge (rated as farmland and run by the Local Aboriginal Lands Council). The villages are surrounded by farmland and Euabalong and Murrin Bridge are on the banks of the Lachlan River which forms the southern boundary of Cobar Shire. The main industries in the area are cropping, cattle and sheep and the Shire maintains their second depot in Euabalong. Grain Corp is located in Euabalong West which is on the Sydney-Broken Hill rail line.

Outcomes of Community Forum

The majority of residents attending community forums on the SRV were in favour of a SRV to maintain service provision. However, residents in the Euabalong area were not. The survey results reflect the community meeting outcomes. The results of the two key questions for the Euabalong area only were:

- 13. To pay for services and maintain assets the community wants, Council rates need to be raised above the rate peg (of a 3% annual rate rise in line with inflation).**

YES	NO	OTHER
2	22	1

- 14. Services will fall and assets will decline without a rate rise above the 3% rate peg. Which option do you prefer?**

25% Rise	13%	OTHER/NO
1	2	22

Council has received just one written objection (Attachment 4.2.4) but it summarises the concerns of those attending the forum at Euabalong. Due to the Euabalong residents concerns this group is analysed in more detail to clarify their concerns, analyse the reasonableness of the increase on these ratepayers and their ability to pay.

Concerns of the Community

The main concerns of residents can be summarised as:

- They felt they should not have to pay more than other landholders in the Shire – which they do as their property valuations are higher.
- They are about 250km from the town of Cobar. As such Cobar is not their service centre, they do not access the services Council provides in Cobar town so why should they pay for them? Due to the proximity of Lake Cargelligo and Condobolin, they access services in Lachlan Shire rather than Cobar Shire.
- They did not believe that Council funds infrastructure or service provision in their area.
- They did not believe the road network was maintained to an adequate standard and whilst they would like more funds spent on the road network, they did not want to pay higher rates.

For these reasons, the community came together with very strong numbers at the community meeting (which was particularly good given it was in the middle of harvest season, so a difficult time for landholders to get to a meeting), with around 40 participants. Following the meeting, they had strong representation in the survey of ratepayers. Prior to their submission of surveys, there was around 73% support for a rate rise of either 25% in 2013/2014 or 13% per annum for seven years.

These issues can be addressed as follows:

- in recent years in Euabalong and Euabalong West, Council has invested
 - in-excess of \$60,000 in the Euabalong West playground,
 - \$145,000 on constructing the Euabalong Hall, plus annual maintenance costs, and
 - \$150,000 in investigation, analysis and construction costs for two new water supply bores for the villages.
- In the first six months of this financial year, over \$67,000 has been spent on village and village asset maintenance.
- Council maintains the Euabalong Depot (the only one outside of Cobar town), road crew and the Euabalong library service (employing a total of 8 FTEs).
- Council pays an annual contribution of \$140,000 to the Rural Fire Service and \$15,000 to the State Emergency Services across the Shire. All rural landholders are serviced by Council's Noxious Weeds Officer who provides advice and assistance in identifying and controlling noxious weeds. She has been active in servicing the Euabalong area.

- Residents do utilise services in the Lachlan Shire – for which they provide no contribution through rates. Should the farmers in this area have to pay rates to Lachlan Shire, under their rating structure the landholders rates would nearly double, as the rate in the dollar is nearly twice as high in Lachlan Shire compared to Cobar Shire (Attachment 5.2.2).

Reasonableness of the Increase

One of the key reasons why Cobar Shire farmland rates are so low is because in the past, Council acknowledged that drought had a significant affect on all our rural ratepayers, and subsequently has regularly put the annual rate rise burden on the other rate paying categories in the Shire, particularly the mining category. An indication of how rural rate payers have been shielded from rate rises in the past is evidenced by two random samples taken from Council's rates database for the area.

These two rates assessments (Attachment 5.2.3) are typical of the area and have not been specifically selected from the database. In the case of landholder X, in 1999/2000, \$3762 was paid in rates for a property valued at \$250,000. In 2012/2013, landholder X paid \$3896 in rates and the value of the property was \$1.24m. This equates to a \$134 increase in rates over a 13 year period, whilst the value of the property was five times as high.

In the case of landholder Y, over the same period of time, rates increase by \$78 to \$1260, whilst the valuation tripled to \$331,000. One issue affecting some landholders in the area is around unimproved land that has been cleared for cultivation. Under NSW legislation they have been given 15 years grace before rating was on the new value of land. They were given an allowance. In a number of cases these allowances have expired in recent years and landholders are now paying rates based on the current improved value of the property.

In regards to the quantum of rates, an analysis of Cobar Shire Council rates for the properties in the Euabalong area compared to what rates would be if based on the neighbouring Lachlan Shire rating structure indicates that rates in most cases would increase significantly. This is because of the low ad valorem rates used in Cobar. Attachment 5.2.2 shows that village residential rates would be higher (all village properties are in the \$200 and \$500 categories), all business categories except \$3000 are higher in Lachlan and farmland over \$100,000 would be paying greater rates if located across the river in Lachlan Shire.

Residential

Average residential rates for Cobar will increase by \$102 a year, or about \$25 a quarter. Currently, 694 (or 41%) of the 1691 Cobar residential assessments are on minimums. Should the SRV application be successful, this will fall to 447, or 26%.

Business

Cobar CBD businesses face the highest increase in rates of any category or sub category (other than mining), with average rates to increase \$327 pa with a 25% rate rise to an average rate of \$1666. Cobar business rates will increase \$249 to \$922. CBD

Business ratepayers face the largest dollar increase. There are 86 assessments, of which 18 are on the minimum in 2012/2013, with this number falling to 13 with the introduction of the SRV in 2013/2014.

5.2.1 Minimum Rates

Does the council have minimum rates? Yes No

If *Yes*, provide details of the proposed increase in minimum rates and the proposed share of ratepayers on the minimum rate for the relevant category, with and without the special variation.

