



SPECIAL VARIATION APPLICATION FORM PART B FOR 2021-22

ARMIDALE REGIONAL COUNCIL



Application Form

December 2020

Local Government

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Contents

Council information	1
About this application form	2
Description and Context	3
1 Criterion 1: Need for the variation	8
1.1 Case for special variation – How did the council establish the need for the special variation?	8
1.2 Financial sustainability of the council – What will be the impact of the proposed special variation?	28
1.3 Financial indicators – What will be the impact of the proposed special variation on key financial indicators over the 10-year planning period?	33
1.4 Deferred rate increases available under section 511 of the Local Government Act	39
2 Criterion 2: Community awareness and engagement	41
2.1 How did the council engage with the community about the proposed special variation?	41
2.2 How did the council present the impact of the proposed special variation in the consultation material?	48
2.3 How effectively did the council's various consultation strategies engage the community about the proposed special variation?	50
2.4 How did the council respond to feedback from community consultation?	57
3 Criterion 3: Impact on ratepayers	60
3.1 What is the impact on rates of the proposed special variation?	60
3.2 How has the council considered affordability and the community's capacity and willingness to pay?	64
3.3 How does the council intend to address hardship?	67
4 Criterion 4: Exhibition of IP&R documents	71
4.1 What IP&R processes did the council use in determining to apply for a special variation?	71
4.2 When did the council meet the formal requirements for all relevant IP&R documents?	74
4.3 What, if any, relevant issues arose in the public exhibition of the IP&R documents?	76
4.4 Where is the proposed special variation referred to in the council's IP&R documents?	76
5 Criterion 5: Productivity improvements and cost containment strategies	78
5.1 What is the council's strategic approach to improving productivity in its operations	

and asset management?	78
5.2 What outcomes has the council achieved from productivity improvements and cost containment strategies in past years?	81
5.3 What productivity improvements and cost containment strategies are planned for future years?	83
5.4 How have the council's levels of productivity and efficiency changed over time, and compare with those of similar councils?	89
6 Criterion 6: Other relevant matters	93
6.1 Reporting requirements SV compliance	93
Council certification and contact information	101
List of attachments	102

Council information

Council name	Armidale Regional Council
Date submitted to IPART	8 February 2021
Primary Council contact person	Kelly Stidworthy
Primary Council contact phone	
Primary Council contact email	

About this application form

IPART has revised the Application Form to be completed by councils applying to IPART for a special variation (SV) for 2021-22, either under s 508(2) or s 508A of the *Local Government Act 1993*. The application form is in two parts:

- ▼ Special Variation Application Form Part A (separate Excel spreadsheet)
- ▼ Special Variation Application Form Part B (this MS Word document)

The SV Application Form Part B consists of:

- ▼ Description and Context Questions
- ▼ Criterion 1: Need for the variation
- ▼ Criterion 2: Community awareness and engagement
- ▼ Criterion 3: Impact on ratepayers
- ▼ Criterion 4: IP&R documents
- ▼ Criterion 5: Productivity improvements and cost containment strategies
- ▼ Criterion 6: Other relevant matters
- ▼ Council certification and contact information
- ▼ List of attachments

When completing the SV Application Form for 2021-22, councils should refer to the following:

- ▼ [IPART's Application Guide for SV Application Form Part B.](#)
- ▼ [OLG's SV Guidelines issued in November 2020.](#)

Description and Context

To complete these questions, refer to the discussion in IPART's Application Guide for SV Application Form Part B, Description and Context.

Question 1: What is the type and size of the special variation the council is applying for?

Indicate the type of the proposed SV - s 508(2) or 508A the council is requesting, and specify the percentage increases in each of the years in which the SV is to apply, the cumulative increase for a s 508A SV, and whether the SV is to be permanent or temporary.

Provide the information **in the text box**, or alternatively, **complete Table 0.1**.

508(2) permanent Special Rate Variation of 8.5% plus 2.0% rate peg (total 10.5%) commencing in 2021-22.

Table 0.1 The council's proposed special variation

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Percentage increase	X.X%	X.X%	X.X%	X.X%	X.X%	X.X%	X.X%
Cumulative percentage increase for s 508A	XX.XX%						
Permanent or temporary?							

Question 2: What is the key purpose of the requested special variation?

In the text box summarise the key purpose (or purposes) of the SV the council is requesting.

The key purpose of the requested Special Rate Variation is to provide revenue and funding in order to:

- Reduce the unfavourable gap between operating income and expenditure thereby helping the Council to improve its financial sustainability;
- Provide funding for asset renewal to assist with managing Council's asset backlog thereby avoiding the asset backlog increasing to unsustainable levels;

- Assist Council to continue to deliver existing services without the need to introduce significant reductions in service delivery that would otherwise be associated with a drop in revenue and funding;
- Assist Council to meet the requirements of the Minister for Local Government's Performance Improvement Order issued 9 December 2020; and
- Assist Council to manage a range of negative impacts to its budgeted financial position caused by external factors.

Question 3: Is the council proposing to increase minimum rates in conjunction with the special variation?

Refer to OLG's SV Guidelines Attachment 4 – Increasing minimum rates, and OLG's Guidelines for a Minimum Rate Increase.

If the increase applies to an ordinary rate, complete this section

Does the council have an ordinary rate(s) subject to a minimum amount? Yes No

Does the council propose to increase the minimum amount of its ordinary rate(s) above the statutory limit for the first time? Yes No

Which rates will the increases apply to? Residential Business Farmland

If the increase will apply to only some subcategories, specify which _____

Does the council propose to increase the minimum amount of its ordinary rate(s) by:

▼ The rate peg percentage

▼ The special variation percentage

▼ A different percentage _____(%)

What will the minimum amount of the ordinary rate(s) be after the proposed increase? \$ _____

Has the council submitted an application for a minimum rate increase? Yes No

If the increase applies to a special rate, complete this section

Does the council propose to increase the minimum amount of a special rate above the statutory limit? Yes No

What will the minimum amount of the special rate be after the proposed increase? \$ _____

Has the council submitted an application for minimum rate increase? Yes No

The council must ensure that it has submitted Minimum Rate (MR) Increase Application Form Parts A and Part B, if required.

Question 4: Does the council have an expiring special variation?

Refer to OLG's SV Guidelines Attachment 1 – Calculation of expiring special variations.

Does the council have an SV which is due to expire on 30 June 2021? Yes No Does the council have an SV which is due to expire at some time during the period for which the new SV is being requested? Yes No

If Yes to either question:

a) When does the SV expire? 30 June 2021

b) What is the percentage to be removed from the council's general income? 7.62%

c) What is the dollar amount to be removed from the council's general income? \$1,468,284

Does the council have an SV which it proposes to terminate before the date which the instrument specifies as the date on which it expires? Yes No

If Yes:

a) When does the council propose it be terminated? _____

b) What is the percentage to be removed from the council's general income? _____

c) What is the dollar amount to be removed from the council's general income? _____

Has OLG confirmed the calculation of the amount to be removed? Yes No **Attachments required:**

- ▼ Copy of the relevant instrument
- ▼ Copy of OLG advice confirming calculation of amount to be removed from the council's general income.

Question 5: Does the council have an existing (ongoing) s 508A special variation which applies in 2021-22?

Refer to:

▼ OLG's SV Guidelines Section 5.2.

▼ IPART Fact sheet – *The Year Ahead – Special Variations in 2021-22.*Does the council have a s 508A multi-year SV instrument that applies in 2021-22? Yes No **In the text box:**

- ▼ Specify the percentage increase(s) and duration of the SV.
- ▼ Outline the council's actions in complying with conditions in the instrument approving the original SV.
- ▼ Describe any significant changes of relevance to the conditions in its instrument since it was issued.

Click here to enter text.



Attachments required:

- ▼ Copy of the relevant instrument(s)
 - ▼ Declaration by the General Manager as to the council's compliance with the conditions applying to the SV included in the instrument of approval issued by IPART
 - ▼ Any supporting documents providing evidence of the council's actions to comply with the conditions in the instrument(s).
-

Question 6: Has IPART approved a special variation for the council in the past five years?

Refer also to OLG's SV Guidelines Section 6.

You do not need to respond to this question if all the relevant information has been provided in council's response to Question 5.

Does the council have a s 508(2) or s 508A SV which IPART has approved in the past five years? Yes No

In the text box, for each SV approved in the past five years, briefly:

- ▼ Specify the type of SV and the increase to general income approved.
 - ▼ Outline the council's actions in complying with conditions in the instrument approving the original SV.
 - ▼ Describe any *significant* changes of relevance to the conditions in its instrument since it was issued.
-

Click here to enter text.

**Attachments required:**

- ▼ Copy of the relevant instrument(s)
- ▼ Declaration by the General Manager as to the council's compliance with the conditions applying to the SV included in the instrument of approval issued by IPART
- ▼ Any supporting documents providing evidence of the council's actions to comply with the conditions in the instrument(s).

Question 7: Does a project to be funded by the special variation require a capital expenditure review?

Does the proposed SV require the council to do a capital expenditure review in accordance with OLG Circular to Councils, Circular No 10-34 dated 20 December 2010? Yes No

If Yes, has a review been done and submitted to OLG? Yes No

Question 8: Is the council a new council created by merger in 2016?

Refer also to OLG's SV Guidelines Section 4.

Is the council a new council created by merger in 2016? Yes No

Question 9: Does the council have deferred rate increases available to it?

Does the council have deferred rate increases available to it from one or more previous years under section 511 of the Local Government Act Yes No

If Yes, has the collection of these additional rates been included in the Council's LTFP Yes No



Criterion 1 Need for the variation

Criterion 1 in the SV Guidelines is:

The need for, and purpose of, a different revenue path for the council's General Fund (as requested through the special variation) is clearly articulated and identified in the council's IP&R documents, in particular its Delivery Program, Long Term Financial Plan and Asset Management Plan where appropriate. In establishing need for the special variation, the relevant IP&R documents should canvass alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan applying the following two scenarios:

- Baseline scenario – General Fund revenue and expenditure forecasts which reflect the business as usual model, and exclude the special variation, and
- Special variation scenario – the result of implementing the special variation in full is shown and reflected in the General Fund revenue forecast with the additional expenditure levels intended to be funded by the special variation.

The IP&R documents and the council's application should provide evidence to establish this criterion. This could include evidence of community need /desire for service levels/projects and limited council resourcing alternatives.

Evidence could also include the analysis of the council's financial sustainability conducted by Government agencies.

To complete the questions for Criterion 1: Financial need refer to IPART's Application Guide for SV Application Form Part B.

Refer also to IPART Fact sheet – *The Year Ahead – Special Variations in 2021-22* and Information Paper – *Special Variations in 2021-22* in relation to the interaction of financial need and willingness to pay.

In the response to this criterion, you should include extracts from, or references to, the IP&R document(s) that demonstrate how the council meets this criterion.

1.1 Case for special variation – How did the council establish the need for the special variation?

In the text box explain how the council developed the proposal to apply for the proposed SV in the context of its IP&R processes.

