

## Special Variation Application Form – Part B

**Insert Name of Council Bega Valley Shire Council**

Date Submitted to IPART: 8 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

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## 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](http://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](http://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](http://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.

## 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).

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### 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.

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### 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.

## BEGA VALLEY SHIRE COUNCIL

Bega Valley Shire Council commenced development and consultation for its IPR process in 2009. The Council's long term financial strategy was developed and adopted in July 2009 and was used to guide the development of subsequent plans. Council engaged Review Today an independent consortium of consultants headed by Professor Percy Allen in late 2010 to undertake a review of Council's assets and financial position. The report from the consultants was presented to the community in February 2011 and identified the need for an ongoing 2% above rate pegging increase for each of ten years.

This was reviewed by Council staff with efficiencies and savings included and the resultant proposal of the continuation of an expiring special variation and two new 2% above rate pegging increases was subsequently included in Council's draft documents in 2011 which formed the basis of the Council's long term financial plan, workforce strategy and resourcing strategy. These were incorporated into the development of Council's asset management strategy and asset management plans.

Council consulted extensively in 2009, 2010 and 2011 on all aspects of the IPR documents. The community strategic plan, Bega Valley 2030, the Resourcing Strategy Long Term Financial Plan, Asset Plans, Delivery Plan and first operational plan were adopted in June 2011. The Long Term Financial Plan and Delivery Plan were reviewed and amended in 2011/12 with additional commitment to efficiencies, service reductions and savings following some need to included new opportunities and consultation was held in 2012 and the updated plans adopted.

The series of increases included in this special variation application have been before the community and included in Council's Delivery Plan and Operational Plans across this period.



### 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 LTFP, 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.<sup>1</sup>

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<sup>1</sup> See Planning Circular 10-025 at [www.planning.nsw.gov.au](http://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.

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**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.

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**BEGA VALLEY SHIRE COUNCIL**

As outlined in Council's adopted LTFP and Bega Valley 2013 (Operational Plan) the following model is proposed:

- (1) 2013/14 - New 2% one off ongoing increase above LGCI (rate pegging) in 2014 for transport renewal of collector roads. This variation will raise the general rate yield by an estimated \$400,000 in 2014 and then be indexed by LGCI on an ongoing capacity.
- (2) 2014/15 - Expiring approved Special Variation to be retained as a 2.5% one-off ongoing increase above LGCI (rate pegging) for recreation and access approval with the options to use this amount for debt servicing or for annual project works in line with the LTFP for recreation asset upgrade and renewals and access. This variation will retain the general rate yield at an estimated \$507,000 and then be indexed by LGCI on an ongoing capacity.
- (3) 2015/16 - New 2% one-off ongoing increase above LGCI (rate pegging) in 2016 for infrastructure renewal for public domain areas and buildings. This variation will raise the general rate yield by an estimated \$440,000 and then be indexed by LGCI on an ongoing capacity.

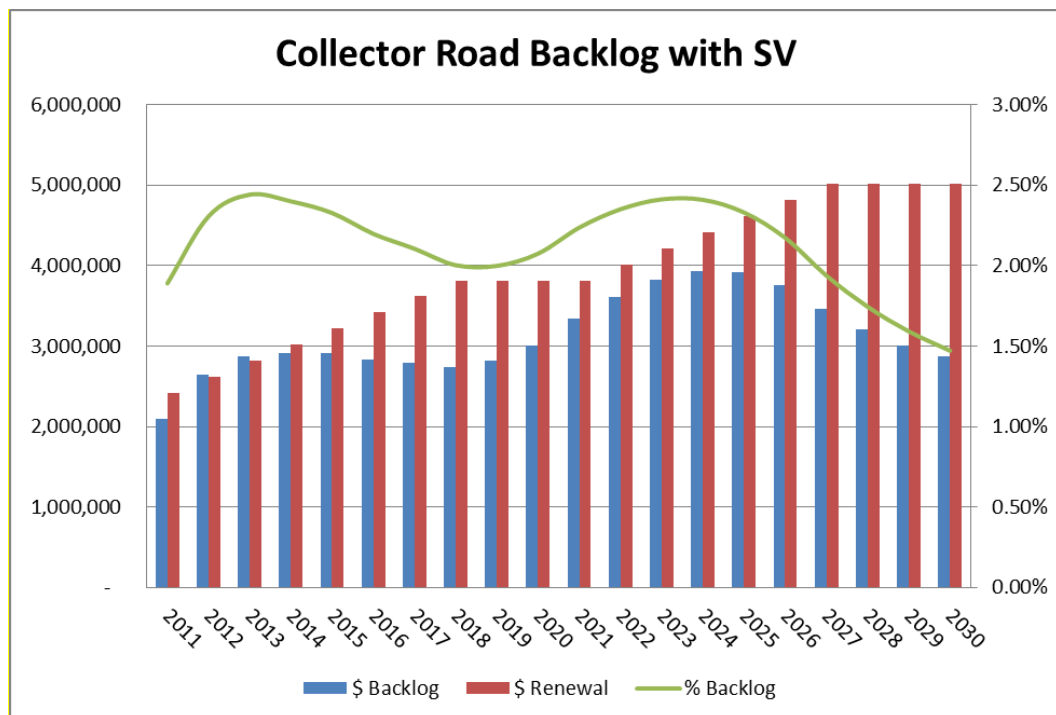
**Collector roads, recreation assets and public domain and public buildings****Collector Roads**

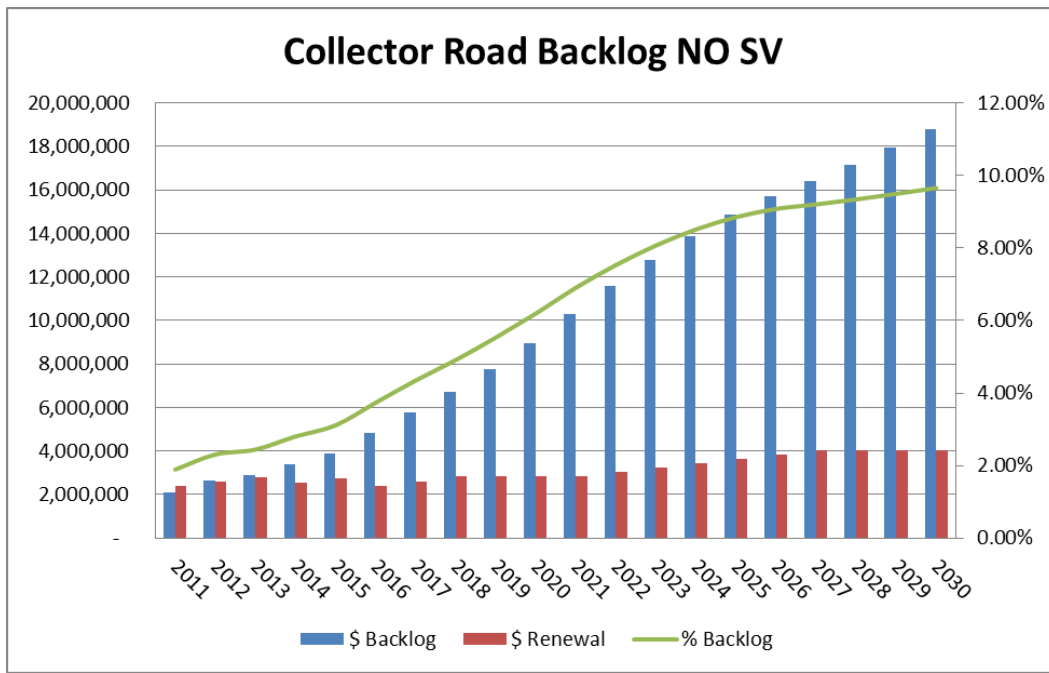
Managed, maintained and funded by Council and can be both urban (Auckland Street, Monaro Street, Wallaga Street) and rural (Dr George Mountain Road, Upper Brogo Road, Burragate Road). They have the following functional characteristics:

- Link higher order roads
- Link population or activity centres
- Usually part of a loop road
- Carries significant through traffic
- Can be critical access
- Carries significant traffic
- Supports economic development

There are 20.77km of sealed collector roads in the urban areas of the Shire and in the rural area 87.95 km of sealed and 65.14 or unsealed collector roads.