Table 5.2.1.1 Number of Ratepayers on Minimums

Category	Total Assessment	No. on Minimums	% of Total	Minimum Rate 2012/2013	Explanation
Farmland	402	0	0	0	Base used
Ordinary Residential	1691	694	41%	\$402	Rises to \$470, up 17%. No. on minimums falls to 447.
Rural Residential	88	22	25%	\$402	Rises to \$470, up 17%. No. on minimums falls slightly to 20.
Village Residential	272	0	0	0	Base used
Business Ordinary	203	113	56%	\$480	Rises to \$495, up 3%. No. on minimums falls to 68.
Business CBD	86	18	21%	\$480	Rises to \$495, up 3%. No. on minimums falls to 13.
Business Village	50	0	0	0	Base used.
Mining Gold	16	4	25%	\$485	Rises to \$500, up 3%. No. on minimums rises slightly to 5.

Mining Other	10	4	40%	\$485	Rises to \$500, up 3%. No. on minimums falls slightly to 2.
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5.3 Community’s capacity to pay proposed rate increases

Discuss the capacity of ratepayers (in each sub-category) to pay for the rate increases. Provide relevant supporting information from the council’s IP&R documentation, in particular any reference to the “affordability” of the proposed increases. Examples of supporting evidence could include discussion of affordability measures such as SEIFA rankings, land values, average rates and disposable incomes, or the outstanding rates ratio. It could also include comparisons of socioeconomic indicators or rate levels with peer group councils. Remember that the amount of information required is generally proportionate to the size and complexity of the proposed increase.

IPART may consider indicators such as the SEIFA index rankings and income levels, as well as the council’s current average rate levels, as part of its assessment of capacity to pay in the LGA, even if the council does not provide this information in its application.

Background

Table 5.3.1 summarises categories and subcategories and the annual rate increase from the SRV.

Table 5.3.1 Annual average increase from SRV per category and subcategory

Category	Current Rate	Rate after SRV	Increase \$	No. Assessments
Farmland	\$1210	\$1513	\$302	400
Residential Cobar	\$455	\$557	\$102	1691
Residential Rural	\$586	\$765	\$180	86
Residential Villages	\$211	\$263	\$52	274
Business Cobar	\$673	\$922	\$249	206
Business CBD	\$1339	\$1666	\$327	86
Business Villages	\$302	\$376	\$75	51
Mining Gold	\$19 132	\$24 013	\$4881	20

Mining other	\$98 577	\$123 191	\$24614	7
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The community is generally well placed to pay the proposed rate increase:

- The median weekly income is the highest in Group 10 by \$105.
- Cobar is blessed with a low unemployment rate.
- Our average rates are low compared to the Group average across all categories and will remain so even after a 25% rate rise.
- The current strength of the mining industry and the flow on affects to the other sectors.
- The combination of high incomes, reasonable mortgages or rent payments means disposable incomes are high in Cobar.
- The SEIFA index is high and the economy is strong.
- Our outstanding rates ratio is low.
- The community is willing to pay the increase and wants to retain current service levels.

Cobar's Economy

Cobar is heavily reliant on the metaliferous mining industry and pastoralism (to a lesser extent). Tourism adds a further \$15m annually to the economy. As part of the suite of IP&R documents, Council also has an Economic Development Strategy (Attachment 5.2.4).

According to the ABS, over one third of the workforce is employed in mining and manufacturing industries, 9.5% in agriculture and retail is the next largest employer (Table 5.3.2).

Table 5.3.2 Employment by Industry - Cobar Shire

Industry, 2006 ANZSIC (employed persons)	Cobar Shire		
	2006		Orana Region %
Enumerated data	number	%	
Agriculture, Forestry & Fishing	224	9.5	16.1
Mining	712	30.2	3.4
Manufacturing	100	4.2	5.9
Electricity, Gas, Water and Waste Services	11	0.5	1.2
Construction	104	4.4	6.0
Retail Trade	183	7.8	11.3
Wholesale Trade	82	3.5	3.4

Accommodation and Food Services	153	6.5	6.4
Transport, Postal and Warehousing	52	2.2	4.1
Information Media and Telecommunications	12	0.5	1.0
Financial and Insurance Services	19	0.8	1.6
Rental, Hiring and Real Estate Services	19	0.8	1.0
Professional, Scientific and Technical Services	53	2.2	3.3
Administrative and Support Services	53	2.2	1.9
Public Administration and Safety	131	5.6	6.7
Education and Training	138	5.9	8.5
Health Care and Social Assistance	136	5.8	10.9
Arts and Recreation Services	20	0.8	1.0
Other Services	76	3.2	3.4
Inadequately described or Not stated	80	3.4	2.8
Total	2,358	100.0	100.0

The figures are based on the 2006 ABS stats, however this information should be supplemented with on-ground information. The local mining industry currently estimates that there are around 600 contractors employed in the Cobar area by large contracting firms, along with around 900 direct mine employees. This would suggest a far greater reliance on the mining industry for employment than the ABS statistics suggest. These people have to be housed and use services in Cobar Shire.

53% of people over 15 years of age in Cobar have no qualifications, which was down from 60% in 2001. Twenty percent of the population have vocational qualifications. As you would expect, this flows through to over half the population being employed as technicians or trade workers, machinery operators/drivers or labourers (Table 5.3.3). This provides for ample opportunities to upskill the current workforce.

The fortunes of the mining industry greatly affect the employment prospects of residents and many people move to Cobar when the mining industry is doing well. These people come not only from other areas in Australia, but many are now coming to Cobar from overseas, adding to the multicultural diversity of Cobar.