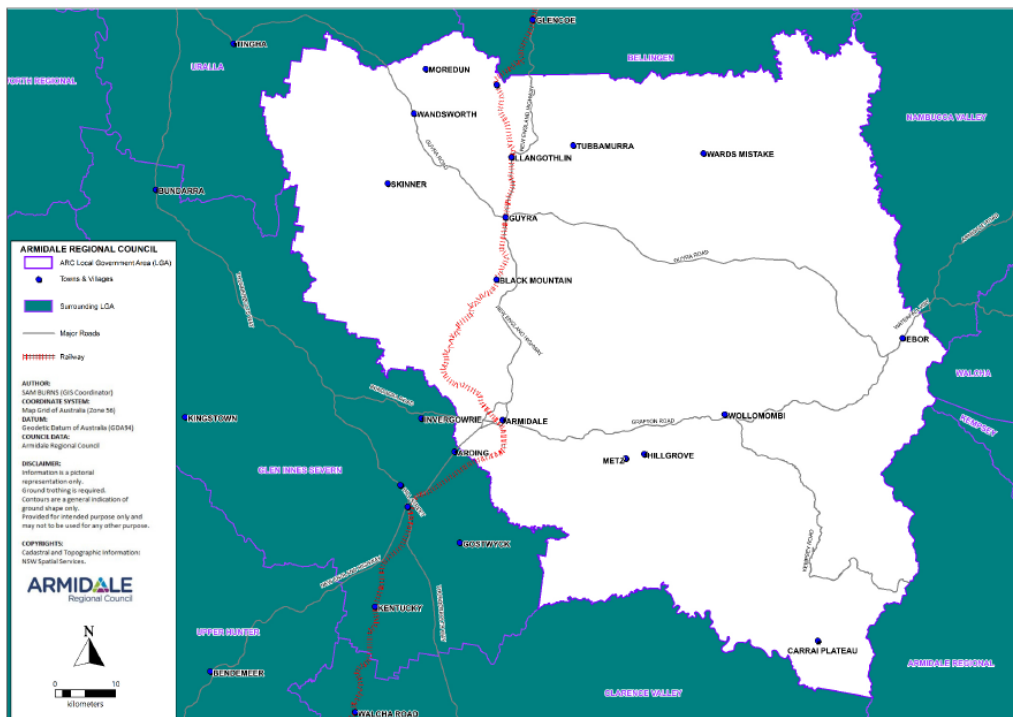
Council identified in the Delivery Program 2018-2022 that the overriding need for the proposed SV is to improve financial sustainability and provide funding for the renewal and replacement of infrastructure assets. In achieving these outcomes, there are five areas of need that Council has identified:

1. Asset Renewal / Backlog
2. Financial Sustainability / Financial Performance Ratios
3. Performance Improvement Order - NSW Minister for Local Government
4. Emerging Issues and Other Cost Shifting Impacts
5. Avoiding a reduction of services and consideration of options other than SV

Background

Armidale Regional Council is located in the New England Region of New South Wales. It's vibrant, innovative and inclusive community enjoys an enviable mix of rural and regional lifestyles, with vast and productive agricultural land, cohesive local towns and villages, and Council provides many essential services to the community. Armidale Regional Council's infrastructure is extensive. Council maintains roads, buildings, bridges, drainage, footpaths, waste infrastructure as well as parks, ovals, sporting grounds and community halls. In addition to the management of these assets, Council also provides essential water and sewerage services to the communities of Armidale and Guyra.

Within the Armidale Regional Council local government area there are 779 kilometres of sealed roads, 1,078 kilometres of unsealed roads and 130 kilometres of regional roads, all of which are maintained by Council. Council is responsible for managing just over \$1 billion in infrastructure assets (roads, bridges, stormwater, footpaths, buildings, water, sewer) and total assets of \$1.2 billion (including land, landfills, plant & equipment).



History of Special Rate Variations

In comparison with other NSW councils, Armidale-Dumaresq and Guyra Shire Councils used the SV process minimally over the past decades. Compared with other NSW councils, ratepayers in this region have experienced modest rate increases over 20 years+.

It can be seen from the table below that temporary SVs have been used as an additional source of funding by both the Armidale Dumaresq and Guyra Shire Councils for at least the last 15 years. The percentage increases shown in the table include the SV and the annual rate peg. The temporary nature of previous SVs applied for has created a perception in the community that Council is continually seeking additional SV funding when in reality previous SV applications have in part been made to replace existing SV funding.

Council	2005 /06	2006 /07	2007 /08	2008 /09	2009 /10	2010 /11	2011 /12	2012 /13	2013 /14	2014 /15
Rate Peg	3.50%	3.60%	3.40%	3.20%	3.50%	2.60%	2.80%	3.60%	3.40%	2.30%
Armidale Dumaresq	5.78% (expired 2011/12)									12.30% (expires 2020/21)
Guyra Shire					8.43% (expired 2013/14)					8.00% permanent

Armidale Dumaresq Council

In 2021 a temporary SV of 10% (above the rate peg) applied by the former Armidale Dumaresq Council over a seven year period will expire, reducing Council's overall rates income by \$1.5 million annually. Funding generated from the temporary SV has paid for key asset renewal programs including the maintenance and renewal of community assets including roads, bridges, storm water drainage and facilities.

The need to, at a minimum, replace the funding generated from the temporary SV has been known for some time. The consultation undertaken by Armidale Dumaresq Council in 2014/15 was on the basis of a 20% SV under two different scenarios, however, application was made for a 10% SV plus the rate peg in response to community concerns about affordability expressed during the consultation period.

IPART's determination of Armidale Dumaresq Council's 2014/15 SV application, approved in June 2014, considered that the Council would need to seek a further special variation following cessation of the temporary SV. Financial modelling performed for the 2014/15 SV application showed that the General Fund operating performance would consistently remain in deficit even with the inclusion of the additional SV revenue.

A copy of TCorps's Fit For the Future assessment and report is contained as Attachment A.17.

Guyra Shire Council

Guyra Shire Council applied for a permanent 8% SV in 2014/15 including the rate peg. As the rate peg was 2.3% the SV component was 5.7%. This replaced a previous temporary SV of 8.43% including the rate peg and resulted in Guyra Shire Council's ordinary rate income

increasing by \$58,275. The application for the permanent SV only increased Guyra Shire Council's income minimally and was made for the purpose of retaining the temporary SV permanently.

Financial modelling performed for the 2014/15 SV application showed that the General Fund operating performance would consistently remain in deficit even with the inclusion of the permanent SV.

The submission made by Guyra Shire Council in 2015 to IPART in response to the proposed mergers showed that the Council required a permanent SV of 30% (27.5% above the rate peg) in 2016-17 as well as an overall 15% decrease in depreciation expense in order to reach a neutral operating position over ten years. IPART considered these assumptions to be unreasonable although the Council did undertake community consultation on the SV proposal and advised that 70% of respondents would accept a 30% rate rise if Guyra was able to be considered a Rural Council.

Former Council Outlook at Merger

Including the above SV funding, the General Fund forecast net operating result before capital grants and contributions forecast for the former councils and submitted with the 2014/15 SV applications was:

Council	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
\$'000	/15	/16	/17	/18	/19	/20	/21	/22	/23	/24
Armidale Dumaresq	(1,303)	(1,790)	(1,934)	(698)	(310)	(82)	334	(830)	(449)	(371)
Guyra Shire	(1,036)	(1,110)	(1,092)	(1,050)	(1,006)	(977)	(976)	(953)	(950)	(968)
Combined	(2,339)	(2,900)	(3,026)	(1,748)	(1,316)	(1,059)	(642)	(1,783)	(1,399)	(1,339)

The above table demonstrates that, despite the addition of SV funding to the former councils revenue bases, significant General Fund operating deficits continued to be forecast.

Current Council Outlook

Council has faced some significant financial challenges since merger. The recently considered report entitled "Review of Council Finances" by Finch Consulting (included in Attachment A.18) highlighted the deterioration in Council's net working capital and reserves since merger from \$29.8m at 12 May 2016 to \$18.2m as at 30 June 2019. The report stated "The decline in Net Current Assets by \$11.6m in the first three years since merger is due in part to Council adopting operating budget deficits and actual operating expenditure substantially exceeding budget, thus exacerbating the deficits, and major project expenditure overruns."

The net working capital and reserves position has since improved through a focus on minimising budget deficits and closely managing expenditure to remain within budget and stood at \$24.5m at 30 June 2020 with unrestricted cash of \$2.14m.

An improvement in unrestricted cash is currently forecast in the 2020/21 budget; however, is

subject to the budget position withstanding negative impacts from the downturn in revenue resulting from Covid-19, which has proved much worse than anticipated when the original 2020/21 budget was developed. A key reason for the improved cash position is a significant reduction in the level of funding directed to infrastructure renewal in the 2020/21 budget but this cannot be sustained.

Council also recognises and is responding to some impactful environmental and social challenges over the past few years, including drought, bushfires and COVID-19. These challenges have had a considerable impact on the resources of Council and the delivery of services, both in the short and long-term.

New Special Variation Application

The process for consideration of making an application for a new SV is supported by the following Council resolutions:

- 28 August 2019

That Council resolves to pursue the application of a Special Rate Variation effective 1 July 2021.

- 29 July 2020

That Council commence investigation and an analysis of options for a Special Rate Variation, with the purpose of considering an application for a Special Rate Variation effective 1 July 2021, with a minimum outcome being retention of funding provided by the current temporary Special Rate Variation.

- 28 October 2020

That Council:

- a) *Commence community engagement on the following Special Rate Variation (SRV) options:*
 1. *A permanent SRV of 18.5% plus 2.0% rate peg (total 20.5%) commencing in 2021-22;*
 2. *A permanent SRV of 8.5% plus 2.0% rate peg (total 10.5%) commencing in 2021-22;*
and
 3. *Discontinuation of the temporary SRV of 10% (above the rate peg) applied by the former Armidale Dumaresq Council and ending on 30 June 2021;*
 - b) *On or before 27 November 2020, formally notify IPART that Council intends to submit a Special Rate Variation application;*
 - c) *Note that the community engagement will also cover rates harmonisation impacts effective 1 July 2021; and*
 - d) *Note that the Special Rate Variation and Rates Harmonisation community engagement period runs from Monday, 2 November 2020 through to Thursday, 10 December 2020.*
-

The SV options presented to the community during the consultation process were:

<p>Option 1 Improve Services Continuation of the temporary SRV plus an additional SRV increase</p>	<p>Council will apply for a permanent Special Rate Variation of 18.5% plus the 2.0% rate peg (total of 20.5%). This will replace the funding currently provided by the temporary SRV and increase total rate revenue by \$1.8 million per annum.</p> <p>This option will result in the current level of assets and services maintained and Council will also be able to fund additional asset renewals and reduce the medium to long term financial risk. Roads, bridges, buildings and community facilities maintenance and renewal will be the focus of additional funds raised.</p> <p>This option provides Council the greatest opportunity to secure its longer term financial sustainability while at the same time seeking to review and improve its own service level commitments to enhance community outcomes.</p>
<p>Option 2 Maintain Services Continuation of the temporary SRV (Does not address future growth)</p>	<p>Council will apply for a permanent Special Rate Variation of 8.5% plus the 2.0% rate peg (total of 10.5%). This will replace the loss of the current SRV which is due to stop in 2021.</p> <p>This option will result in current levels of service maintained in the short term; however the asset renewal backlog will increase. This will increase costs in the medium to long term placing a financial burden on future generations. Council will have limited options to fund new assets as the region grows.</p>
<p>Option 3 Decrease Services Discontinuation of the temporary SRV (Financially unsustainable)</p>	<p>Council will not apply for a Special Rate Variation and revenue from ordinary rates will drop by \$1.5 million per annum.</p> <p>This option will bring a significant reduction in the services provided by Council and the asset renewal backlog will increase. Roads, buildings and public spaces will deteriorate placing a significant financial burden on future generations and threaten Council's medium and long-term financial sustainability.</p>

At the meeting held 27 January 2021 Council resolved to apply for Option 2 being a permanent Special Rate Variation of 8.5% plus 2.0% rate peg (total 10.5%) commencing in 2021-22. A copy of Council's resolution to apply for the SV is contained as Attachment A.3.