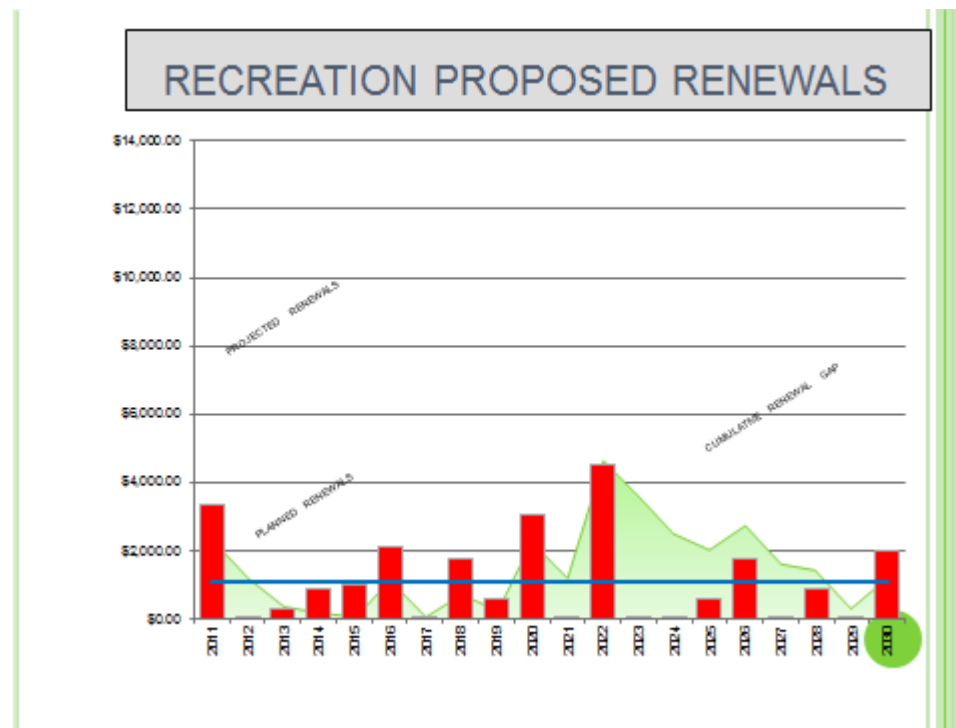
The Transport Asset Management Plan covers in detail the priorities, assessment and adopted program for these assets. The link to this plan is included below. Copies of the identified collector roads proposed for action is included as an attachment.





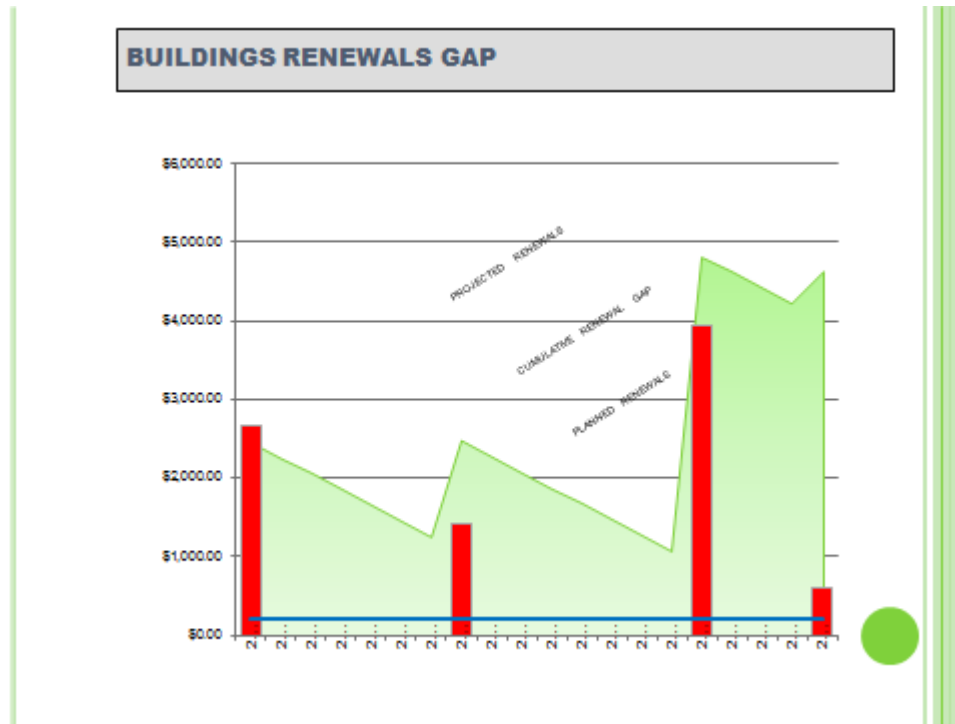
#### Recreation and sporting assets

The Recreation Asset Management Plan covers in detail the priorities, assessment and adopted program for these assets. Attached is a graphic depiction of the impact of the program that can be achieved with the special variation program.



### Buildings

The Building Asset Management Plan covers in detail the priorities, assessment and adopted program for these critical assets. Attached is a graphic depiction of the impact of the program that can be achieved with the special variation program.



### DOCUMENTATION

The following links are to the Council's adopted and draft plans and strategies. Relevant extracts are attached to this application document.

#### Delivery Plan/Operational Plan

##### Adopted

[http://www.begavalley.nsw.gov.au/cp\\_content/resources/Delivery\\_Plan\\_-\\_Bega\\_Valley\\_2011-16.pdf](http://www.begavalley.nsw.gov.au/cp_content/resources/Delivery_Plan_-_Bega_Valley_2011-16.pdf)

[http://www.begavalley.nsw.gov.au/cp\\_content/resources/Operational\\_Plan\\_-\\_Bega\\_Valley\\_2012-13.pdf](http://www.begavalley.nsw.gov.au/cp_content/resources/Operational_Plan_-_Bega_Valley_2012-13.pdf)

##### Draft 2013/13

[http://www.begavalley.nsw.gov.au/cp\\_content/resources/DRAFT\\_Delivery\\_and\\_Op\\_Plan\\_2013-14\\_WEB.pdf](http://www.begavalley.nsw.gov.au/cp_content/resources/DRAFT_Delivery_and_Op_Plan_2013-14_WEB.pdf)

### Resourcing Strategy

[http://www.begavalley.nsw.gov.au/cp\\_content/resources/Resourcing\\_Strategy.pdf](http://www.begavalley.nsw.gov.au/cp_content/resources/Resourcing_Strategy.pdf)

### Community Engagement Policy, procedure and report

[http://www.begavalley.nsw.gov.au/Your\\_Council/Policies/policies/3-1-5.pdf](http://www.begavalley.nsw.gov.au/Your_Council/Policies/policies/3-1-5.pdf)

[http://www.begavalley.nsw.gov.au/Your\\_Council/Policies/procedures/3-1-5a.pdf](http://www.begavalley.nsw.gov.au/Your_Council/Policies/procedures/3-1-5a.pdf)

[http://www.begavalley.nsw.gov.au/cp\\_content/resources/csp\\_CommunityEngagementReport\\_adopted%281%29.pdf](http://www.begavalley.nsw.gov.au/cp_content/resources/csp_CommunityEngagementReport_adopted%281%29.pdf)

### Long Term Financial Plan

Current adopted Long Term Financial Plan (LTFP)

[http://www.begavalley.nsw.gov.au/cp\\_content/resources/Long\\_Term\\_Financial\\_Plan.pdf](http://www.begavalley.nsw.gov.au/cp_content/resources/Long_Term_Financial_Plan.pdf)

The new draft LTFP is currently on public exhibition and will be reviewed along with Council's other IPR documents dependent on the outcome of this IPART application.