Despite the lack of qualifications in the workforce in Cobar, Cobar is currently blessed with a low unemployment rate as the existing mines expand and new mines are coming into development. In February 2012 Cobar's unemployment rate was just 4.1%, the lowest in the Orana area. This compares favourably to the regional NSW rate of 5.4%.

Table 5.3.3 - Employment by Type - Cobar Shire

Enumerated data	Cobar Shire		
		2006	
	number	%	Orana Region %
Managers	336	14.2	19.9
Professionals	256	10.9	14.0
Technicians and Trades Workers	457	19.4	13.8
Community and Personal Service Workers	187	7.9	9.0
Clerical and Administrative Workers	214	9.1	11.0
Sales Workers	141	6.0	8.9
Machinery Operators And Drivers	470	19.9	8.1
Labourers	256	10.9	13.5
Inadequately described or Not stated	41	1.7	1.7
Total	2,358	100.0	100.0

SEIFA

Using the SEIFA index (2006 data being used as the 2011 SEIFA census data is not available until 28 March 2013), Cobar had a SEIFA index of 939. Cobar ranks as being relatively well off, suggesting a capacity to pay for most residents. This is again aided by a strong mining sector. Given that a lower score indicates that the area is relatively disadvantaged compared to an area with a higher score, there are six LGAs with a higher ranking than Cobar in Group 10. A comparison of the SEIFA index for Group 10 is in Table 5.3.2.

Table 5.3.2 – SEIFA index for Group 10 Councils

2006 Local Government Area name (LGA)	Score
Berrigan (A)	938
Bland (A)	931
Blayney (A)	942
Cobar (A)	939
Cootamundra (A)	914
Dungog (A)	968
Forbes (A)	924
Glen Innes Severn	901
Gloucester (A)	928
Gwydir (A)	916
Junee (A)	906
Kyogle (A)	898
Lachlan (A)	911
Liverpool Plains (A)	906
Murray (A)	949
Narrandera (A)	904
Narromine (A)	922
Oberon (A)	947
Snowy River (A)	1032
Temora (A)	919
Tenterfield (A)	895
Upper Lachlan (A)	956
Uralla (A)	954
Walgett (A)	874
Wellington (A)	894
Wentworth (A)	934

Incomes and Rents

Table 5.3.3 shows Group 10 Councils information on median weekly household income, median monthly mortgage repayments and median weekly rent. Cobar has the highest median weekly income of all LGA's at \$1259 with the next one \$1105 a week lower and only 4 over \$1000 a week. This high income level can translate into an ability to pay. Looking at mortgage repayments, of the 26 LGAs, Cobar had the 8th highest mortgage repayments at \$1300 a month, however these are still quite low compared to the NSW average and given the high income levels, are affordable, even with a 25% rate rise. Cobar has the 9th lowest rents for the group and so if the rate rise was passed onto renters, rents are likely to remain affordable.

Table 5.3.3 – Group 10 Comparative data on incomes, mortgages and rent

2011 Local Government Area name (LGA)	Median Weekly Household Income	Median Monthly Mortgage Repayments	Median Weekly Rent
Berrigan (A)	776	1170	145
Bland (A)	879	1070	130
Blayney (A)	1092	1430	165
Cobar (A)	1259	1300	143
Cootamundra (A)	768	1083	150
Dungog (A)	1005	1647	185
Forbes (A)	832	1127	150
Glen Innes Severn (A)	734	1083	155
Gloucester (A)	810	1517	165
Gwydir (A)	726	928	100
Junee (A)	895	1192	155
Kyogle (A)	714	1083	170
Lachlan (A)	846	867	110
Liverpool Plains (A)	797	1083	150
Murray (A)	845	1435	200
Narrandera (A)	810	1075	140
Narromine (A)	850	1083	145
Oberon (A)	988	1517	170
Snowy River (A)	1154	1517	230
Temora (A)	779	1083	132
Tenterfield (A)	694	1083	150
Upper Lachlan (A)	943	1460	140
Uralla (A)	933	1230	150
Walgett (A)	706	810	100
Wellington (A)	765	1200	130
Wentworth (A)	886	1200	150

40% of the housing stock in Cobar is rented. The main owners of these dwellings are the mines (mine owned accommodation accounts for 3% of rates income), government departments (including NSW Education and Council) and public housing (105 NSW Housing and 22 Local Aboriginal Lands Council). These rates are unlikely to rise as a result of the rates rise.

Average Rates

As already discussed, all rates categories are well below the group average at present and all will continue to be below the group average once a 25% rate rise is implemented (see Tables 3.2.2 and 3.2.3). The mines pay 43% of rates income. Therefore, under a 25% rate rise, the rest of the community will pay just \$290,680 spread across the categories (other than mining).

Outstanding Rates Ratio

Council currently has outstanding rates of \$231,580, from 143 assessments (Table 5.3.4). 39 of these assessments are currently being sold as part of Council’s Sale of Land for Unpaid Rates. This will remove \$94,060 worth of unpaid rates from the balance sheet (although the sale itself is likely to be a cost to Council as the proceeds are not expected to cover the costs). This will leave \$137,520 in unpaid rates.

Of this, there are 69 small parcels of land with unknown owners, often in the middle of larger western lands leases or near old mining sites. Council is currently working with the Department of Lands to have these parcels absorbed into surrounding properties. Once this happens, a further \$93,674 worth of unpaid rates will be removed. This leaves just \$43,864 in outstanding rates.

Using these figures, Council currently has an outstanding rates ratio of 8.5%, of which 1.62 is legitimate and collectable. This is a very low and manageable ratio.

Table 5.3.4 Analysis of Outstanding Rates for Cobar Shire

Analysis of Outstanding Rates

	Outstanding Rates	No. Assessments
Currently	\$231,580	143
less sale of land	\$94,060	39
	<hr/>	<hr/>
	\$137,520	104
less unknown owners	\$93,674	69
Remaining	\$43,846	35

5.4 Addressing hardship

Does the council have a Hardship Policy in place? Yes No

If Yes, is the Policy identified in the council’s IP&R documentation? Yes No

Please attach a copy of the Policy to the application.