Proposed SV in IP&R Documents

Council's IP&R documents have previously contained reference to a proposed SV. Council's 2019/20 Resourcing Strategy noted the utilisation of the SV as a key funding source for asset renewal and the long term financial plan included in that document assumed continuation of the temporary SV as critical to avoid a negative impact on the operating surplus ratio, asset renewal ratio and unrestricted cash levels.

The need for a SV was also foreshadowed in Council's 2020/21 Resourcing Strategy, in which the long term financial modelling under the then 'Discontinuation of the temporary SRV' scenario (exclusive of the SV), forecast the net surplus gradually falling over the remaining life of the plan (ending 2030/31), and deficits before capital grants and contributions following cessation of the approved SV applied by the former Armidale Dumaresq Council over 7 years, which expires on 30 June 2021.

Council's 2020/21 Operational Plan included the following project to support the application for a SV:

Leadership for the Region

L2 Fiscal Responsibility – Council exceeds community expectations when managing its budget and operations

Delivery Program Principal Activities:

- L2.1 Financial sustainability is maintained through effective short, medium, and long term financial management, including investigating the need for a Special Rate Variation
- L2.2 Council implements a business excellence program across its operations
- L2.3 Council staff are supported to deliver high quality services to the community through training, sufficient staff resourcing and systems to create a user friendly, customer focused approach
- L2.4 Manage operations to ensure delivery of value for money services for our community and customers

Operational Plan

Key Projects and Programs:

Title	Actions	Origin	Delivery Program	Department	Measures
Apply for a Special Rate Variation to fund future infrastructure and community improvements	<ul style="list-style-type: none"> • Implement harmonisation of rates between the former Armidale-Dumaresq and Guyra council areas • Investigate need for a Special Rate Variation (current temporary SRV for merger expires in 2021) • If investigation identifies potential need, seek Council determination and begin community consultation <i>Expected cost: \$120,000</i> 	Operational Project	L2.1	Finance	<ul style="list-style-type: none"> • Determine SRV options for the purpose of public consultation in Q1 • Run public consultation process on SRV options in Q1 • Determine final SRV position to make application by Q2

Council publicly exhibited the following updated IP&R documents from 10 December 2020 to 7 January 2021.

- Council's revised Community Strategic Plan 2017-2027 (Attachment A.7) contains the application of a proposed SRV under Community Outcome 2 *Council exceeds community expectations when managing its budget and operations.*
- Council's Delivery Program 2018-2022 (Attachment A.8) rationalised Council's intention to apply for an SRV and includes information on the background, rationale and impacts

of the proposed SRV Options.

- Council's revised 2020-21 Resourcing Strategy (Attachment A.9) is an addendum to the revised Delivery Program 2018-22. This document includes information on proposed SRV options and the financial modelling and resulting ratios for each SRV Option.

Council is currently in the process of reviewing the Asset Management Framework which will include Council's Asset Management Policy, Strategy and associated Plans. For the reasons outlined in Criterion 4, these documents have not yet been adopted by Council but the updated draft Asset Management Strategy and Plans are contained in Attachment A.14 that support the SV funding sought for the purpose of renewing and replacing assets.

Each of the five supporting needs determined by Council as supporting the application for the SV are discussed below:

Need 1: Asset Renewal / Backlog

Local governments are required to hold and maintain a significant base of infrastructure assets. This necessitates not only substantial initial investments but also continued expenditure to maintain and renew assets over the course of their useful lives.

As with many local governments, a major challenge for Council is the management of ageing assets in need of renewal and replacement. Infrastructure assets such as roads, bridges, pathways, kerbs, stormwater drains and public buildings present particular challenges because their condition and longevity can be difficult to determine.

The creation of new assets also presents challenges in terms of funding for initial construction and ongoing service costs over their useful life, along with renewal/replacement costs at the end of their useful life.

One key purpose of the SV is to address the shortfall in funding for maintenance and renewal of community infrastructure; in particular renewal works on local roads, footpaths and community buildings.

Importance of Asset Renewal

Renewal activities extend the life of the asset, such as re-sheeting a section of road. Council's main role in the community is to manage the vast range of assets, worth more than \$1 billion, under its care and control. Without assets in a satisfactory condition, service delivery is negatively impacted.

Maintenance includes repairs, painting and replacement of broken fixtures. The SV will be used for managing existing infrastructure to ensure assets are kept at current service standards and replaced at the planned replacement time, rather than allowing assets to deteriorate to a point at which major rehabilitation is required.

In terms of General Fund infrastructure that would be affected by funding provided by the

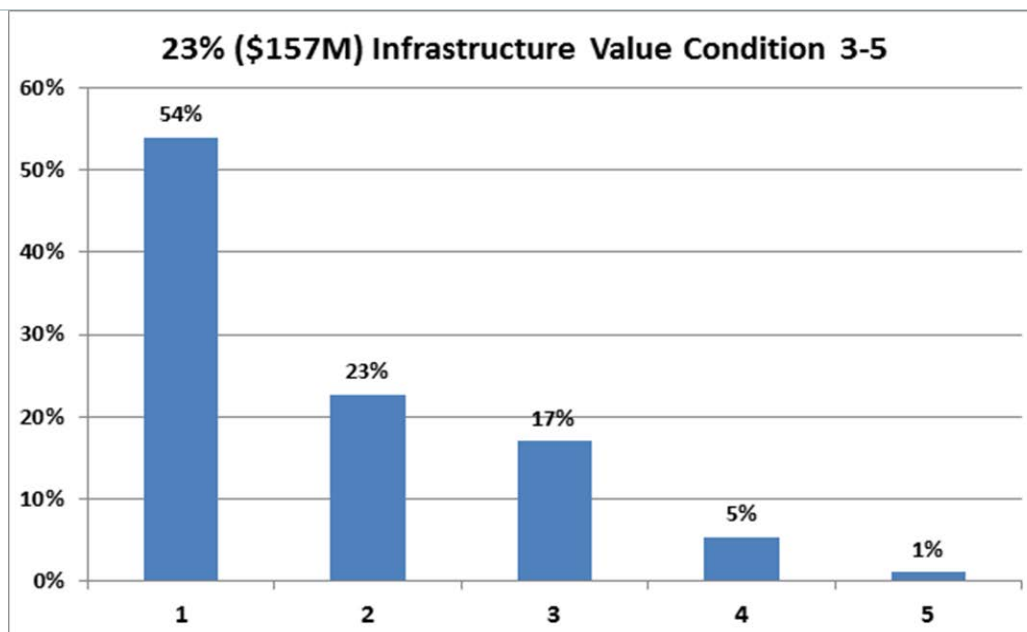
SV, Council has the following asset volumes and values as at 30 June 2020:

Asset Sub Class	Volume	Replacement Cost \$'000	Depreciation FY19/20 \$'000
Sealed Roads	779km	\$158,032	\$2,749
Unsealed Roads	1,078km	\$31,133	\$1,253
Bulk Earthworks	2,027km	\$142,101	\$0
Bridges & Culverts	112	\$60,538	\$775
Storm water Drainage	119km	\$60,393	\$630
Footpaths	132km	\$14,219	\$262
Kerb and Gutter	252km	\$21,844	\$243
Traffic Furniture (Roundabouts, etc)	307	\$10,289	\$147
Buildings	264	\$118,483	\$2,149
Other Structures (Pools, parks infrastructure, playgrounds, etc)	300	\$41,052	\$995
Airport Infrastructure	16	\$9,545	\$370
TOTAL		\$667,629	\$9,573

For these assets, the asset value by condition rating is:

Condition	1	2	3	4	5	Total
Replacement cost \$'000	\$361,880	\$148,429	\$114,258	\$35,844	\$7,218	\$667,629
%	54%	23%	17%	5%	1%	100%

Council has \$157 million in General Fund infrastructure assets in condition 3-5. If adequate investment is not made in keeping assets at their current condition to avoid the condition worsening, the infrastructure backlog will grow.



Definition of each level of condition		
Condition Rating	IP&R description	IPWEA Description
1	Excellent/ very good	New or as new condition. Only planned cyclic inspection and maintenance required.
2	Good	Sound or good condition with minor defects. Minor routine maintenance along with planned cyclic inspection and maintenance.
3	Satisfactory	Fair condition with significant defects requiring regular maintenance on top of planned cyclic inspections and maintenance.
4	Poor	Poor condition with asset requiring significant renewal/rehabilitation, or higher levels of inspection and substantial maintenance to keep the asset serviceable.
5	Very Poor	Very poor condition. Asset physically unsound and/or beyond rehabilitation. Renewal required.

Importance of Asset Condition

The condition of assets is a key driver to the level of service that can be provided to the community.

For example, a playground that is older and has not been maintained will not be an attractive and usable asset from the community's perspective and is less likely to be highly utilised or valued by the community.

A well maintained playground that is fit for purpose and meets the community needs will be highly utilised and deliver the intended service; the physical recreation and enjoyment of children in the community.

Similarly, a road that is potholed and not maintained will cause a detrimental impact to the community. Road users will have to drive more carefully to avoid the pothole or, in extreme cases, take alternative routes. A well maintained road will allow users to travel more efficiently and safely.

Community members are often not aware of the difference that the condition of assets can cause unless they experience having to use assets in poor condition and can envisage what a difference that condition can make.

The graph on page 17 shows that \$157m of assets are in satisfactory, poor and very poor condition (condition 3-5). The main asset classes in these categories are: buildings, other structures and roads (including sealed and unsealed roads, kerb and gutter, bridges and footpaths). Ongoing investment in asset renewal helps prevent the deterioration of asset condition and avoids the need to spend significantly more in the future to restore the asset to a satisfactory condition.

Sealed roads are a good example. If potholes are not repaired on a timely basis, rain and other weather conditions, along with vehicles making the potholes larger, results in damage to the underlying road base. Repairs to the road base are significantly more expensive than repairing the pothole. If investment is made to reseal and patch roads, it avoids more costly rehabilitation work in the longer term. It costs an estimated \$40,000 to \$50,000 per kilometre to reseal a road, compared to around \$700,000 or more per kilometre to rehabilitate a section of sealed road. Resealing a road significantly defers the need for more expensive rehabilitation, so it makes financial sense to maintain the road with a sealing program rather than letting it deteriorate to the point where it requires rehabilitation. The worsening condition of assets will cause larger financial impacts to the community in the longer term.

Discontinuation of the temporary SV is unsustainable because it will require significant changes to service levels and will result in reduced levels of funding for asset renewal. It will detrimentally impact Council's financial position and asset sustainability. Deterioration of assets will be evident in a short period of time.