Draft LTFP

[http://www.begavalley.nsw.gov.au/cp\\_content/resources/Long\\_Term\\_Financial\\_Plan\\_2013\\_Revised\\_for\\_Exhibition.pdf](http://www.begavalley.nsw.gov.au/cp_content/resources/Long_Term_Financial_Plan_2013_Revised_for_Exhibition.pdf)

### Asset Management Plans

- Transport  
[http://www.begavalley.nsw.gov.au/cp\\_content/resources/20120919\\_Transport\\_AMP\\_Final\\_with\\_Appendices..pdf](http://www.begavalley.nsw.gov.au/cp_content/resources/20120919_Transport_AMP_Final_with_Appendices..pdf)
- Recreation  
[http://www.begavalley.nsw.gov.au/cp\\_content/resources/20120919\\_Recreation\\_AMP\\_Final\\_with\\_Appendices.pdf](http://www.begavalley.nsw.gov.au/cp_content/resources/20120919_Recreation_AMP_Final_with_Appendices.pdf)
- Buildings  
[http://www.begavalley.nsw.gov.au/cp\\_content/resources/20120919\\_Building\\_AMP\\_with\\_Appendices.pdf](http://www.begavalley.nsw.gov.au/cp_content/resources/20120919_Building_AMP_with_Appendices.pdf)

### 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.

#### BEGA VALLEY SHIRE COUNCIL

Over the past 3 years, Council has undertaken an extensive Long Term Financial Planning process with external input and validation. The timeframe was as follows:

2010-2011: Review Today: An independent review of Councils infrastructure and funding models to rectify backlog.

2011-2012: Assets & Services Review: Council staff, using the Review Today model as a base expanded the planning work to include all functions and services of Council.

2011-2012: Long Term Financial Plan: Council staff bringing both the Review Today model and the Assets & Services review together into a LTFP that met both infrastructure and services targets over 10 years and corresponding funding models to ensure those targets could be afforded.

2012-2013: Under the LIRS program Council's LTFP was audited by T-Corp on behalf of the Division of Local Government. Their findings conclusively supported Councils LTFP.

Below is more information on each of these "reviews".

#### Review Today 2010/11

An Operational Examination undertaken in 2006 revised functions, structures, assets and finances, the outcome of which led to operational savings that: has held council finances to the point that infrastructure degradation in the main, has not been as extreme as some other councils; debt is and can be managed; cost recoveries from income from service fees and grants has improved to be amongst the highest proportionately compared to similar councils; and employment costs as a percentage of operating expenses, continues to fall.

An *Asset and Financial Sustainability Review* with Prof Percy Allan and 'Review Today' was subsequently commissioned by Council in 2010 to:

- o Assess the state of existing Council infrastructure.
- o Estimate the cost of fixing existing infrastructure and renewing it in future.
- o Compare the cost of infrastructure and services under existing Council practice with that of alternative scenarios that fully rehabilitate, renew and maintain infrastructure.
- o Explore whether current revenue policy or a more ambitious option would be able to fund these alternative spending scenarios within responsible fiscal limits.
- o Suggest possible other measures (e.g. productivity improvements) that might assist in this task

That Report recommended a *Responsible Spending Scenario* that strives for an acceptable compromise between Council's obligations to achieve financial sustainability, prevent an infrastructure crisis, preserve essential public services and keep rates, fees and charges affordable.

The Report indicated a number of 'levers' that may be adjusted, based on community feedback, to achieve sustainability over a longer or shorter term. They include extent of revenue raising (such as rates, fees and development contributions), service cutting or quarantining, debt raising, or acceptable asset standards or levels or service.

The report also recommended the basis upon Council develop its Financial Plan. The Plan should aim to:

- o Rehabilitate required infrastructure whose condition has fallen below an acceptable standard (i.e. the 'backlog');
- o Renew required infrastructure when it falls below agreed minimum standards in future; Expand the total infrastructure stock by enough to cope with residential and business growth as informed by Council's asset strategy and demographic projections;
- o Identify those core services that would be quarantined from any cost cuts to help fund infrastructure rehabilitation and renewal;
- o Fund these initiatives through adequate revenue measures, operational savings, re-ordering spending priorities, asset leases or disposals and extra borrowings;
- o Fund infrastructure maintenance and renewals from operating revenue and rehabilitation and enhancements from budget surpluses, capital revenues and borrowings in accordance with Council's 'narrowing the gap' strategy.
- o Ensure that the outcome by year 10 complies with sustainable financial targets (e.g. the LGI recommended minimum surplus ratio and maximum debt ratio).
- o Borrow sufficiently between now and 2019/20 to help fund infrastructure renewal

#### Asset and Service Review 2011/12

As detailed asset management plans were progressively refined to define the



standards accepted by council and the community, estimates were then formed to renew and maintain infrastructure and facilities based on appropriate levels of service.

Similarly, to identify services and functions capable of quarantine or containing growth to accord with the *Asset and Financial Sustainability Review* service cap recommendations, an assessment of service nett cost, revenue recovery, demand and growth was undertaken during 2011/12 to inform the next Delivery Plan and Revenue Policy. A review of the attribution of organisation support costs assigned to functions and services was also undertaken.

Councillors reflected on the capability of the organisation to *achieve* the:

- strategic actions contained in the Delivery Plan, and
- continuation of existing services contained in the Level of Service statement, having regard to the:
  - o infrastructure backlog,
  - o scale of flood renewal works,
  - o predicted demand and opportunity for growth in services,
  - o scale of annual revotes (incomplete works and projects),
  - o size and movement of annual surpluses and reserves, and
  - o existing and potential cost recoveries

The workshops also considered the capacity of the community to *afford* the increases in rates and annual charges proposed in the 'Responsible Scenario', with councillors considering:

- reducing scale and timing of proposed rates and charges increases below that recommended by Review Today
- extending the timescale of asset renewals and enhancements to manage the infrastructure backlog over 20 years, rather than 10 years
- options to rationalise some assets (such as toilets and structures) and focus on asset renewal, rather than enhancement, including extending the sports and recreation rate levy from 2014 for recreation asset renewals
- reducing the rate of non-infrastructure service growth above CPI to half the rate of population growth, based on predicted shift in service demand
- including annual growth in rates base
- borrowing less debt, over a 10 year principal and interest term, rather than 20 year interest only term proposed by Review Today
- reassignment of accumulated revotes and development contributions (upon review of those plans)
- utilisation of accumulated reserves
- sale of surplus property, or development of real estate in accord with adopted 'land investment strategy'
- raising and utilisation of dividends from water and sewer utilities, subject to compliance with 'best practice' guidelines, for urban services or reimbursement of s64 headworks for community projects
- maintaining the 'narrowing the gap' financing principles adopted with the Financial Strategy
- continuing full recovery of organisation support costs from grants and direct fee based services

The assessment of service nett cost, revenue recovery, demand and growth was undertaken, utilising 2010/11 actuals as baseline. That process ensured annual savings brought about by staff vacancies, interest earnings and interFund distributions were picked up.