Attachment 5.4.1

Does the council propose to introduce any measures to limit the impact of the proposed special variation on vulnerable groups such as pensioners? Yes No

Provide details of the measures to be adopted, or explain why no measures are proposed.

Hardship Policy

The criteria for someone to apply for assistance under the Hardship Policy (Attachment 5.4.1) includes assisting residents suffering hardship due to a rate rise or because of a revaluation of their land values. Council can enter into an agreement allowing for periodical payments and can also choose to write off or reduce the amount of accrued interest and costs if that agreement is complied with.

The current Revenue Policy does not refer to the Hardship Policy as the Hardship Policy was adopted in February 2013. The 2013/2014 Annual Operational Plan will refer to the Hardship Policy.

Council is not proposing any measures to limit the impact on vulnerable groups for the following reasons:

1. It is recognised that 26% of the population (according to the 2011 ABS census) earn less than \$600 per week. This is despite the median weekly income being \$1259, which is well above all other LGAs in Group 10. However, it is believed that the majority of these people will fit into one of the categories below, or are in a business of their own where they are able to minimise their income through business deductions.
2. Aged pensioners will continue to receive the same assistance with their rates (up to \$250 for general and garbage rates, plus \$87.50 for water and sewer for a total of \$425 if they receive all services as per Council's Pensioner Rebate Policy). They will be worse off under a SRV. Cobar has 287 pensioners who receive a rate reduction on their assessments. All but a couple are residential ratepayers.
3. The use of minimums protect those with the lowest valued properties and minimums are increasing by 3% above this years maximum minimum allowed, not 25%.
4. There are 105 Housing NSW homes and 22 Aboriginal Lands Council homes in Cobar. Rents are not expected to be affected by the SRV.
5. The Aboriginal community of Murrin Bridge will face a 25% increase in the rates paid on the parcel of land, but not on individual properties within the parcel. The 22 houses and other businesses are owned by Murrin Bridge Local Aboriginal Lands Council (managed by NSW Housing) and rents are not expected to be affected by the SRV. Murrin Bridge LALC currently pays \$761 in rates (farmland category).

It is believed that the majority of the most vulnerable in the community are covered by one of the points above.

6 Criterion 4: Delivery Program and Long Term Financial Plan assumptions

The council's planned service delivery and budgeting must be based on realistic assumptions in order for an application to be approved by IPART.

Given the importance of the Delivery Program and LTFP in providing the strategic and financial justification for a special variation, it is critical that the assumptions underpinning these plans, in particular, are realistic. Questions that we will consider in assessing this criterion include:

- ▼ Is the proposed scope and level of service delivery in the Delivery Program appropriate given the council's financial outlook and the community's priorities?
- ▼ Are the council's estimates of specific program or project costs which have been incorporated into the LTFP feasible and based on an efficient allocation of resources?
- ▼ Are the council's projected cost components (including labour costs) in the LTFP based on realistic assumptions?
- ▼ Has the council incorporated other realistic assumptions about the expected rate of growth in the LGA?

In explaining the council's assumptions, identify any industry benchmarks or independent cost assessments that have been utilised by the council in developing them. Also include details of any relevant research or feasibility work undertaken eg, related to new program or project costs.

6.1 Delivery Program assumptions

Explain the key assumptions underpinning the council's Delivery Program and why they are realistic. For example, assumptions will relate to:

- ▼ the community's priorities and expectations, in order of importance
- ▼ proposed level of service for assets
- ▼ speed at which asset backlogs are to be addressed
- ▼ speed at which other identified gaps in service provision are addressed.

Key Assumptions

- ▼ On balance there is no change to the level of existing community services provided nor any new services introduced in the life of the plan.
- ▼ The heavy support by the mining companies for the community centre and swimming pool continues - this in turn further assumes that mining remains bullish.

- ▼ An immediate injection of the increased rates is applied to the infrastructure backlog.
- ▼ A further increase of \$500,000 is applied to the infrastructure backlog in 2017/2018.

6.2 Long Term Financial Plan assumptions

Explain the key assumptions underpinning the LTFP and why they are realistic. For example, assumptions will relate to:

- ▼ the rate peg (if different from 3%)
- ▼ rate of growth in labour costs
- ▼ rate of growth in non-labour costs
- ▼ cost of service provision in the council's proposed program of expenditure (as per Part A)
- ▼ level of cost recovery for provision of services (eg, full or partial cost recovery)
- ▼ expenditure growth rate
- ▼ major asset disposals/investments/capital commitments
- ▼ population and rate assessment growth rate
- ▼ major borrowings/repayments
- ▼ grants and other revenue.

Key Assumptions for the LTFP

The assumptions contained in the LTFP are as follows:

- No additional borrowings will be undertaken and \$825,000 is still owed in 2021/2022. The Shire stays within a comfort zone of debt repayment during the life of the plan.
- Interest rates will remain flat for both borrowed funds and invested funds.
- Inflation has been set at 3% per annum.
- Wage costs will increase by 3.5% per annum. This assumption has a degree of risk as the competing employers in Cobar are operating at wage levels very much higher than those of the Shire. Employment levels remain constant for the life of the plan.
- The rate peg is 3.4% in 2013/2014 and 3% thereafter.
- Any windfalls from the sale of land are excluded from the model. It is anticipated that there may be some land sales but the proceeds of these will be used to strengthen the balance sheet.
- No gain or loss on disposal of fixed assets occurs i.e. break even.
- Roads to Recovery funding falls by \$300,000 in 2013/2014 and then returns to current levels.
- Depreciation has not been adjusted for any asset class revaluations.