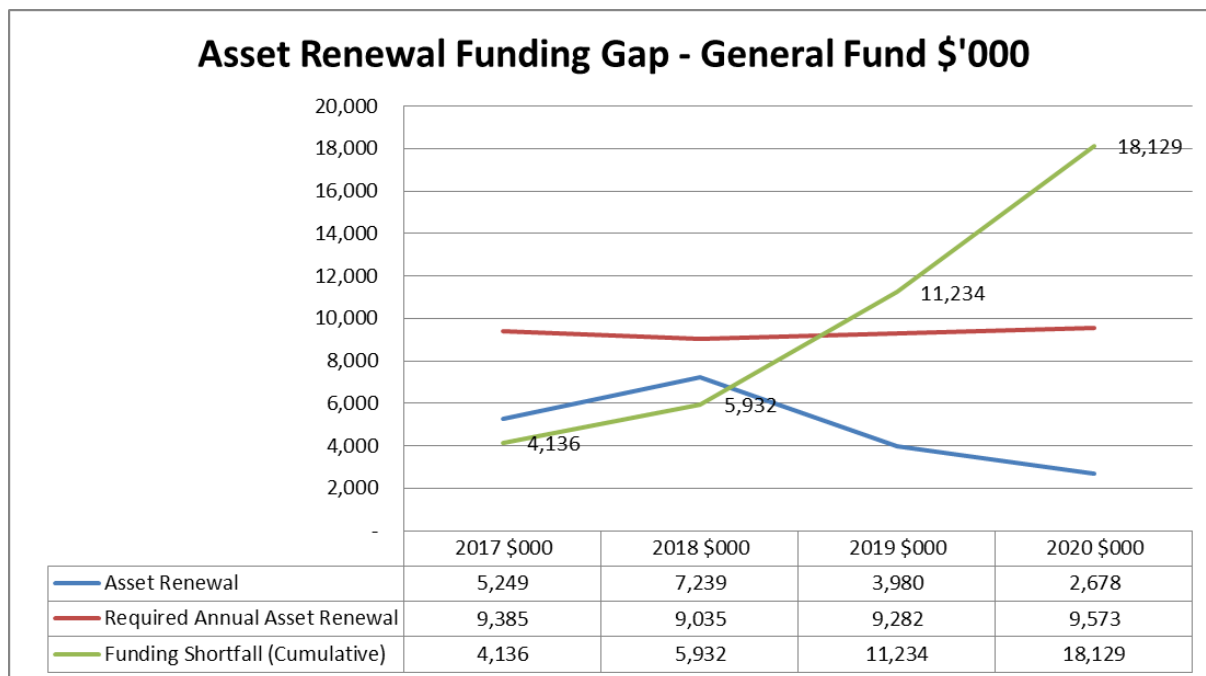
Even if the SV application is successful, Council will need to implement an improvement

program to improve the building and infrastructure renewal and asset backlog ratios and seek grants to assist with funding asset renewal requirements.

Asset Renewal Backlog

The forecast expenditure for infrastructure asset renewal is insufficient to maintain the current level of services. The current financial model has not included any provisions to close the infrastructure renewal gap that is currently estimated at \$10.4 million for General Fund infrastructure in Council’s Special Schedule 7 for 30 June 2020 (Attachment A.19, page 115). The estimated backlog is based on bringing infrastructure assets in condition 4-5 to condition 3.

The graph below shows the growing asset renewal funding gap for the last four years (2017 to 2020). This gap exists mainly because Council has insufficient capacity to fund asset renewal and other expenditure necessary to be able to appropriately maintain the range and level of services its existing assets base was originally designed and intended to deliver. A current funding gap means service levels have already fallen or are currently falling. A projected funding gap if not addressed will result in a future diminution of existing service levels.



While the SV will not fully resolve Council’s asset renewal backlog, it will assist Council to focus on priority backlog areas.

Need 2: Financial Sustainability / Financial Performance Ratios

Financial sustainability for local governments is critical because they are responsible for directly providing the community with a wide range of public services and community infrastructure and facilities. For council's where financial sustainability has been impacted by either historical or recent events, the need for a SV is paramount.

A key purpose of the SV is to assist Council to return to a financially sustainable position in the future. Council evaluated its need for a SV and developed the SV scenarios with the assistance of Morrison Low, who assisted both Armidale Dumaresq Council and Guyra Shire Council with their previous SV applications.

There are many definitions of financial sustainability. NSW Treasury Corporation defines financial sustainability as:

A local government will be financially sustainable over the long term when it is able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community.

Council has recognised that financial sustainability requires the following to comply with Chapter 3 of the Local Government Act 1993:

- Council must achieve a fully funded operating position
- Council must maintain sufficient cash reserves
- Council must have an appropriate funded capital program
- Council must maintain its asset base
- Expenditure on assets should be driven by asset management plans

Council Financial Sustainability via Fit For The Future Measures

To measure financial sustainability and provide a consistent method of comparing council performance, in 2014 the NSW Government decided to reform local government by creating a 'Fit For The Future' framework and assess councils against that framework. The assessment is based on a series of Key Performance Indicators (KPIs) including:

KPI	Description of Fit For The Future Targets
Operating Performance	This measures a council's achievement of containing

	operating expenditure within operating revenue.
Own Source Operating Revenue	This measures fiscal flexibility. It is the degree of reliance on external funding sources such as grants and contributions.
Building and Infrastructure Asset Renewal	Measures the rate at which infrastructure assets are being renewed relative to the rate at which they are depreciating.
Infrastructure Backlog	Measures the annual assessment of what one off spend is required to bring all infrastructure assets to a satisfactory condition relative to their total written down value.
Asset Maintenance Ratio	Compares actual versus required maintenance. A ratio above 1.0 indicates that Council is investing in enough funds to stop the infrastructure backlog figure from growing.
Debt Service Ratio	Measures the cost of debt servicing (principal and interest) against total operating revenue (excluding capital grants and contributions).

If a council is able to demonstrate that it is able to meet the Office of Local Government benchmarks set for the above KPIs this would effectively mean the council was financially sustainable. Financial sustainability is defined as when councils can generate sufficient funds over the long term to provide the planned level and scope of services and infrastructure for communities as identified through the IP&R process.

The table below shows the application of the Fit For The Future Ratios to Council for FY2017 – FY2020:

Blue indicates the target is met.

Red indicates the target is not met.

Fit For The Future Ratios	Target	2017	2018	2019	2020
1. Operating Performance Ratio	>0%	10.52%	-21.95%	-1.02%	6.60%
2. Own Source Revenue Ratio	>60%	49.81%	62.04%	66.10%	54.12%
3. Building and Infrastructure Asset Renewal Ratio	>100%	55.93%	52.20%	42.88%	27.36%
4. Infrastructure Backlog Ratio	<2%	12.28%	8.35%	4.23%	2.13%
5. Asset Maintenance Ratio	>=100%	103.63%	103.64%	87.52%	84.31%
6. Debt Service Ratio	<20%	2.31%	2.29%	2.19%	2.20%
7. Real Operating Expenditure Per	trend	1.78	2.10	1.83	1.83

Capita over time					
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Since the amalgamation in 2016, Council has not met the Fit For The Future measures.

The proposed SV is sought in order to assist with reducing the unfavourable gap between operating income and expenditure thereby helping the Council to improve its financial sustainability as well as improve asset sustainability ratios.

Need 3: Performance Improvement Order - NSW Minister for Local Government

While the Performance Improvement Order is a relatively new matter in the context of Council's SV process, it is relevant to Council's financial situation and is therefore relevant to the need for the proposed SV.

On 9 December 2020 the Hon. Shelley Hancock MP, Minister for Local Government issued Council with a Performance Improvement Order under section 438A(3)(b) of the Act. (Attachment A.18) Included in the Order is a requirement for Council to implement by 4 September 2021, the recommendations from the Review of Council Finances by Finch Consulting. These recommendations are:

- a) Council should adopt surplus budgets that ensure financial sustainability over the longer term.
- b) Council should adopt a Reserves policy that ensures a minimum of \$4-5m is available as unrestricted cash to fund working capital requirements before setting aside funds as Internal Restrictions.
- c) Establishment and funding of Reserves should be supported by Council resolutions.
- d) Council should request a fourth quarter budget review report to ensure that Councils financial position and performance is sound and that the budget for the ensuing year is based on current information.
- e) Council and the Audit and Risk Committee should ensure appropriate governance oversight and risk monitoring of major projects and budget reporting.
- f) Council should ensure that the budget approval and monitoring process incorporates detailed information in relation to major capital projects and funding sources.
- g) Management should establish an appropriate Project Management framework that is best practice, together with a reporting architecture that ensures accountability for budget variances.
- h) Management should ensure that quarterly budget reviews are complete, timely and accurate and reflect any adverse trends known to management.
- i) Projects should not be initiated in the Projects Ledger unless there is a fully funded budget allocation. The Project Ledger should be regularly reconciled with the General

Ledger and adopted budget.

- j) Office of Local Government guidelines pertaining to Capital Expenditure Reviews should be applied to relevant projects.
- k) Council should ensure that sufficient resources are provided within the organisation to address the above recommendations.

These recommendations are in addition to the Performance Improvement Order requirements to:

- Implement the recommendations from the Governance Arrangements Review under oversight of the Audit, Risk and Improvement Committee;
- Implement the recommendations from the Land Management Practices Review;
- Ensure that resources are provided to the General Manager so that adequate funds are provided for:
 - Governance standards to be maintained;
 - The delivery of the Operational Plan;
 - Infrastructure maintenance;
 - The improvement of financial ratios; and
 - Implement improvements to Council's financial monitoring and reporting.

As noted above, all recommendations are required to be implemented by 4 September 2021.

Initial costings to implement all recommendations are approximately \$1.4 million and some items will require additional ongoing resourcing. Council is required to fund this from existing operational budgets, so priorities are currently being reviewed as part of Council's budget review and preparation process.

While the proposed SV will not be used to fund activities directly resulting from the Performance Improvement Order it will enable Council to direct the necessary funding towards meeting the requirements and the proposed SV would also assist with ensuring there is funding available to improve financial ratios.

Need 4: Emerging Issues and Other Cost Shifting Impacts

Council has identified several emerging issues and other cost shifting items that impact upon Council's sustainability. Council considers the issues support the need for a SV.

1. Impact of COVID-19 on Council revenues
-

2. Landfill Rehabilitation increase of \$19.8 million, no cash reserve
3. Cost Shifting from Other Government Departments
4. Impact of Natural Disasters
5. Whole of Life costs from Grant Funding
6. Population Growth Impacts

Each of the issues are briefly discussed below and outlined further in Criterion 6.

Impact of COVID-19 on Council revenues

In 2020/21 the forecast revenue loss from 2019/20 budgeted levels is \$1.5 million for airport revenues and \$170k for rent and lease income. Other negative impacts continue to be experienced and this could worsen and extend longer as the pandemic passes the one year mark in Australia.

The outlook for airport revenues remains uncertain but is likely to be depressed for some time. Due to the ongoing impacts of COVID-19 on international and interstate travel, the expectation for a return to previous budgeted levels is low for an extended period. A high percentage of flights in and out of Armidale Regional Airport are connecting flights and if the connections are not available then the flights from Armidale do not occur.

Landfill Rehabilitation increase of \$19.8 million, no cash reserve

Council has inherited significant landfill rehabilitation liabilities from the former councils with no cash reserves to undertake the required rehabilitation work.

In FY2020, Council undertook to have an external consultant prepare a landfill rehabilitation model that provided an estimate of landfill rehabilitation costs totaling \$23.6 million. This estimate represents a \$19.8 million increase on previous internal estimates and is due to several factors: additional rehabilitation required for the closed Guyra site (inherited from Guyra Shire Council with no rehabilitation reserve); provisional rehabilitation for a newly commenced site (Waterfall Way Regional Landfill) and an underlying increase in rehabilitation material costs at the Armidale Long Swamp Road Landfill, which is transitioning from a landfill site to a waste transfer and processing station. The higher estimate of \$23.6 million highlights the need for Council to accumulate cash reserves for the purpose of funding these increased liabilities.

Currently the only waste reserve that exists to assist with funding these liabilities is the Domestic Waste Reserve with a balance of \$1.4 million as at 30 June 2020.

Cost Shifting from Other Government Departments

Like all other Local Councils, Armidale Regional Council has experienced significant shifting of costs from other Government Departments over recent years.

One example is the increase in the Emergency Services Levy over the past 2 years. The gross increase in the levy, which is paid to the NSW Government, is approximately \$460,000. As Uralla Shire Council and Walcha Shire Council contribute to a share of these costs, Council's net increase over the past 2 years is approximately \$300,000. While the

NSW Government has provided a rebate for the increase over the past 2 years, going forward this item is a permanent addition to Council's budget without any offsetting source of funding.