Growth in some government contract services is anticipated, and better recovery of regulatory costs through fees was supported at the December workshop. Council will continue full recovery of organisation support costs from grants and direct fee based services.

Across all service areas, the revised LTFP proposes half the rate of population growth recommended by Review Today, in real terms – some may grow higher than others due to demand, but globally capped at 0.5% above CPI. Any particular budget year may vary to the LTFP should new contracts fully supported by grants and fees, be attained. A number of NSW community service contracts are being extended to local councils. However that growth is also metered through planned productivity savings.

Councillors suggested a \$1m organisation-wide saving should be sought, noting the annual surpluses of similar magnitude in recent years. Further effort will be applied to the high transaction costs of business such as procurement, accounts payable, technology, locational intelligence, mobile apps, and payroll and is expected to yield up to \$1m in productivity savings from 2013/14.

That target will form one of the financial ratios reported in budgets and annual reports.

The Resourcing Strategy has been updated with a revised Long Term Financial Plan and Workforce Plan, following assessment at councillor workshops in 2011/12 on: the standards, serviceability and affordability of asset renewal; allowances for population and demographic growth in terms of asset enhancement and services growth; balances in reserves, revotes and development contributions; and subsequent demands on organisation resources.

#### T-Corp Assessment

The T-Corp audit noted the Council has been well managed over the review period based on the following observations:

- Council has reported an operating surplus excluding capital grants and contributions in 2009 and 2010.
- Council's underlying cash result (measured using EBITDA) remained consistent over the three year period
- Approximately 71.0% of the Council's revenue base is derived from own sourced revenue (annual charges and user charges and fees).

Council reported an infrastructure backlog of \$64.9m (9.4%) in 2011 with an infrastructure asset value of \$687.3m. Other observations include:

- The Council's infrastructure backlog is on an upward trend

- Compared to benchmark ratios Council appear to be underspending on building and infrastructure asset renewal and asset maintenance. However, Council has exceeded the Capital expenditure Ratio benchmark for the last three years indicating that they are spending on assets which improve performance or capacity
- The most significant proportion of the backlog relates to roads at 57%, with building and other structures at 17%. Both of these backlogs are being addressed through the LIRS applications approved for Council.

### Long Term Financial Plan

The need for the special variation was identified through extensive research utilising consultants, community input and staff and Councillor workshops reviewing models options and alternatives.

The Council's Long Term Financial Plan has been continually reviewed and updated and all iterations have included this application. Councillors and staff have however continually worked to review, refocus and identify alternative revenue sources. The following reviews and assessments have informed this process.

Throughout Councils Long Term Financial Planning process, the brief was to firstly meet Council infrastructure requirements bringing backlog to less than 2% within 20 years, and secondly to do so with a minimum impact to Councils rate yield. As outlined below, the Review Today consultancy presented Council with an option to meet backlog with 10 one-off ongoing special variations of 2% each. Council staff then were able to work through a plan with aggressive cost savings, debt profiling, and cost recovery on fee for services and bring that back to 2 special variations (plus one renewal) of 2% over the 10 years.

Councils Long Term Financial Plan set a priority of funding. By this we mean we set a target for infrastructure and service spending that met our backlog and community needs, we then looked for funding sources by priority. Those priorities were:

1. Reduced Operating Expenditure: Council has "shifted" over \$2m into the Capital budget already and has committed through the LTFP to find a further 1% (\$400K approx.) each year of **new and recurrent** gains. As you can see, this initiative will generate the equivalent of the special variation requests each year for 10 years, compared to the 3 years of SV. These expenses include efficiency factors as well as cost saving initiatives.
2. Fees & Charges: Council has a number of services which it has fee control over. Council has committed to working through fee for service activities and generating revenues that result in full cost recovery for those services, reducing the burden on the rate yield. This work is underway.

3. Loan Profiling: By utilising debt more effectively Council can apply a straight price path on its rates yield while meeting the infrastructure benchmarks. Council intends to raise its debt yields up to \$16m to reduce the backlog.

Once all of these items were maximised the funding gap was the amount of additional revenues we required through rates. Hence the need for the 3 special variations.

While we have prepared a Long Term Financial Plan with a no SV scenario, it is at a high level (infrastructure renewals, upgrades, etc). We have specifically kept away from listing individual asset classes (or assets) that would be affected as we did not want to sway the community with talk of services or infrastructure being adversely affected. Our Council has always stated publicly that if the Community did not support the need for the SV's as outlined in the LTFP, then the community would be asked to comment on what services or level of service they believe should be reigned in, in order to meet our infrastructure targets.

### 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.

#### BEGA VALLEY SHIRE COUNCIL

Council staff have been working with Councillors since the December 2011 and with the newly elected Council since October 2012 to:

- Identify additional revenue sources and include these in the LTFP review – this was achieved
- Apply productivity savings through maintenance rationalization, asset rationalisation and procurement enhancements – this has been applied to the adopted LTFP
- Review legal and consultancy services and staff following Council resolution to achieve a 5% saving in budgeted employment costs; 5% reduction in legal costs and consultancy costs. These have been included in the adopted LTFP.

All key items covered in these reviews are incorporated into Council's adopted Resourcing Strategy . A copy of the link to the Resourcing Strategy is provided on page 11 of this application and a hard copy is attached to the paper application.

Through the Asset and Services review, in the context of *Achievability*, Councillors considered in relation to Services:

- Demand

- Usage, legislation, grant
- Change
  - Demography
  - Geography
  - Technology
- Availability
- Ageing
- Remoteness
- Cost
- Nett revenue recoveries

In relation to Assets:

- Scheduling and definitions:
  - Operations, maintenance, renewals, upgrade
- Revised GHD asset assessments and intervention levels
- Set the backlog target at 2% over 20 years
- Considered:
  - Demand
  - Usage, legislation
  - Risk
  - Change
    - Demography
    - Geography
    - Technology

Council has also commenced a major review of development contribution plans (s94/94A plans) and development servicing plans (s64), and associated charges as contributors to asset upgrades. This review is nearing completion with the updated charges to be exhibited in the 2012/13 financial year for adoption in June 2013. It is likely that the impact of this review will have positive changes for ratepayers on charges for access for water and sewer.

If the special variation is not approved or approved for a lesser amount then the intervention levels adopted in the Asset Management Plans for the three asset classes would be extended from level 7 to level 9 as outlined below in the work undertaken by GHD in the Asset and Financial Sustainability review and adopted by Council in the Asset Management Strategy and associated plans.

# RESET- CONDITION RATINGS

GHD's Asset Condition Ratings Scale

10	An asset that has failed is no longer serviceable and should not remain in service. There would be an extreme risk in leaving the asset in service.
Backlog 9	An asset in extremely poor condition with severe serviceability problems and needing rehabilitation immediately. Could also be a risk to remain in service.
Rehabilitate 8	An asset in very poor overall condition with serviceability now being heavily impacted upon by the poor condition. Maintenance cost would be very high and the asset would be at a point where it needed to be rehabilitated.
7	An asset in poor overall condition deterioration would be quite severe and would be starting to limit the serviceability of the asset. Maintenance cost would be high.
6	An asset in Fair to poor overall condition. The condition deterioration would be quite obvious. Asset serviceability would now be affected and maintenance cost would be rising.
Renew 5	An asset in fair overall condition deterioration in condition would be obvious and there would be some serviceability loss.
4	An asset in good overall condition but with some obvious deterioration evident, serviceability would be impaired very slightly.
Maintain 3	An asset in very good overall condition but with some early stages of deterioration evident, but the deterioration still minor in nature and causing no serviceability problems.
2	An asset in excellent overall condition. There would be only very slight condition decline but it would be obvious that the asset was no longer in new condition.
Leave 1	A near new asset with no visible signs of deterioration often moved to condition 1 based upon the time since construction rather than observed condition decline.
0	A new asset or an asset recently rehabilitated back to new condition.