- In 2017/2018 when the cash position improves, an additional \$500,000 is added to asset renewal.
- Roads to Recovery funding has been applied alternately to renewal and maintenance.
- No new significant grant sources have been introduced in the life of the plan as there is insufficient unrestricted cash to use as a matching contribution. Grants will continue to be sought on an opportunistic basis.
- The rate base remains constant as any population growth will more than likely come from FIFO or DIDO based employment, which is using current accommodation facilities or mining camps that generate no additional rates income.

7. Criterion 5: Productivity improvements and cost containment strategies

In this section, provide details of any productivity improvements and cost containment strategies that the council has undertaken in the last 2 years (or longer), before considering an increase in rates.

Also provide details of plans for productivity improvements and cost containment strategies during the period of the special variation. These proposed initiatives, which may be capital or recurrent, must be to reduce costs.

Where possible, all productivity improvements and savings (including forward plans) should be quantified in dollar terms. The council may also wish to identify its current and/or projected financial position without the (savings) initiatives.

Productivity improvements should include consideration of:

- ▼ levels of service provision (eg, utilisation rates of community halls and number of service enquiries per FTE)
- ▼ measures of input (eg, FTE levels, contracting costs)
- ▼ reviews of organisational structures or service delivery.

Identify how and where the proposed initiatives have been factored into the council's resourcing strategy (eg, LTFFP and AMP).

As additional supportive information, the council may wish to provide evidence of improvements in its performance on key indicators that measure productivity or efficiency. This information is not essential for this criterion to be met. However, we will be reviewing the council's labour costs against the DLG Group average, to help assess the council's costs.

Improving the Productivity of Staff

Council is putting a great deal of effort into improving the productivity of staff and in managing the change process. To date, the focus has been on improving the tools available to staff to undertake their work and to make good decisions and reallocating tasks where possible. In some cases we have employed Council staff rather than use contractors as it has been more cost effective.

New equipment has been bought to reduce the amount of time or people required to undertake tasks, such as telemetry systems for water and sewer. Rather than having to go out and physically monitor water infrastructure, it can now be done onsite, allowing labour to be used for other activities.

From the Delivery Program:

COUNCIL STRATEGY		
3.3.2 Staff are valued, well trained and able to undertake their roles and functions		
Council Activities		
Activities/Services	Responsibility	Performance Indicators
Staff are provided with up-to-date and relevant tools to undertake their roles	Manex	Adequate IT system in place. Plant and equipment well maintained.

Poor IT Systems – a case study on improving productivity

The computer hardware and software systems are gradually being upgraded as per Council’s IT Strategy (Attachment 7.1). There had been little investment in new computers over the last ten years. From the Executive Summary of the report:

Unfortunately a long period of underfunding, insufficient support services and the absence of clear IT strategy have meant the working environment at the council is inadequate and in certain cases quite dysfunctional.

The issues with the council's IT systems fall into four broad categories. They are;

- *Old and out-dated computers and operating software. E.g., The common version of Microsoft Office cannot read files created in versions later than 2003*
- *The poor state of CivicView utilisation caused by an incomplete installation and unsatisfactory investment in staff training. These matters have been exacerbated by conflicts between key staff and a failure to develop a good working relationship with Insight Informatics who are the CivicView vendor.*
- *Poor network links to remote centres especially the depot*
- *Poor support arrangements and insufficient on site skill*

The consequences of the IT infrastructure's poor state are;

- *Considerable wasted time*
- *Double and triple handling of data for operational and reporting purposes*
- *Little management of electronic documents including emails*
- *Frustrated staff*
- *Poor management reporting*
- *Lost opportunities re: developing streamlined procedures and innovations in the general working environment*

In short the council is getting a very poor return on its investment in IT with the systems in their current state.

The solutions in the report are being acted upon in priority order and have improved the productivity of Council. Due to the poor IT systems, significant inefficiencies were occurring with IT breakdowns and software being incompatible with other users. For instance, Council was without their Civicview system for a

fortnight – creating great losses in productivity for all staff. In addition, staff are being trained to more efficiently and effectively use the IT systems Council has, particularly in the use of Civicview. Improvements are being made in how Civicview has been set up for Cobar Shire Council to improve the information and quality of reports available.

Improved financial reporting systems are in place allowing for better decision making. Training has allowed staff to access better reports from Civicview, so costs are monitored fortnightly by staff and a monthly report is presented to Council. Finance and Administration staff are being trained in more areas to improve efficiencies of workloads.

Should Council sell it's plant? – A case study on productivity improvements

At the 26 August 2010 Council meeting, Council considered a report concerning Expressions of Interest for Cobar Shire Council Plant and Equipment Review. Council subsequently resolved:

- 1. That Council decline to invite tenders from any Firm that has provided an Expression of Interest for Cobar Shire Council Plant and Equipment Review at present, however Council revisit the matter before the end of the financial year.*
- 2. That the General Manager over the next eight months report into ways and means to enhance the performance of Council's plant and equipment to deliver cost savings and improve services and at the same time ensure the well being of Cobar Shire Council staff.*

On 23 June 2011 Council discussed ways to enhance the performance of Council's plant and equipment and how the organisation could generally save money and improve services. This confidential Council paper is at Attachment 7.2. The main issues discussed were ways to improve Council's road maintenance works standards, processes and quality, policy decisions by Council, personnel, improved communications and improved equipment. This report has been implemented since then and Council has been receiving positive feedback from the community regarding the improved standard of road maintenance works. The culture change and education of staff continues and we anticipate future improvements to quality and productivity.

Productivity is improving as more water sites have been identified, better water pumps installed and therefore fast turnaround times to get water, meaning the rest of the crew is able to keep working. Crews have been educated on grading techniques and are now undertaking a heavy maintenance grade, which includes full drainage maintenance and improvements. Efforts are now being concentrated on improving the formation of the road and the road pavement. This has increased the costs of road maintenance, however the quality is far higher and the works last longer.