A further example is the devolution of Crown Land parcels to Council. Crown Land parcels require the preparation of Plans of Management for 76 parcels of land, along with maintenance by Council, with no funding sources provided. While the opportunity may exist for Council to use the parcels for revenue generation, the costs generally outweigh the benefits and this adds to Council's cost base. Due to the additional workload created in the property management area by these changes, Council has proposed to undertake recruitment for a Property Officer, which will represent an additional ongoing position.

The above items mean that Council's limited rate revenue is required to be spread over an increase base of costs and assets shifted from State and Commonwealth Government.

Impact of Natural Disasters

Council has been impacted by the following recent Declared Natural Disaster Events:

NSW Bushfires: 31 August 2019 onwards (Code: AGRN871) – this fire event impacted several areas of Armidale's Local Government Area including areas surrounding Ebor Village, Waterfall Way (State Road MR76), Point Lookout, Guyra Road, Round Mountain Road, Raspberry Road, Kempsey Road and Big Hill. Armidale Airport was used as a base by the RFS for fire fighting missions to surrounding Local Government Areas. Council provided additional support to the RFS during this period.

NSW Storms and Floods: 15 January 2020 onwards (Code: AGRN898) – this storm and flood event primarily impacted the Kempsey Road and Big Hill areas, after the vegetation of these areas were already impacted by bushfires only several months earlier.

NSW Storms and Floods: 20 October 2020 onwards (Code: AGRN936) and NSW Storms and Floods: 10 December 2020 onwards (Code: AGRN943) – these storm events further impacted the Kempsey Road and Big Hill areas, after rehabilitation work had been performed. Some of completed rehabilitation work was washed away during both events. Council is working with the NSW Government Transport for NSW (TfNSW) to plan structural work to minimise the impact of future events.

Along with financial resources, natural disasters absorb staff resources and impact upon Council's delivery program, resulting in deferral of priority projects.

The cost to Council of the above natural disasters has totalled \$3.5 million, with Council lodging claims for reimbursements with relevant Government departments and agencies totalling \$2.8 million. The remaining balance of \$0.7 million represents costs that are either subject to claims yet to be made or costs that Council must absorb under the claim arrangements and was not budgeted for.

As a result of the damage sustained to Kempsey Road from the above Natural Disaster Events, for the year ended 30 June 2020 financial statements, Council recorded an

impairment loss of \$1.9 million against the Road and Infrastructure assets.

Whole of Life costs from Grant Funding

Grants provide an important source of funding for Council, however many grants are provided for the purpose of creating new assets.

New assets are required to be maintained and repaired when necessary and they depreciate over their useful life. At the end of their useful life, Council must consider the cost-benefit analysis of replacing the item which requires budget and forward capital planning. New assets add to Council's asset base and cost base and spreads already thin maintenance budget allocations over additional assets. This has a detrimental impact on Council's sustainability.

Many grants require a co-contribution of at least a level of what is often referred to as 'in kind' support; however, no level of support is without a consequence on the Council. Deferring existing resources to support grants is resulting in the inability to progress important priorities of Council such as maturing the asset management framework and implementing productivity and efficiency programs.

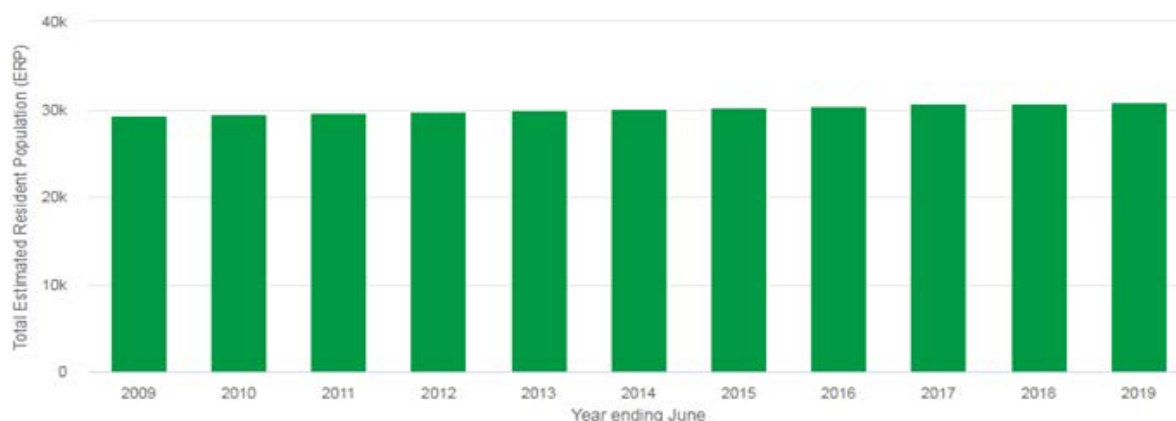
In addition, Grants take a considerable amount of time to research, collate the necessary data, prepare and lodge. Grant writing is sometimes outsourced at additional cost to Council, while in most cases internal resources are required. This detracts from Council's primary focus to deliver existing services and focus on existing priority projects.

Population growth

While population growth can provide a positive contribution for Council's rate base and rates income, additional population places pressure on Council's services, impacting upon resource utilisation and depletion and may lead to a faster deterioration of assets.

Population growth creates extra demand for additional service delivery and growing pressure on local Council's finances. Growth in Council rate revenue has been inadequate to cope with this population growth. The table below shows the population growth in Armidale Regional Council area. The population has grown by approximately 5% from 2009 to 2019 and is forecast to continue to grow at an annual rate of 0.9% to 2041 (cumulative 25% growth to 2041).

Total Estimated Resident Population (ERP) – Armidale Regional Council



Source: Australian Bureau of Statistics, Regional Population Growth, Australia (3218.0).

State Government Policy

Council is also faced with a challenge that the State Government has a policy on developing regional NSW, recognised Armidale as a regional city (The New England North West Regional Plan 2036 [<https://www.planning.nsw.gov.au/Plans-for-your-area/Regional-Plans/New-England-North-West>]). Council will ultimately have the obligation of delivery and any ongoing operational responsibility of responding to these opportunities such as infrastructure development, environmental and community services.

Need 5: Avoiding a reduction of services and consideration of options other than SV

Due to existing funding shortfall for asset renewal, Council is seeking to avoid a further reduction of services. Council is cognisant that if the SV is not successful, there will need to be a reduction in the level of service and previous experience has shown that in general the most impacted area is funding available for asset renewal. However, loss of funding that the temporary SV represents in the order of \$1.5 million per year could not be sustained without a significant reduction in many services.

Another indicator is community satisfaction. The feedback from the SV consultation process has indicated that the majority of the community want Council to continue to deliver a similar service level to what it receives currently. Without the SV, this will not be possible or sustainable.

Applying the available benchmark indicators, including FTEs per population, rating comparisons and employee costs as a percentage of total operational costs, Council appears to be relatively efficient. So while there are further efficiency and productivity gains that could be made the Council is unlikely to realise further significant savings from these initiatives. The recommendations from the Performance Improvement Order also demonstrate that there are some key areas where Council is not resourced adequately to fully comply with legislative requirements and improvement will require additional resourcing.

Before considering the SV, Council explored a number of options in an attempt to avoid or

minimise any rate rise. Options investigated included:

- Funding the required increase from general revenue

Council has already realised \$2 million in ongoing savings in its long-term financial plan and must continue to achieve efficiency targets to maintain this position. Attempting to fund further expenditure would not be possible without substantial cuts or even elimination of services in other areas.

- Implement new and increasing existing user charges and fees

This was not considered feasible and would be impracticable to implement. For example, Council does not have authority to implement road tolls, nor would it be practical to implement entry fees for public parks.

- Take out new borrowings

Council already has \$24 million in loans, with \$19 million in General Fund. Further borrowings are not considered feasible because the need is for recurrent expenditure on an annual and ongoing basis. Large, one-off borrowings would further exacerbate asset backlog ratios and Council's financial sustainability challenge. Loans would need to be repaid, further impacting annual programs.

- Use cash reserves

Council's unrestricted cash ratio of 2.64 is only just above the recommended benchmark of 1.5. This ratio includes internal restrictions. As a result, there are no available funds in cash reserves to redirect to annual operating expenditure.

- Seek grant funds

Council could seek to rely on grant funds. However, there are no grant programs that deliver ongoing funding to the level required to address these issues.

If an SV is not approved there will need to be significant service level adjustments. Service level adjustments will be reviewed under asset maintenance programs.

Council recognises, however, that these are already under significant stress and this would require further consultation with the community before any adjustments are made.

1.2 Financial sustainability of the council – What will be the impact of the proposed special variation?

In the text box explain how the proposed SV will:

a) Improve the council's underlying financial position for the General Fund

b) Fund specific projects or programs of expenditure, or

c) Achieve both outcomes

Improve the council's underlying financial position for the General Fund

Armidale Regional Council's LTFP has been developed using the best information available in relation to expenditure and income trends, to monitor Council's long term financial sustainability. Through managing expenditure against available income over many years, Council has been able to consistently produce financial ratios that, for the best part, satisfy industry benchmarks. However, infrastructure ratios have been trending negative against benchmarks and are projected to deteriorate further if an allocation of greater funding is not forthcoming. Increasing operating expenditure in comparison to revenue has resulted in less funding or deferral of typical renewal activities, such as building and infrastructure asset renewals, which are highly important to deliver and maintain agreed community service levels.

Council General Fund actual results over the past three years show the following:

Blue indicates the target is met.

Red indicates the target is not met.

Year ended 30 June:	Target	2020	2019	2018
Financial Ratios				
Operating Performance Ratio	>0%	6.60%	-1.02%	-21.95%
Own Source Operating Revenue Ratio	>60%	54.12%	65.71%	61.50%
Unrestricted Current Ratio	>1.5x	2.64x	2.40x	2.08x
Debt Service Cover Ratio	>2x	4.06x	3.53x	0.76x
Rates and Annual Charges Outstanding Ratio	<10%	6.36%	2.87%	4.73%
Cash Expense Cover Ratio	>3 mths	6.30	5.34	10.63
Infrastructure Ratios				
	Target			
Building and Infrastructure Renewals Ratio	>=100%	27.36%	42.88%	80.12%
Infrastructure Backlog Ratio	<2%	2.13%	4.23%	8.35%
Asset Maintenance Ratio	>100%	84.31%	87.52%	103.64%

Cost to Bring Assets to Agreed Service Level	6.45%	3.11%	4.58%
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A copy of Council's audited financial statements for the year ended 30 June 2020 is contained as Attachment A.19.

Council acknowledges that the renewal and maintenance of its infrastructure assets is paramount to the delivery of services to the community and that these services are well received by the community. Annual cost increases incurred by councils, have further eroded the level of funding available for renewals and the increasing maintenance levels. On this basis, the infrastructure ratios are projected to continue to decline and the future cost of asset rectification will increase significantly.

In order to analyse the impacts of the proposed SV on Council's financial sustainability, Council has performed a comparison between proposed SV scenario (Option 2 Maintain Services) and base case scenario (Option 3 Decrease Services), which have been modelled in the long term financial plan contained in the Resourcing Strategy 2020-2021 (Attachment A.9).

Based on the proposed SV, Council can afford to maintain current service levels in the short term and spend an additional \$1.5 million on an asset renewal program per year indexed by the rate peg. Currently Council's assets are under funded. This asset renewal gap is forecast to increase without a SV. An increasing asset renewal gap will impact negatively on Council's service levels. A sustainable asset base is required to maintain Council's service levels.

The table below provides the snapshot of positive impact of proposed SV on General Fund.