Council has also flagged their intention through resolution to undertake a full formal review of its IPR plans and LTFP with the community to identify areas of service cut or reduction and reallocation of priority.

## 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.

### BEGA VALLEY SHIRE COUNCIL

As mentioned in item 3.3.0, Council worked through a priority of funding in order to reach its current position and SV request. Initially, through an independent external review (Review Today) in 2010-2011 Council thought they would have to seek 10 one-off ongoing special variations of 2% in order to meet it infrastructure backlog. However, by implementing a program of cost reduction and shifting recurrent funding into the capital budget as well as targeting fee for services, and loan profiling Council staff were able to bring that funding gap down to 2 new special variation requests and 1 renewal of an existing special variation.

Councils LTFP shows a downward trend on operating costs, infrastructure operational and maintenance costs far in excess of the funds generated by the special variation requests.

This LTFP will see Councils infrastructure backlog reduce from \$64.9m currently to only \$13m in 2032, representing less than 2% of Councils infrastructure in a backlog position.

### 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 LTFP. This should include the impact on key indicators under the various budget scenarios (with and without the special variation).

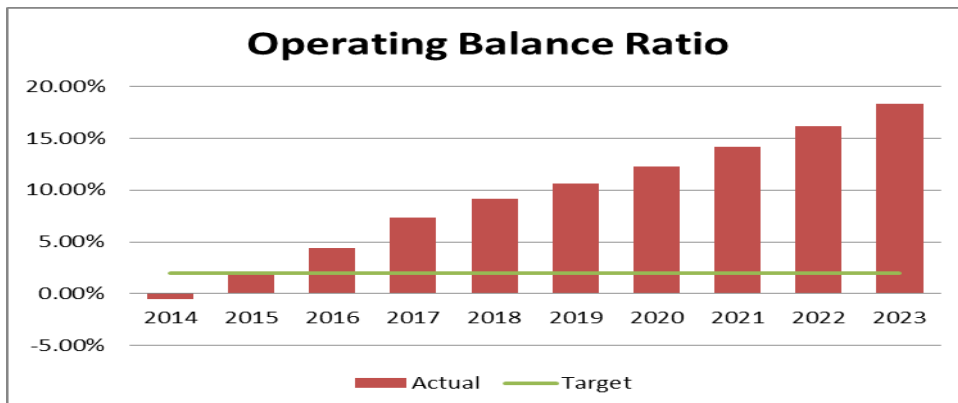
Key indicators may include:

- ▼ 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)

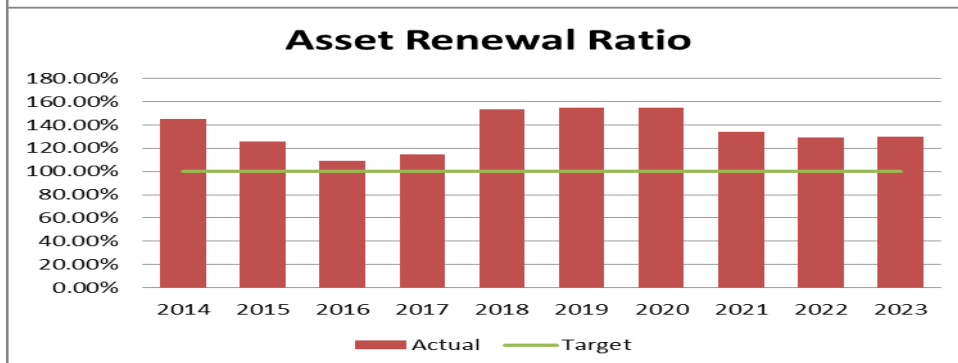
If the variation is to fund asset or infrastructure expenditure, the application should include an explanation of relevant asset replacement, renewal or repair expenses, and how the expenditure addresses backlogs over time.

#### BEGA VALLEY SHIRE COUNCIL

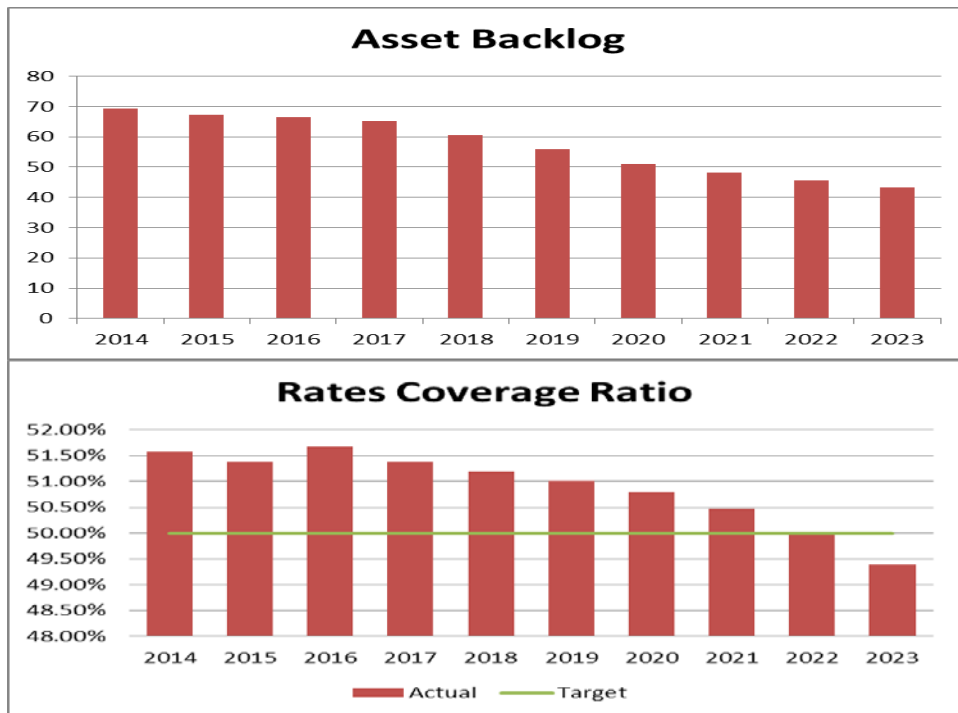
As you can see by the charts below, Council is meeting all of the main financial indicators across all years of the LTFP. The modest SV application gives us the certainty to meet all of these ratio's in a financially sustainable manner.



\*\*the spike operating surplus is due to the increase capital expenditure not having been modelled through an increased depreciation cost. This process is underway.







## 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 LTFFP 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.

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### **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.

#### **BEGA VALLEY SHIRE COUNCIL**

Council developed its consultation strategy under the framework of its adopted Community Engagement Policy. Council engaged the services of a new communications coordinator in 2012 and the expertise of this officer added to providing a more professional matrix of engagement and consultation methodologies. A full outline is attached as part of Attachment 2.

The following outlines all the aspects of the consultation particular to this application. The consultation and engagement was identified as a key action in the Council's adopted Delivery Plan (2011-2016) and Operational Plan (2012-2013) and the detailed program met all established target. A copy of Council's draft background paper on how it has consulted with the community is also attached.