Council has moved away from bitumen extensions to gravel resheeting its road network as more work can be undertaken for the same budget and future maintenance costs are cheaper.

An immediate response crew has been established that can deal with potholes, signage, floodway repairs etc. Council already owned the equipment needed which is now being better utilised. Supervision has been improved and a culture change is underway that has seen productivity improvements in all staff. Council has also been actively chasing more private works to increase the utilisation rates for plant, educating the community to stay off closed roads and reduce the damage to them, has developed a new procurement policy to ensure it is undertaken in a transparent way and participated in group tenders for Bitumen sealing/resealing, road stabilisation and gravel crushing. A full list of resolutions from that meeting are contained in the paper. Council firmly believes we are achieving productivity improvements through the implementation of this report and further improvements are expected over the life of the LTFP. Any savings will be put back into the road network as more of the network will be improved each year.

Using Council staff rather than Contractors

Council has looked at using staff rather than contractors where possible. This has been done due to cost effectiveness and the improved availability of services. Council has taken on the contract for ground services and refuelling at the airport which has improved efficiencies with the staff who were maintaining the airport. One staff member is now fully employed and can undertake all services. Cleaning services and weeds management are now undertaken in-house at a cheaper rate. Funding received by Council under the Federal Government stimulus package was used as capital for refurbishment of assets. This work was undertaken by employing casual staff to work with permanent staff. It was cost effective, increased the skills base of our staff and the labour and skills were available when required. Contractors can be difficult to access in a timely fashion in Cobar due to the nature of the mining industry.

Cost Savings

Council identified the severity of its financial issues in December 2011 and in 2010/2011 Council incurred a \$1.5m operating deficit. From December 2011 onwards Council has made a significant effort to reign in the deficit and turn the budget around. This work is continuing with the current development of the 2013/2014 budget.

Table 7.1 outlines a number of cost saving measures undertaken to date. Council entered two costly contracts for the provision of copying services and a telephony system in 2011. Whilst Council is unable to cut the contracts, they have been renegotiated as much as possible, and cost savings measures are being undertaken through education of staff on actual costs (such as limiting colour printing), achieving improvements in the use of the telephony system and achieving cost

savings in other areas, such as through mobile phone plans. Council staff are working with Telstra to ensure each staff member with a mobile phone is on the most appropriate plan. Further cost saving measures are being investigated for the 2013/2014 budget.

Council has also investigated the true cost of providing services for other levels of government and then tried to ensure our costs are fully covered by the contracts we have in place. For instance, it was found that by providing the Centrelink service with Council staff at our Administration Building, it was costing ratepayers \$5000 annually. Council no longer provides this service. Council has been able to renegotiate with the RMS to have the RMS Counter service fully funded, a service that was costing ratepayers \$40,000pa to provide. Council is currently negotiating with TAFE regarding the provision of library services that Council undertakes.

Table 7.1 – Cost Saving Measures Undertaken

Activity	Saving	Year
Review and renegotiation of printer lease resulting in reduced costs – in conjunction with staff education to reduce number of copies, particularly colour copies.	\$30,000	2011/2012 and ongoing
Reduction in costs for Councillors and senior staff conferences and travel	\$10,000	2011/2012 and 2012/2013
Withdrawal from Country Mayors Association and travel costs	\$2,500	2012/2013 and ongoing
Withdrawal from Centrelink contract	\$5,000	2012/2013 and ongoing
Reduction in community donations	\$2,000	2012/2013
Removal of rent subsidy for Cobar Primary Health Care Centre	\$5,000	2012/2013 and ongoing
General Managers Review Committee Facilitator cost reduction (not attending six monthly review)	\$2,000	2012/2013 and ongoing

Income Generation

Council has also critically analysed all possible sources of income to assist the budget. Table 7.2 summarises the activities undertaken by Council to generate additional revenue. Council believes there are no other options to be investigated, other than opportunistic grants. Council will also endeavour to win additional private works contracts (including RMCC works), however these cannot be

quantified. Council has been successful in generating additional income from one community service – the gym. This service is well supported by the mining community, however Council must now ensure the quality of equipment is well maintained.

Table 7.2 – Income Generating Measures Undertaken

Activity	Income Generated	Year
Adjustment of Council's internal plant hire rates to ensure 100% cost recovery	\$500,000	2012/2013 and ongoing
Increased on-cost recovery for labour costs from 52% to 75% for all operational works	\$300,000	2012/2013 and ongoing
Improved funding for RMS Motor Registry service	\$40,000	2012/2013 and ongoing
Establishment of a Voluntary Planning Agreement with Hera Mine	\$70,000	2013/2014 and ongoing for 10 years
Increased fees for use of Cobar Memorial Swimming Pool (a 33% increase, with further increases for the next two years)	\$20,000	2012/2013 and ongoing
Increase Crown Reserves land licence fees	\$2,000	2012/2013 and ongoing
Debtor Reduction – sale of land to Peak Gold Mine completed	\$120,000	2012/2013
House and land sales (11 Becker St, 2 blocks in Pioneer Estate)	\$190,000	2012/2013
Introduction of corporate overhead cost collection from general fund (for Engineering, Public Health, Governance and Administration costs) from other funds	\$243,000	2012/2013 and ongoing
Increased private works and major project profit increases	\$80,000	2012/2013
Establishment of Cobar Infrastructure Contributions Plan	\$150,000	2013/2014 and ongoing

Quantifying Productivity Improvements

As stated earlier, productivity improvements have focused on improving the skills of staff, provision of tools to assist in achieving productivity gains and changes in functions of positions. These gains cannot be quantified, but quality of work is improving.