Outcome	Base Case	Proposed SV
Fit for the Future KPIs	– Worsens performance against all ratios apart from Asset Maintenance Ratio and Real Opex Per Capita	– Improves performance against all key financial sustainability ratios
Rate Revenue Requirement	– Rate peg only – Net rate revenue decrease	– Retain funding from temporary SRV – Plus rate peg
Asset Renewal Funding	– Expenditure on asset renewal decreases by \$1.5m per annum indexed by rate peg	– Expenditure on asset renewal maintained at current level

Base Case - No SV - Option 1 (Decrease Services)

The Base Case is based on the decreased service level of current operations of the Council and models the effect of not having a current SV. Details of the modelling are on pages 34-40 in the Resourcing Strategy 2020-2021 at Attachment A.9. In the Base Case, Council maintains its operating income and expenditure levels based on the 2020-21 Operational Plan.

The Base Case scenario is forecast to reduce Council's revenue from ordinary rates by \$1.5 million per annum indexed by the rate peg, owing to discontinuation of the current SV. This option would result in a significant reduction in services provided by Council and Council's asset renewal backlog will increase. Roads, buildings and public spaces will deteriorate placing a significant financial burden on future generations and threaten Council's medium and long-term financial sustainability. Council's General Fund accumulated operating deficit before capital grants and contribution reaches \$30.8 million over ten years, and produces an average negative operating surplus ratio of 5.17% over the same timeframe. Council's working capital and the ability to satisfy its obligations in the short term is significantly below the industry benchmark figure with the Unrestricted Current Ratio averaging 1.32x per annum when it should be above 1.5x per annum. The infrastructure backlog grows over the life of the planning period, reaching 4.7% by 2031. At that time, Council will only be funding the renewal of community infrastructure at a rate of 41.4% per annum, causing a continuous cycle of further deterioration.

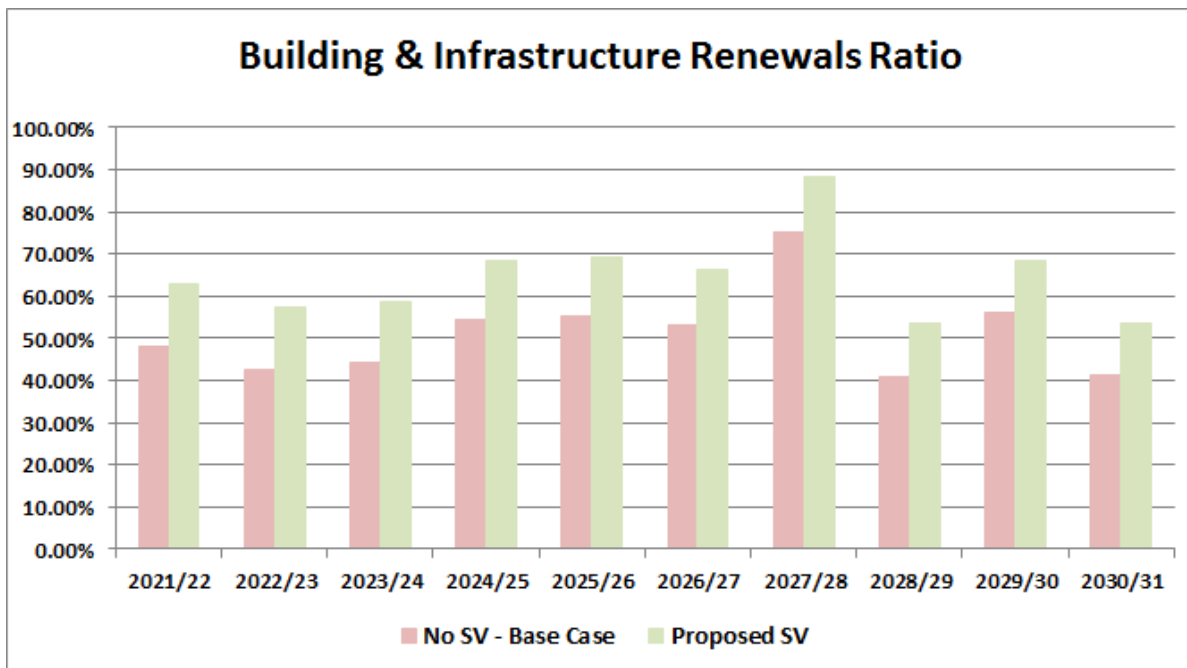
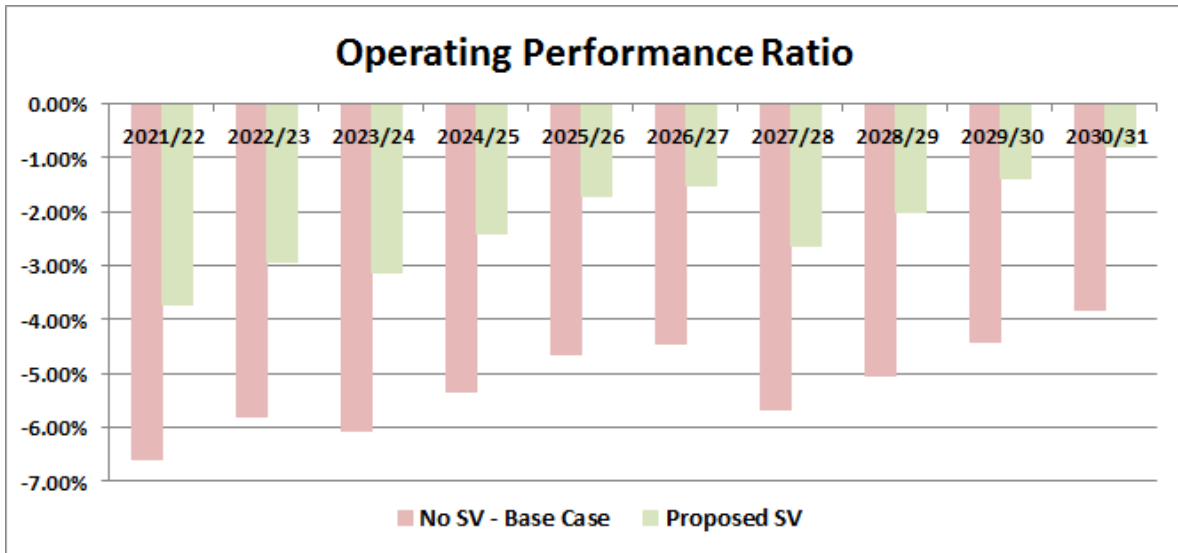
Proposed SV - 8.5% permanent SV plus rate peg - Option 2 (Maintain Services)

The proposed SV is a permanent increase of 8.5% plus the 2.0% rate peg (total of 10.5%) commencing in 2021/22. This would replace the loss of the current temporary SV which is due to expire 30/06/2021. This would result in current levels of service maintained in the short term; however the asset renewal backlog would continue to increase. This will increase costs in the medium to long term placing a financial burden on future generations. Council will have limited options to fund new assets as the region grows. The proposed SV presents a continuation of a 'status quo' where Council delivers existing services and continues to invest at the current levels in asset renewals. Council would not be considered financially sustainable as it would not meet the Fit for the Future benchmarks. Operating deficits are still projected over the life of the long term financial plan and the Building and Infrastructure Renewals ratio averages 65%. However, this scenario is a substantial improvement over the Base Case.

Under the proposed SV Council's General Fund accumulated operating deficit before capital grants and contribution will reach \$13.4 million and Council's operating surplus ratio, averages around negative 2.22% per annum. Council's working capital and the ability to satisfy its obligations in the short term is below the industry benchmark figure with the Unrestricted Current Ratio averaging around 1.36x per annum. The infrastructure backlog grows over the life of the planning period, reaching 3.9% by 2031. At that time, Council will only be funding the renewal of community infrastructure at a rate of 53.6% per annum, causing a continuous cycle of further deterioration. Based on this scenario, Council relatively improves on all of the key performance measure benchmarks over ten years. Council rate revenue continues at current levels plus the rate peg and this assists to reduce the unfavourable gap between operating income and expenditure and generates an additional \$1.5 million per annum indexed by the rate peg to fund Council's ongoing asset renewal programs. Compared to the Base Case, Council's General Fund operating deficit is forecast to reduce by \$17.5 million and funding available for asset renewal is increased by \$16.9

million over the ten year comparison period.

The impact of the proposed SV can be seen in the following graphs of Council’s General Fund Operating Performance Ratio and Asset Renewal Ratio. As can be seen below, the ratios are still well below the OLG benchmarks even with the proposed SV, but are a substantial improvement over the Base Case.



While the proposed SV will enable Council to improve its financial performance, it highlights that Council will continue to have significant financial challenges ahead to improve its financial position. However, securing the proposed SV would provide Council the ability to

work towards addressing these challenges in an environment where it is not also trying to implement significant reductions in service levels.

Fund specific projects or programs of expenditure

As outlined in the previous section, one of the primary aims of the proposed SV is to provide funding for the replacement and renewal of assets and to improve asset sustainability ratios.

As identified in Special Schedule 7 of Council's Annual Financial Statements for the year ended 30 June 2020 (Attachment A.19, page 115), the estimated cost to bring Council's infrastructure to a satisfactory standard (i.e. Council's infrastructure backlog) is \$10,423,000 for the General Fund only. Council's assets are not being renewed relative to the rate at which assets are depreciating. Ongoing failure to address the funding gap of asset renewal and asset maintenance will result in a worsening of the infrastructure backlog. This exacerbates Council's already poor result in the ability to sustain assets and falls well short of the target benchmarks set by the OLG.

As an outcome of the proposed SV, Council is proposing to fund various asset renewal capital programs as follows:

\$'000	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Renewals										
Urban Reseals	323	331	339	348	357	366	375	384	394	404
Rural Reseals	458	469	481	493	505	518	531	544	558	572
Gravel Re-sheeting	393	402	412	423	433	444	455	467	478	490
Kerb and Gutter	65	67	69	70	72	74	76	78	80	82
Footpaths	47	48	50	51	52	53	55	56	57	59
Buildings	227	233	238	244	250	257	263	270	276	283
Total	1,513	1,551	1,589	1,629	1,670	1,712	1,754	1,798	1,843	1,889

The level of funding required for each asset class and therefore the level of renewal funding then identified under the SV program has been determined with reference to Council's draft Asset Management Strategy and Plans, which are included as Attachment A.14.

1.3 Financial indicators – What will be the impact of the proposed special variation on key financial indicators over the 10-year planning period?

- ▼ **In the text box** provide details on the council's key financial indicators and indicate if the proposed SV has been included in the Long Term Financial Plan.
- ▼ You may **also/alternatively** provide the information for part a) by **populating Table 1.1**, for as many years as relevant for the council's proposed SV.