In 2012 at the first Council meeting following the election of the new Council a report on the proposal and the consultation and engagement plan was considered. The program commenced with the longitudinal independent community survey (November 2012) incorporating questions relating to the proposal. This was supplemented by a deliberative independent survey (December 2012) focussed specifically on the special variation proposal which was accompanied by an information booklet. Copies of the reports from both these surveys is attached with a copy of the information booklet.

The reports from these surveys were considered by Council at its meeting on 12 December 2012 when they formally resolved to submit an intention to apply to IPART.

Information and the full survey reports were placed on Council's website and traffic was directed to the website via Council's well supported FaceBook page. Council also provided full details, the rates calculator and forums on Council's consultation site Bega Valley Views.

In late January 2013 Council hosted focus meetings with key community, media and interest groups in relation to the proposals for rate increases for renewal of collector roads and community buildings, and retention of the sports and access variation.

Focus groups consultations were held in January 2013 included :

- Bega Valley Shire Ratepayers Association
- Media
- Sport and recreation / facility committees
- General halls committee
- Chambers of Commerce, truck and bus operators, farmer association

The rates information brochure was prepared for wide distribution in February 2013 distribution and was available on Council's web site.

An on line rates calculator was also available so ratepayers could calculate the impact on their rates for the three year period.

Issues raised through these consultation sessions were considered by Councillors at a workshop and the final report published at the conclusion of the exhibition period.

### **Consultations held over February/March 2013**

The key elements of informing and engaging with the community held over the period of the public exhibition are outlined below:

- Web site and online rates calculator – Council's web site included the complete proposal, and a rates calculator where enquirers could input their new 2013 property valuation details and calculate the potential rates effect .
- Facebook commentary – regular FaceBook posts covered key information and provided details about how to engage in discussion and gaining information about the proposal. Following a major concern about misinformation the Mayor hosted a meeting with some key stakeholders from the Bega Valley Shire Ratepayers Association to ensure clear consistent information was explained.
- Special Variation Brochure – an updated booklet outlining the proposal, the purpose and effects of the proposal was available on line and in hard copy. Hard copy brochures were available from Council and library branches.
- Media – media staff were invited to a briefing with the Mayor on the special variation proposal and the draft operational plan and budget. Council provided regular media information about the proposal over the period of public exhibition. The Mayor and Councillors also indicated that they were available to meet with the media on the proposal. Media representatives also attended community information and question and answer sessions in Merimbula and Eden. The Mayor has provided regular radio interviews about the proposal and the consultations.

- Bega Valley Views – Council’s online consultation forum included polls, calculators and links to documents as well as specific discussion forums about the proposal, enabling community members to provide feedback to the Councillors.
- Deliberative survey questionnaire– this was made broadly available online following the completion of the independent survey period.
- Community Link – a summary of the information provided in the special variation brochure was run in Council’s Community Link page in local print media

### **Information and forum public meetings**

The Mayor and Councillors hosted a series of community forums on the special variation over the period of public exhibition.

Forums were held in Bermagui, Bega, Merimbula and Eden. The forums provided rate payers the opportunity to meet with Councillors and informally ask questions as well as accurately calculate the impact of the proposal on their rates. Council staff were available with computers to assist community members calculate the rate impacts.

Whilst small numbers attended these sessions (Bermagui 6, Bega 3, Merimbula 20, Eden 4 with 2 media representatives) the discussions were informed and robust.

The sessions were divided into two parts. In the first session members of the public were invited to bring a copy of their last rates notice and their new valuation notice from the Valuer General so that they could show the real impact on their rates for the period of the special variation.

The second session was a more formal forum chaired by the Mayor outlining the proposal, its objectives and potential impacts, providing responses to questions and issues raised and asking for an indication of support or otherwise for the proposal.

### **Council exhibition of draft documents and assessment of submissions**

Council placed the draft Delivery Plan, Operational Plan and amended Long Term Financial Plan on public exhibition at its meeting on 6 February 2013.

Responses to the community engagement program were considered by Councillors at a workshop on 6 March 2013 and submissions were considered at a Councillor workshop on 7 March following the conclusion of the public exhibition period. Councillors formally considered the matter at the Extraordinary Council meeting on 7 March 2013.

## 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.

Attach copies of relevant documentation eg, survey reports to the council.

### BEGA VALLEY SHIRE COUNCIL

Attached are copies of a summary from all the community consultation items and copies of :

#### SURVEYS

- Community Survey -via link to report on website  
[http://www.begavalley.nsw.gov.au/cp\\_content/resources/Community\\_satisfaction\\_survey\\_report.pdf](http://www.begavalley.nsw.gov.au/cp_content/resources/Community_satisfaction_survey_report.pdf)
- Deliberative Survey - IRIS 407 respondents statistically selected - via link to report on website  
[http://www.begavalley.nsw.gov.au/cp\\_content/resources/Special\\_Variation\\_survey\\_report.pdf](http://www.begavalley.nsw.gov.au/cp_content/resources/Special_Variation_survey_report.pdf)
- Council's online running of the deliberative survey for people to self select to complete - 26 respondents

#### ONLINE

- Bega Valley Views
- FaceBook

#### FOCUS GROUP CONSULTATIONS

- Bega Valley Shire Ratepayers Association/Media
- Sportsgrounds
- Halls
- Transport Users

#### PUBLIC FORUMS

- Bermagui
- Bega
- Merimbula
- Eden

#### FORMAL SUBMISSIONS SUMMARY ATTACHED

- Pre Submissions – 6
- Exhibition period submissions - 34

#### MEDIA COVERAGE

- Bega
- Merimbula - Merimbula News Weekly edition on Wednesday 27 February following the community session in Merimbula the previous week included incorrect information and focussed on the matter of the airport special variation approved two years ago leading many people to believe that this was before Council at this time. The edition also included a statement relating to wrong and misleading information and used an example of an average residential property increasing from \$2702 to \$3112. This is incorrect and a letter was sent to the newspaper, the news company and the Press Council outlining the consistent errors run. Unfortunately the local television news also ran a story based on the edition. Neither the Merimbula News Weekly (MNW) or WIN contacted Council to clarify facts.

The assessment of formal submissions received show that prior to the edition of the Merimbula News Weekly on 27 February Council had received 3 formal submissions, after this edition a further 31 were received. The geographical breakdown of submissions show 27 from the Merimbula catchment and 7 from other areas of the Shire. There were a total of 6 submissions received during the lead up to the formal exhibition period in December 2012. A full

A copy of the response letter sent to the MNW is attached.

- Eden

#### KEY ISSUES AND COUNCIL'S RESPONSE

1. Affordability and capacity to pay – a number of the people raised the issue of the impact of any proposed increases on pensioners and self-funded retirees. The issue of the pensioner rebate being capped at the same level for a number of years was raised and the impact of other cost increases for services such as electricity, gas, petrol and telecommunications was also raised.

**RESPONSE** – Council is very aware of the impact of any increases on the community and has worked extremely hard since the initial assessment of infrastructure gap to minimise this application to the lowest possible level. Service caps and reductions, savings and re-allocations of funding to infrastructure have seen the initial ask of 2.2% increases above rate pegging

for 10 years reduced to this application of three increases (with one replacing an existing special variation). One of the main concerns for ratepayers is the high comparative cost of sewer access in the Bega Valley. This has resulted from a significant sewer program. Council is currently reviewing is developer contribution plans and access charges in water and sewer with the proposed changes to be adopted prior to July 2013 likely to see some reduction in this charge.

2. Council efficiencies – members of the community wanted to be assured that the request for rate increases was the last option after Council had considered all areas to trim costs and reduce the burden on ratepayers. The option of funding the proposal through further efficiencies or cuts was also raised.