Table 7.3 looks at a number of productivity measures. Many of these items appeared as part of the confidential Cobar Shire Council Plant and Equipment Utilisation Improvement Report (Attachment 7.2). Implementation of the measures is ongoing. Some activities are resulting in an improvement to the quality of works undertaken and others to efficiencies. It is likely that it will be another year before the financial impact can truly be measured for some, however an estimate of the savings is included in the table.

The savings figures will not however appear as savings in the budget. For instance, the telemetry systems reduce the labour required to monitor water and sewer, but that labour will be used for other activities that were not previously undertaken. Likewise, installation of the GPS units has seen large increases in the utilisation of plant, however the productivity improvements come in a better quality end product, rather than greater distances of roads graded or cost savings in the budget. Council has also focused on training and improving the skill base of staff, providing quality reports, giving staff better tools to undertake the job and to make decisions.

Table 7.3 - Productivity Improvement Measures Undertaken

Activity	Saving	Year
Reduction in 8 FTE Outdoor staff from July 2012 onwards through natural attrition.	\$400,000	2011/2012 and 2012/2013
Reduction in Engineering Services staff costs (not re-filling the Trainee Engineer position)	\$30,000	2012/2013 and ongoing
Reduction in Administration Centre staffing costs (loss of Accountant position)	\$30,000	2012/2013 and ongoing
Implementation of the IT Strategy and associated training plan to reduce IT failures, system crashes and improve the useability of the system	\$60,000	2012/2013 and ongoing
New pumps installed on trucks for faster filling of water tankers on rural roads - leading to faster turnaround and therefore more roads graded each day. Pump times gone from 1 hour to 15 mins to fill the truck (hire cost \$150/day)	\$80,000	Commenced 2012/2013 and ongoing
Installation of GPS tracking devices to allow	\$150,000	Commenced

productivity of plant to be monitored remotely. Use of plant has increased from 3 hours per day to 7.5 hours per day. Length of road graded per day is increasing and at improved quality (mitre and table drains cleaned and road shape improved, now working towards better pavement quality).		2012/2013 and ongoing
Airport lighting has been updated and an automated power reduction system installed. This has reduced electricity leakage and power is saved as the lights automatically turn on as planes approach and turn off half an hour later (rather than being on all the time).	\$2,500	2012/2013 and ongoing
On-the-job training undertaken with roads crews to reduce fortnightly travel from 9 days to 8 days.	\$40,000	Commenced 2012/2013 and ongoing
Telemetry system installed for water and sewer with on-site control and monitoring, reducing work hours required.	\$16,000	Commenced 2012/2013 and ongoing
Automation of aeration systems at Cobar Sewerage Treatment Plant creating power savings as the systems only work at key high flow times of the day.	\$16,000	Commenced 2012/2013 and ongoing
Power factor adjustment investigations commenced at Cobar Memorial Swimming Pool to reduce the cost of power.	\$12,000	2013/2014 and ongoing
Establishment of a Water and Sewer Developer Servicing Plan	\$2,000	2012/2013 and ongoing
Installation of irrigation solenoids to minimise water evaporation when irrigating.	\$7,500	Commenced 2012/2013 and ongoing
Currently undertaking a review of on-call arrangements to reduce expenditure.	\$30,000	2013/2014 and ongoing

Council is also working in groups of Councils where possible to achieve efficiencies and better outcomes for residents. One such example is the Lower Macquarie Water Utilities Alliance (LMWUA). This alliance of 8 Councils works together to share resources and staff skills, identify and pursue water sharing opportunities,

undertake peer reviews of performance and monitoring and develop and share best practice strategies and goals to ensure the sustainable delivery of water supply and sewerage services to our communities. Attachment 7.3 is a summary of the achievements of the Alliance so far. It includes the achievement of best practice standards, development of regional strategies, formation of working groups to increase the skill levels of officers in each Council and cost savings by buying consultancy services in bulk.

How Council's labour costs compare to Group 10's

Cobar Shire Council has high labour costs, in part due to the running of the Lilliane Brady Village - Residential Aged Care Facility (45 staff, equivalent to 26 FTEs). Staff costs at that facility represent over 90% of their total costs. An analysis of Cobar Shire Council's labour costs as a percentage of expenses from continuing operations (Table 7.4), compared to the Group 10 average, shows that Cobar's labour costs increased by 1% between 2009/2010 and 2010/2011. Confidential Attachment 7.4 shows a comparison of all Council positions (either filled or not) at two points in time - 30 September 2011 - prior to the Council resolutions of 4 December to undertake urgent action to improve the budget, and 14 February 2013. Most of the vacant positions outlined have occurred since July 2012 - nine of the outdoor staff who were on the payroll at June 2012 have left Council and only one has been replaced.

Table 7.4 Labour Costs: Dissection of expenses from continuing operations

	2009/2010	2010/2011	2011/2012
Cobar	39.54%	40.55%	44.3%
Group 10 Average	36.91%	33.67%	NA

Table 7.5 shows the comparison of FTEs from the DLG annual comparison report. Again, for Cobar this includes the running of the Lilliane Brady Village.

Table 7.5 Number of Full Time Equivalent Staff

	2008/2009	2009/2010	2010/2011	2011/2012
Cobar	181	176	151	178
Group 10 Average	109	110	105	NA

In 2010/2011 the figures presented to the DLG for Cobar represented the number of positions on the organisational chart, rather than the number of FTEs. Table 7.5 gives an analysis of the number of FTEs using the payroll system on the last pay run of each financial year.

Table 7.5 - FTE's for Cobar based on payroll

Payroll	2009	2010	2011	2012	Pay period ending 24 Feb 2013
Indoor - FTE	40.8	40.5	42.4	45.6	41.2
Outdoor - FTE	76	75	73	71	63
LBV - FTE	26	26	26	26	26
TOTAL	142.8	141.5	141.4	142.6	130.2
Indoor - Headcount	53	52	57	61	54
Outdoor - Headcount	78	77	74	73	66
LBV - Headcount	50	47	45	44	43
TOTAL	181	176	176	178	163

This shows that the employment numbers are now starting to fall as a result of Council's strategy to reduce employee numbers through natural attrition.