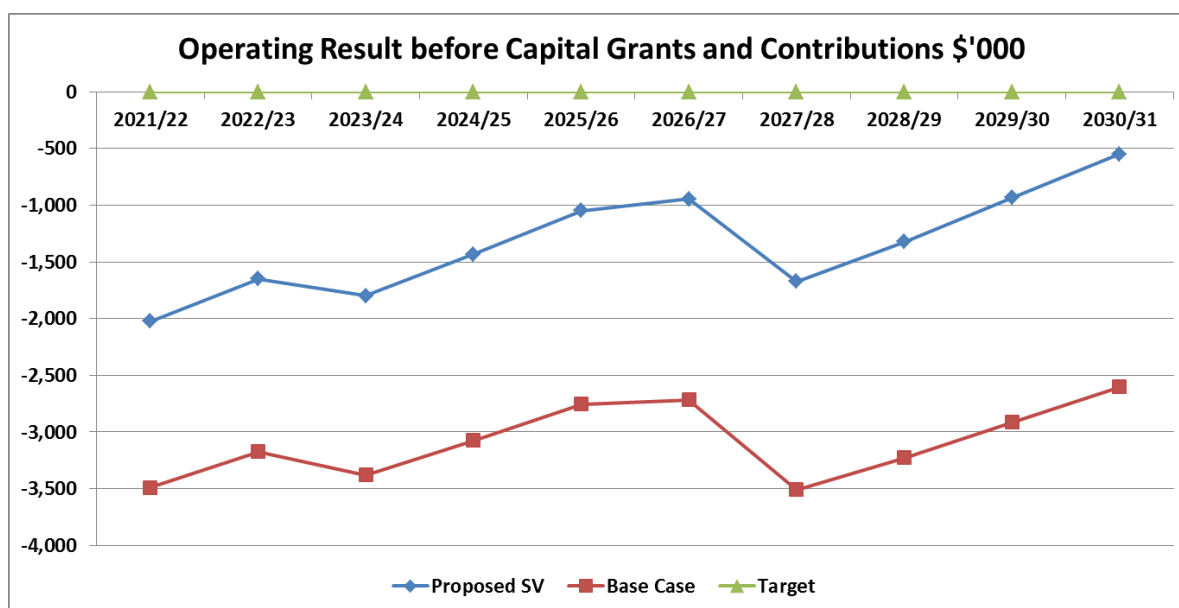
a) Explain how the proposed SV would affect the council’s key financial indicators (General Fund) over the 10-year planning period.

The table below provides a comparison of the performance against each Key Performance Indicators (KPI) over the 10 year planning horizon.

Indicator	Bench- mark	Scenario	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Local Government Industry Indicators												
Operating Performance Ratio	>0%	Base Case	-6.6%	-5.8%	-6.1%	-5.3%	-4.6%	-4.4%	-5.7%	-5.0%	-4.4%	-3.8%
		Proposed SV	-3.7%	-2.9%	-3.1%	-2.4%	-1.7%	-1.5%	-2.6%	-2.0%	-1.4%	-0.8%
Own Source Operating Revenue Ratio	>60%	Base Case	69.7%	77.2%	77.5%	77.4%	77.6%	78.3%	78.4%	76.4%	78.5%	79.6%
		Proposed SV	70.5%	77.8%	78.1%	78.0%	78.2%	78.9%	79.0%	77.0%	79.1%	80.2%
Unrestricted Current Ratio	>1.5x	Base Case	1.1	1.1	1.1	1.0	1.1	1.3	1.2	1.6	1.8	2.1
		Proposed SV	1.1	1.1	1.1	1.1	1.1	1.3	1.2	1.6	1.9	2.2
Debt Service Cover Ratio	>2.0x	Base Case	2.8	2.9	3.4	3.9	4.6	5.7	13.7	18.5	26.8	145.1
		Proposed SV	3.2	3.3	3.9	4.5	5.2	6.5	16.0	21.4	31.0	167.6
Infrastructure Asset Performance Indicators												
Infrastructure Renewals Ratio	>=100%	Base Case	48%	43%	44%	54%	55%	53%	75%	41%	56%	41%
		Proposed SV	63%	58%	59%	68%	69%	66%	88%	54%	68%	54%
Infrastructure Backlog Ratio	<2%	Base Case	2.4%	2.7%	2.9%	3.1%	3.4%	3.6%	3.7%	4.1%	4.3%	4.7%
		Proposed SV	2.3%	2.5%	2.7%	2.9%	3.0%	3.2%	3.2%	3.5%	3.7%	3.9%
Asset Maintenance Ratio	>100%	Base Case	84%	84%	84%	84%	84%	84%	84%	84%	84%	84%
		Proposed SV	84%	84%	84%	84%	84%	84%	84%	84%	84%	84%

Council’s Long Term Financial Plans are included in the Resourcing Strategy 2020-2021 and include the associated ratios. The Resourcing Strategy is included as attachment A.9.

A key indicator that the proposed SV will impact is the Operating Result. The projected operating result before capital grants and contributions is shown in the graph below.



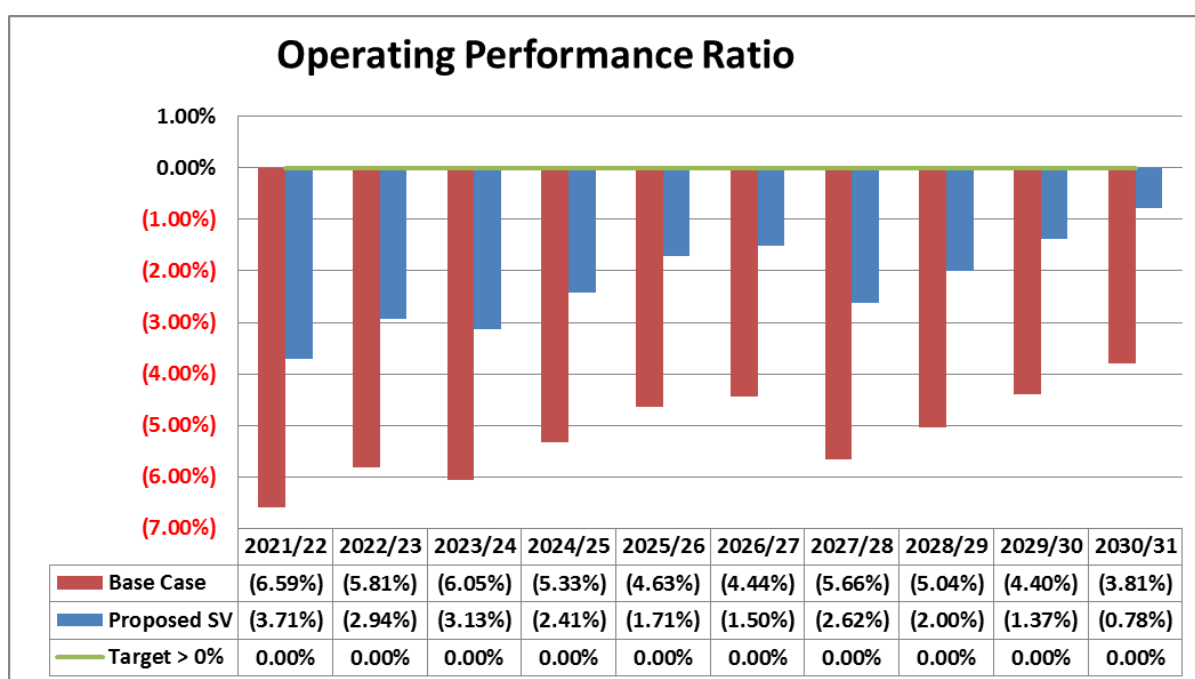
The operating result is the most important financial indicator. Achievement of an operating surplus means that Council would be covering total operating costs including depreciation and would therefore be generating sufficient funding for asset renewal funding requirements.

The above graph shows that this is not possible under the Base Case or proposed SV; however the projected operating deficit is substantially less with the proposed SV included.

Key performance indicator results are as follows:

Operating Performance Ratio

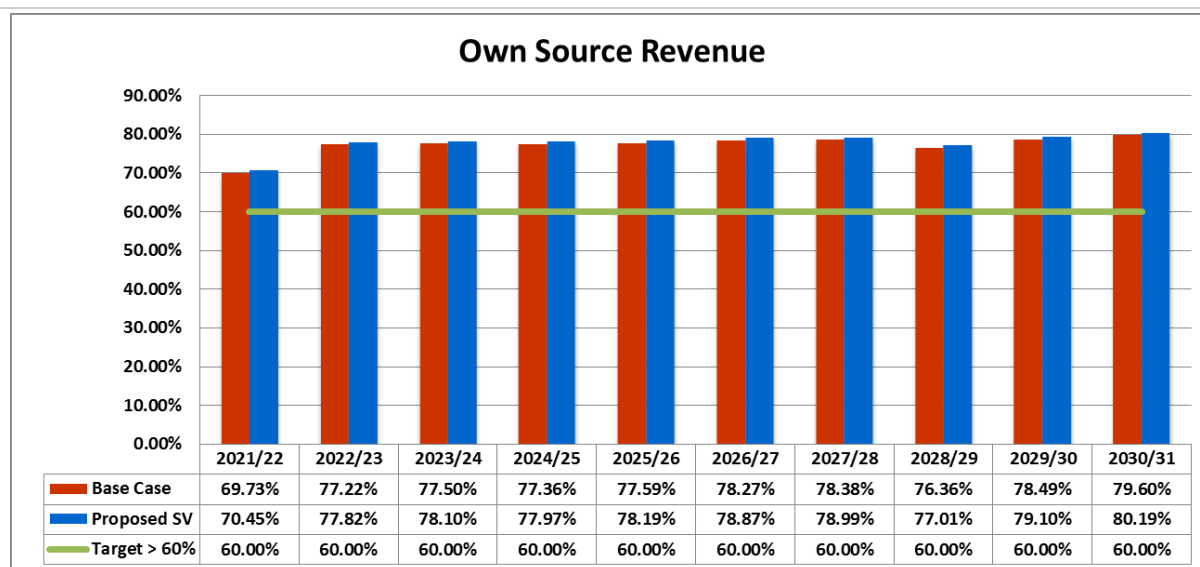
The operating performance ratio excludes capital items (i.e. net operating result excluding capital grants and contributions as a percentage of operating revenue excluding capital grants and contributions), and measures Council's achievement of containing operating expenditure within operating revenue. The benchmark set by the OLG for this KPI is greater than 0%.



It can be seen from the above graph that the benchmark is not met by the Base Case or the proposed SV. The operating performance ratio is positively impacted by the proposed SV due to the increase in revenue that would result. The ratio improves under the Base Case and proposed SV; however, under the proposed SV the ratio is substantially better. Under the Base Case, the operating performance ratio is still at -3.81 % after ten years.

Own Source Revenue Ratio

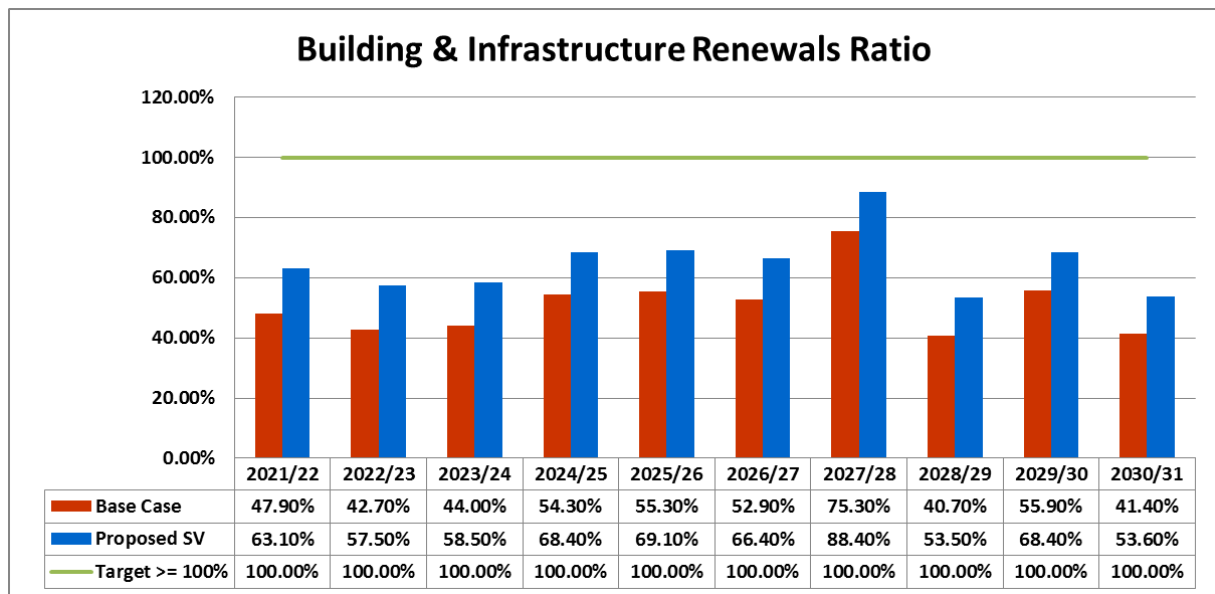
The own source revenue ratio (ie, total operating revenue excluding capital items as a percentage of total operating revenue including capital items) measures the degree of reliance on external funding sources such as grants and contributions. The benchmark set by the OLG for this KPI is greater than 60%.