**RESPONSE** The Council has gone to considerable effort to quantify and highlight these savings and feels confident that these have been clearly articulated to the community.

3. Concerns that whilst this proposal covered the period of a Council term, that a new Council may come in 2016 and add to the burden.

**RESPONSE** The community has been advised that for the term of this current Council this is the only planned increase outlined in the adopted IPR documents and the LTFP. The Mayor has rightly acknowledged that the current elected Council cannot however bind future Council decision making post 2016.

4. The impact of not taking up the proposal on infrastructure was raised.

**RESPONSE** The impact has been identified to the community of extending timelines for asset renewals and the impact that this will then come at an increased cost when undertaken. The Council has also noted that should the application not be approved then a full review of its asset management plans and LTFP will be undertaken.

5. Concerns over quality of road repairs and the perception of money being wasted on patching jobs needing reworking within a short period.

**RESPONSE** The response provided focussed on the fact that this work is done to the available budget and to keep roads operational. Full upgrade works cannot be undertaken due to budget limitations.

6. Confusion over the impact of the recent land revaluation and its potential impact on individual property rates.



**RESPONSE** Council has run information in the media and on its web page and provided hands on opportunities for people to more fully understand this impact. Council has received very positive feedback from people who have taken the opportunity to avail themselves of this.

## 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.

#### BEGA VALLEY SHIRE COUNCIL

The amount and impact of these two new and one retained special variations is outlined in the table below. This table shows the impact on average rates as calculated using the preferred model by IPART - this is the amount of income derived by general rates from a rate category divided by the number of properties.

Council has traditionally used the land value method, which is more accurate indicating the rate per category based on the average land value per category, together with the upper and lower thresholds (ie 10<sup>th</sup> and 90<sup>th</sup> percentiles).

However it is appropriate to revert to the format IPART requires for its assessment, which is the total rate yield per rate category, divided by the number of rateable properties.

Council intends to distribute the SV's in the same distribution pattern that it has used for the past 5-10 years to give certainty and consistency to the public.

Whether the SV is approved or not, will not change the general rating structure of Council. The Community have indicated over a number of years that they feel the structure is reflective of the community and there is no reason to make any changes to the rating structure. Simply the value will change on the success of the SV.

Part A of the application outlines the specific rating structure by category for both successful and unsuccessful scenarios.

## 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.

### BEGA VALLEY SHIRE COUNCIL

As outlined in Part A of the application, the cumulative impact of the SV over the 3 years is 4.66% above LGCI. The tables below outline the average rate for the successful and unsuccessful scenarios.

		Ordinary and Special Rates - with special variation								Cumulative Increases									
Category	category or Special	Current Average Rates	Average Rates Year 1	Average Rates Year 2	Average Rates Year 3	Average Rates Year 4	Average Rates Year 5	Average Rates Year 6	Average Rates Year 7	Average Increases Year 1		Average Increases Year 2				Average Increases Year 3			
		2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Annual	%	Annual	%	Cumulative	%	Annual	%	Cumulative	%
Residential		900.71	952.46	981.04	1,030.09					51.76	5.75%	28.57	3.00%	80.33	8.92%	49.05	5.00%	129.38	14.36
Farmland		1,720.41	1,819.25	1,873.83	1,967.52					98.83	5.74%	54.58	3.00%	153.41	8.92%	93.69	5.00%	247.10	14.36
Business		2,359.79	2,476.45	2,550.74	2,678.28					116.66	4.94%	74.29	3.00%	190.95	8.09%	127.54	5.00%	318.49	13.50

			Ordinary and Special Rates - without special variation								Cumulative Increases									
Category	Sub-category or Special Rate name	Current Average Rates	Average Rates Year 1	Average Rates Year 2	Average Rates Year 3	Average Rates Year 4	Average Rates Year 5	Average Rates Year 6	Average Rates Year 7	Average Increases Year 1		Average Increases Year 2				Average Increases Year 3				
			2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Annual	%	Annual	%	Cumulative	%	Annual	%	Cumulative	%
Residential		900.71	931.33	959.27	988.05					30.62	3.40%	27.94	3.00%	58.56	6.50%	28.78	3.00%	87.34	9.70%	
Farmland		1,720.41	1,778.91	1,832.28	1,887.24					58.49	3.40%	53.37	3.00%	111.86	6.50%	54.97	3.00%	166.83	9.70%	
Business		2,359.79	2,440.02	2,513.22	2,588.62					80.23	3.40%	73.20	3.00%	153.43	6.50%	75.40	3.00%	228.83	9.70%	

Using the average rate as reported via the DLG for Group 4 Councils for 2011 Bega Valley Shire Councils average rate is favourably comparable.

Council has made available on-line and paper calculators to try and assist ratepayers in determining the actual increase they would see if the SV application is successful. If Council was to use the average residential land value and apply rates to it, the increase with the SV is less than \$20 per annum.

To confuse the situation, Council has received a revaluation taking effect 2014. This revaluation throws out comparatives such as the worksheet 5 in part A. Our rate in the dollar is reset based on the new land values. So, in theory a \$50,000 property in 2014 won't be worth \$50,000 in 2014. So comparing the two gives an erroneous result. This is a major reason why we have gone to great pains with people to

calculate their actual rates using their actual land values to identify and report the impact of the SV.

#### 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.

### 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.

#### BEGA VALLEY SHIRE COUNCIL

The Bega Valley is a relatively low socio economic shire, with pockets of significant disadvantage and some areas of affluence. (A lower score on the index means a *higher* level of disadvantage). Bega Valley has a SEIFA index of disadvantage score of 976.9 which is less than both the state average of 1003.3 and the national average of 1005.2. The least disadvantaged area is Tura Beach (1048.3).

The communities of Bega (922.5), Eden (927.5) and Bermagui (961.9), are the most disadvantaged. The impact of rate increases will most affect these communities where there is a high percentage of fixed income home owners, a reflection of the ageing population.

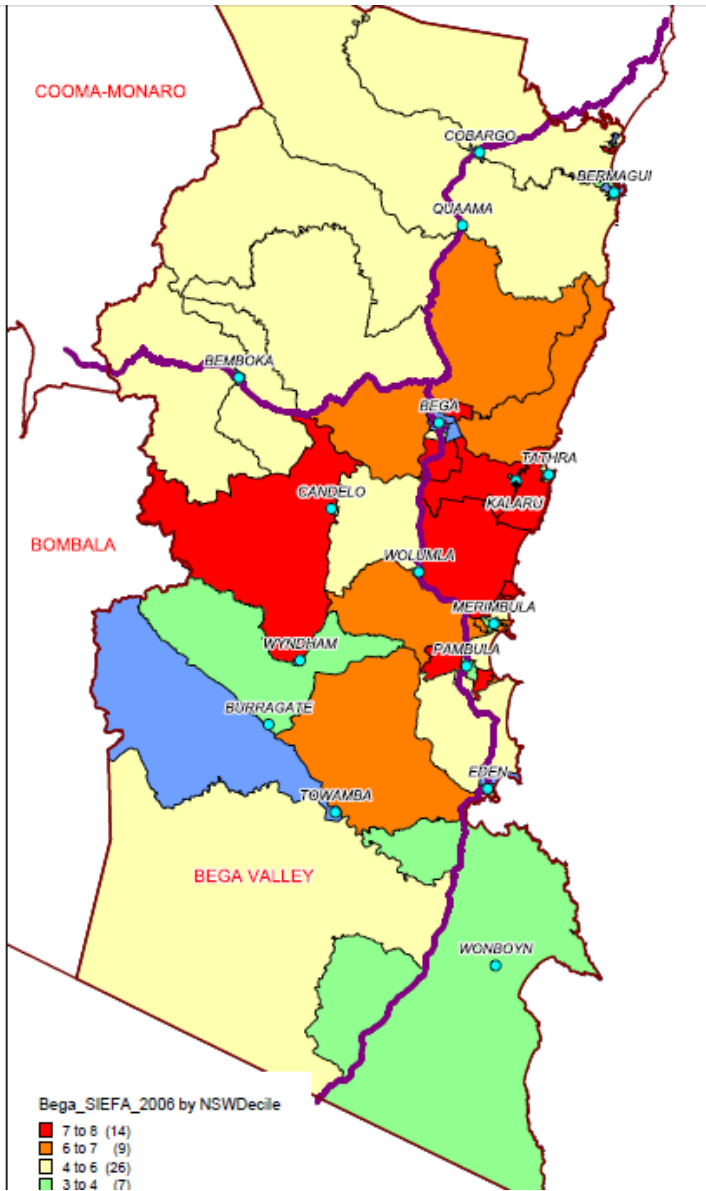
Source: Australian Bureau of Statistics, Census of Population and Housing 2006.  
Compiled and presented in profile.id by .id,