8 Other information

6.3 Previous Instruments of Approval for expiring special variations

If your council has an existing special variation which is due to expire in the proposed special variation period, we request that you attach a copy of the Instrument of Approval for this variation, which has been signed by the Minister or IPART Chairman.

6.4 Reporting

Provide details of the mechanisms that the council will put in place to transparently report to the community on the special variation (being applied for).

Indicate how the council proposes to report this information to the community and what performance measures it will be putting in place to measure the success of the projects or activities funded from the variation.

As specified in the Guidelines, reporting information should clearly identify:

- ▼ the additional income obtained through the variation
- ▼ the productivity offsets outlined through the variation
- ▼ the projects or activities funded from the variation
- ▼ details of any changes to the projects or activities funded from the variation compared with the council's initial proposal (noting such changes must be consistent with the terms of the Instrument of Approval)
- ▼ the outcomes achieved as a result of the projects or activities.

Reporting

- The additional funds and projects will be listed in the Annual Operational Plan and budget. These will be reported against in the quarterly reviews prepared for Council.
- The budget will have specific line items for the two aspects of the SRV. In the budget the additional road works will not be listed, but a block amount of funding identified. The specifics are then developed through Council's Works Committee, according to highest priority/need. The specific road works will be listed in the monthly Engineering Works Report to Council's Works Committee - listing the works prior to being undertaken, progress of works and then a report on completion. The works will be highlighted as being funded through the SRV.
- Major projects will be reported in Council's newsletters to the community.
- Annual community meetings for the development of the Annual Operational Plan and other IP&R documents will include a presentation on where the SRV funds have been spent and Council's financial position.

- Each year in the Annual Report, Council will identify the exact road works undertaken, and list the sustainability funds from the SRV.
- Regular reports will be presented through meetings with Council's Rural Road advisory Committee and village Progress Associations.

Council believes it is important to be transparent and keep the community informed. This in turn generates interest in what Council is doing and encourages the community to be involved in our decision making.

6.5 Council resolution

Attach a copy of the council's resolution to apply to IPART for the special variation.

Note that IPART's assessment of the application cannot commence without a copy of this resolution.

Council's Resolution

Attachment 2.1.6 is Council's resolution from the 13 December 2012 Council meeting to apply for a SRV. The minutes from the meeting note the following resolution (minute number 322.12.2012):

Resolved: That Council:

1. *Apply for a one-off 25% increase in rates, in line with a 508(2) application to IPART for 2013/2014.*
2. *That these funds are used for the purposes of financial sustainability and asset maintenance.*
3. *That Council informs IPART of their intentions.*

7 Checklist of application contents

Item	Included?
Community Engagement Strategy, Community Strategic Plan, Delivery Program & Draft Operational Plan extracts	☒
Long Term Financial Plan extracts	☒
Asset Management Plan extracts	☒
Contributions Plan documents (if applicable)	NA
Community feedback (including surveys and results if applicable)	☒
Hardship Policy (if applicable)	☒
Productivity/cost containment examples	☒
Past Instruments of Approval (if applicable)	NA
Reporting mechanisms	☒
Resolution to apply for the special variation	☒

It is the responsibility of the council to provide all relevant information as part of this application.

8 Certification by the General Manager and the Responsible Accounting Officer

I certify that to the best of my knowledge the information provided in this application is correct and complete.

General Manager (name): Gary Woodman

Signature Date: 11 March 2013

Responsible Accounting Officer (name): Kym Miller

Signature Date: 11 March 2013

Once signed, this certification must be scanned and submitted with the council's application.

9 List of Attachments

2.1.1	Presentation Community Meetings – Community Strategic Plan
2.1.2	9 February 2013 – Committee Paper & Adopted Minute
2.1.3	4 October 2012 – Paper 2A – SRV Options Paper & Adopted Minute
2.1.4	4 October 2012 – Paper 1A – Community Engagement Strategy
2.1.5	Community Engagement Strategy
2.1.6	13 December 2012 – Council Paper 14A SRV Resolution & Adopted Minute
2.1.7	DLG Feedback on IP&R Documents
2.1.8	Community Strategic Plan
2.1.9	Delivery Program
2.1.10	LTFP
2.1.11	Transport AMP
3.2.1	Newspaper Article (Weekly) re. Rents
3.2.2	Swimming Pool Budget
3.2.3	Airport Budget
3.2.4	Briefing Note re. Regional Roads Funding to NSW Government
3.3.2.1	2012/2013 Fees & Charges
3.3.2.2	Plant Utilisation Improvement Program Resolutions
3.3.2.3	Council Paper call for Expressions of Interest for LBV - CONFIDENTIAL
3.3.2.4	Council Paper – Results of EOI for LBV - CONFIDENTIAL
4.1.1	Fact Sheets
4.1.2	Adverts & Newspaper Articles
4.1.3	Community Presentation of the SRV proposal
4.1.4	Water Notices Flyer (October)
4.1.5	Poster for Euabalong Meeting
4.2.1	Results of Community Consultations
4.2.2	Survey Questions
4.2.3	Summary of Survey Results
4.2.4	Euabalong Letter re. Objection to SRV
4.2.5	Letter to the Editor re. SRV
5.2.1	Heathers Maps re. Land Values
5.2.2	Comparison of Rates in Lachlan Shire
5.2.3	Rates Assessment of Landholder X & Y
5.2.4	Economic Development Strategy
5.4.1	Hardship Policy
7.1	Council's IT Strategy
7.2	Plant & Equipment Utilisation Report – CONFIDENTIAL
7.3	Letter outlining achievements of the LMWUA
7.4	Excel Spreadsheet – Names & Positions Vacant - CONFIDENTIAL