The average general residential rates and farmland rates for the Shire are shown by the data in the most recent DLG Comparative Indicators 2011, to be on par or below that of the Group 4 averages in 2010/11. The difference is around 3.7% less in residential rates and 5.6% higher in farmland rates. There is a significant difference in the business rate category with Bega Valley Shire Council 43.33% lower than the average for Group 4.

The Council's outstanding rates percentage has been below the Division of Local Governments benchmark of 6% for many years.

At the conclusion of each rating quarter, Council deals with approximately 4% of its rate base with overdue rates and charges.

There will always be elements of the Community under financial stress. This is why we deal with those cases on a one on one basis.



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.

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.

#### **BEGA VALLEY SHIRE COUNCIL**

Bega Valley Shire Council encourages ratepayers to contact Council directly in relation to hardship and addresses each case on a case by case basis. We offer a number of repayment plans and options to ratepayers who require them. Our preference is to deal with ratepayers under financial stress as individuals rather than a blanket formula. The Local Government Act sets very clear rules around what Councils are and are not allowed to do in relation to the treatment of rating hardships.

## 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.

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During the process of developing the Council's IPR plans Council conducted its second community importance and satisfaction survey and undertook a range of other items to determine community priorities for services, infrastructure and other activities.



The Asset Management Plans and the Asset and Financial Sustainability Review also provided a basis for input and discussion with the community. Detailed profiles of service levels for assets were discussed in detail at community forums in February 2011 with images of intervention levels provided and community input into those was ascertained for major towns and villages.

The full outline of this process is included in the IPR reports and plans and the detailed community engagement report prepared at that time.

## 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.

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LTFP Planning Assumptions:

Assumptions	Indicator	Comment
LGCI	3%	As outlined by IPART
Growth of Labour Costs	3%	In the absence of the new LG award, Council has estimated an increase by indexation only. Any movement in the award outside of this will need to be addressed.
Growth of Non-Labour Costs	3%	Under Iparts LGCI calculation, both labour and non-labour costs are factored. If Ipart identify that 3% is the most practical long term indicator of expenditure change then that is what our Council will use to forecast.
Cost of service provision	0%	100% of Councils SV requests will be used for

in the council's proposed program of expenditure		infrastructure renewal. Any changes to administration of these works will be met by existing funding sources. The assets classes that the SV will be used on are already in place, it is an expansion to that program, so there is no further requirement for support.
Major asset disposals /investments /capital commitments		The SV's are tied to renewal of civil and transport assets. Council has tied all asset sales to any upgrade works within the shire. All upgrade works are fully funded internally.
Population Growth	1%	As per the ABS and Council economic profiling consultant.
Investment Return	4.5%	A conservative return on investment, within the range outlined by various government bodies in relation to predicting return on investment.
Loan Interest	7.5%	A conservative interest rate which is in line with the long term rate prescribed by the RBA. The reason for using this rate is due to the years the loans being required being some years out where the average becomes more prevalent than current economic conditions.
Operational Grants	1%	We have forecast maintaining operational grants indexed by CPI + population growth. Majority of Councils operating grants are recurrent and are tied to population growth and CPI.
Capital Grants	CPI Only	Council has tied Capital Grants to capital upgrades only. Therefore if Grants do not materialise, the corresponding work can be shifted accordingly.

\*\*Council has committed that any and all variances to the assumptions above must first and foremost be met by existing funding sources and not additional.

## 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, LTFP 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.

### BEGA VALLEY SHIRE COUNCIL

As outlined in the document above. Council staff have identified over \$2m in recurrent funds that have been "shifted" from the Operating budget to the Capital budget. These "savings" include technology improvements, improved processes, etc.

This \$2m can be attributed to:

- Council reviewed its use of labour hire companies, bringing some staff onto Councils payroll while eliminating the use of others. The management costs alone on these workers was over \$400,000 per annum to the labour hire companies. These funds are now diverted to the capital budget.
- Council has had to fund a number of strategies over the past 5 years with the implementation of the CSP and related works. Council identified that it was

spending over \$180,000 per annum on consultants assisting with these documents. Now that this process has moved from creation to maintenance this expenditure is no longer required.

- Council instructed staff to cap the amount of money spent on “advice” legal costs. This has saved Council over \$120,000 per annum.
- Council identified over \$600,000 per annum in surplus worker programs through Human Resources which have been removed. Existing training and program budgets have been analysed and now provide an adequate service at a much lower cost.
- Council saw a spike in Workers Compensation costs over a number of years. Council employed resources in the OHS and Risk management areas to make sure Council was better equipped to deal with a safe workplace. This endeavour has seen a reduction in Councils Workers Compensation premium of over \$750,000 per annum.
- Through the more effective and efficient application of ICT equipment and the better leveraging of contracts, etc Council has been able to reduce its Information Communication Technology expenditure by over \$200,000 per annum.
- There have also been a number of smaller savings identified, like postage, printing, etc. Council estimates these savings at over \$50,000 per annum.

In addition to these “savings”, Council has also committed to a further reduction of 1% of Operating Expenditure each year, year on year. This will be achieved through a number of factors.

1. Reduced Maintenance: As Councils assets are returned to a better state, the required maintenance will also reduce.
2. Better Procurement Practises: Council is beginning to leverage its buying power better. A procurement consulting firm (PMMS) has advised that our Council should attract a procurement saving of approx. 8% per annum with best practise procurement procedures in place. We have planned a 3-5 year roadmap to achieve these savings.
3. Better use of Technology and Plant: As better technologies present themselves, we should position ourselves at the forefront to take advantage of any improvements that makes to our operations.

Lastly, Council is also undergoing a review of its structure to investigate efficiencies to its operational areas. This review is underway and will be presented to Council prior to June 30, 2013. It is expected that this review will incorporate a performance management framework.

## Other information

### 7.1 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.

### 7.2 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.

#### BEGA VALLEY SHIRE COUNCIL

Bega Valley Shire Council will continue to report against each approved special variation as is its current practice.

In the LTFP and the annual budget all SV approvals are directly linked to the approval and the identified budget area noting the project and activities funded from the variation. The annual report then also identifies activity against each of these items.

Council has not previously reported on the productivity offsets however this will be incorporated into Council's annual reporting and end of term reporting into the future.

### 7.3 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.

## 8 Checklist of application contents

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

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

## 9 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): Peter Tegart

Signature Date: 8 March 2013

Responsible Accounting Officer (name): Lucas Scarpin

Signature Date: 8 March 2013

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