Council has always had a strong own source revenue ratio and it improves more so under the proposed SV than under the Base Case. Council will continue to pursue opportunities for new revenue streams, however these are not easy to establish in a regional area with lower densities and smaller local economies.

Building and Infrastructure Renewal Ratio

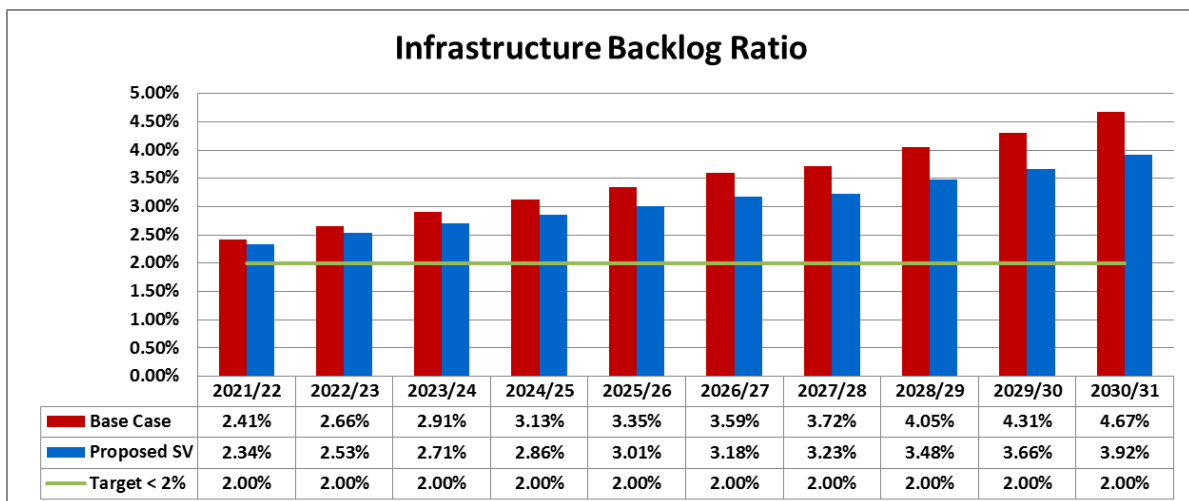
The building and infrastructure renewals ratio assesses the rate at which infrastructure assets are being renewed relative to the rate at which they are depreciating. The benchmark set by the OLG for this KPI is greater than or equal to 100%.



The ratio does not meet benchmark under the Base Case or the proposed SV; however it is substantially improved under the proposed SV. There is some variation in the level of capital renewals forecast due to the nature of the assets Council holds, including the airport.

Infrastructure Backlog Ratio

The infrastructure backlog ratio measures the annual assessment of what one off spend is required to bring all infrastructure assets to a satisfactory condition relative to their total written down value (i.e. estimated cost to bring assets to satisfactory condition as a percentage of total (written down value) of infrastructure, buildings, other structures, depreciable land and improvement assets). The benchmark set by the OLG for this KPI is less than 2%.

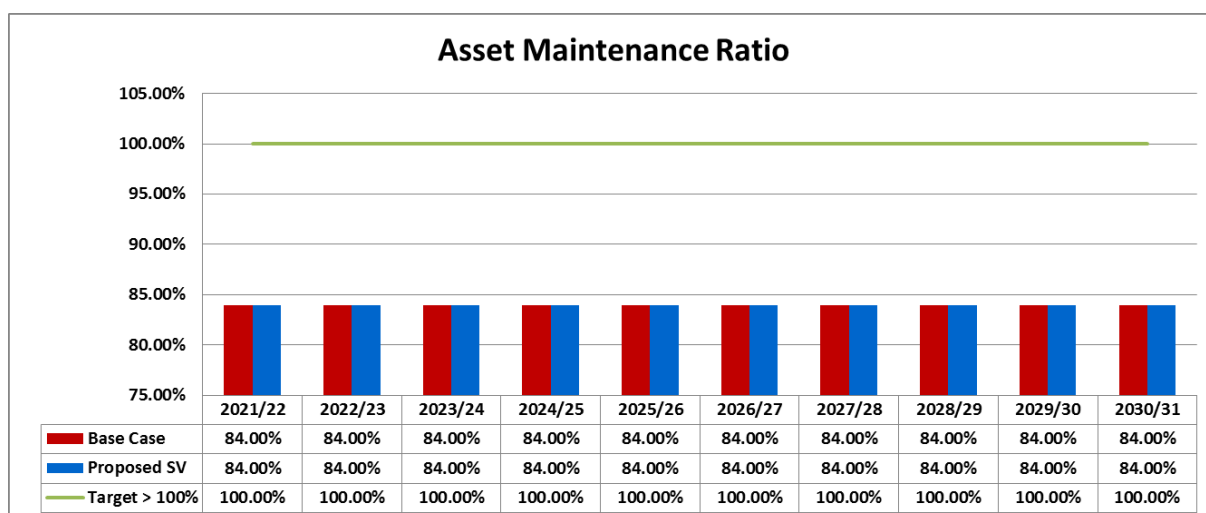


Council’s infrastructure backlog ratio does not meet the benchmark under the Base Case or

the proposed SV; however it is substantially improved under the proposed SV. A growing infrastructure backlog figure indicates that insufficient levels of funding are being invested in the renewal and replacement of assets and this will leave a greater burden on future ratepayers.

Asset Maintenance Ratio

The asset maintenance ratio assesses the actual asset maintenance as a percentage of required asset maintenance. A ratio above 1.0 indicates that Council is investing enough funds to stop the infrastructure backlog figure from growing.



As Council's ratio is already less than the benchmark, under the Base Case and proposed SV, Council aims to maintain the operating service (maintenance) at the same level.

b) Indicate if this information has been included in the council's Long Term Financial Plan. Relevant key indicators could include those listed in Question 1.1.

Details of the Key Performance Indicator (KPI) results for the Base Case and proposed SV scenario are contained on pages 34-54 in the Council's Resourcing Strategy 2020-2021, included as Attachment A.9. The key performance indicators in the table below are for the proposed SV.

Table 1.1 Council's key financial indicators

Ratio	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Operating performance ratio excluding capital items	6.60%	-2.66%	-3.71%	-2.94%	-3.13%	-2.41%
Own source revenue ratio	54.12%	58.75%	70.45%	77.82%	78.10%	77.97%
Building and asset renewal ratio	27.36%	60.25%	63.08%	57.51%	58.52%	68.42%
Infrastructure backlog ratio	2.13%	2.2%	2.3%	2.5%	2.7%	2.9%
Asset maintenance ratio	84%	84%	84%	84%	84%	84%
Debt service ratio	9.19%	7.31%	7.05%	6.97%	5.80%	5.10%
Unrestricted current ratio	2.64	1.12	1.05	1.05	1.07	1.05
Rates and annual charges ratio	6.36%	5.84%	5.67%	5.48%	5.41%	5.23%

1.4 Deferred rate increases available under section 511 of the Local Government Act

In the text box explain:

a) The quantum, rationale and timing of any deferred rates the council has incurred.

Council has a catch up amount of \$89,294 available to it from the audited permissible income returns for the year ended 30 June 2021. It intends to include the catch up amount in rate modelling for the 2021/22 financial year. The catch up amount represents 0.45% of total ordinary rate revenue including the proposed SV amount.

b) When council plans to include these deferred rates through the catch up provisions and whether this been included in the LTFP.

Council intends to include the catch up amount in rate modelling for the 2021/22 financial year. The catch up amount relates to growth in the rates base, which has been estimated in the LTFP at 1.3% per annum. In 2021/22 the rates growth forecast is \$240,445 and the catch up amount of \$89,294 will contribute towards achieving this growth amount.

c) How do these deferred rates impact on the council's need for the special variation and its cumulative impact on ratepayers' capacity to pay

The catch up amount has no impact on council's need for the SV as a rates growth assumption has been assumed in the financial modelling. Inclusion of the catch up amount in the 2021/22 rates forecast has a small impact on ratepayers and represents around \$7 per rate assessment. Application of the catch up amount will be over the entire rate base.



Attachments for Criterion 1

List attachments relevant to your response for Criterion 1 in **Table 1.2**. Use the council assigned number shown in Table 8.1.

Table 1.22 Attachments relevant to response for Criterion 1

Council- assigned number	Name of document	Page references ^a
A.3	Council Resolution to Apply for SRV	
A.7	Community Strategic Plan 2017-2027	
A.8	Delivery Program 2018-2022	
A.9	Resourcing Strategy 2020-2021 (Addendum to revised Delivery Program 2018-2022) – includes long term financial plans	
A.14	Asset Management Combined Documents	
A.17	Armidale Dumaresq Council - Fit for the Future Assessment Summary	
A.18	Performance Improvement Order and Review of Council Finances	
A.19	Audited Financial Statements 30 June 2020	

^a If document only relevant in part.



Criterion 2

Community engagement and awareness

Criterion 2 in the SV Guidelines is:

Evidence that the community is aware of the need for and extent of a rate rise. The Delivery Program and Long Term Financial Plan should clearly set out the extent of the General Fund rate rise under the special variation. In particular, councils need to communicate the full cumulative increase of the proposed special variation in percentage terms, and the total increase in dollar terms for the average ratepayer, by rating category. The council's community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occur. The IPART fact sheet includes guidance to councils on the community awareness and engagement criterion for special variations.

To complete the questions for Criterion 2: Community awareness and engagement refer to IPART's Application Guide for SV Application Form Part B.

Refer also to the IPART publications:

- ▼ *The Year Ahead – Special Variations in 2021-22 – Fact sheet*
- ▼ *Special Variations in 2021-22 – Information Paper*
- ▼ *Community awareness and engagement for special variations – Fact sheet*

Provide relevant extracts of the IP&R documents that set out the rate rises under the proposed SV and **attach** relevant samples of the council's consultation material.

2.1 How did the council engage with the community about the proposed special variation?

In the text box:

a) Outline the council's consultation strategy and timing.

Armidale Regional Council embarked upon a comprehensive community engagement process with regard to a SV proposal, in accordance with IPART requirements. The Community Engagement Strategy and Plan followed is included in Attachment A.10.

The purpose of the community engagement process was to inform and engage with Armidale Region ratepayers to seek feedback on three SV Options:

Option 1. Increase Services

Continuation of the temporary SRV plus an additional SRV increase

Council will apply for a permanent Special Rate Variation of 18.5% plus the 2.0% rate peg (total of 20.5%).

This would:

- replace the funding currently provided by the temporary (7 years) SRV of 10% applied for by the former Armidale Dumaresq Council; plus
- a further 10% SRV.

This Option would increase total rate revenue by \$1.8 million per annum from the current level. In total, revenue from the proposed SRV would be approximately \$3.3 million per annum.

Option 2. Maintain Services

Continuation of the temporary SRV

Council will apply for a permanent Special Rate Variation of 8.5% plus the 2.0% rate peg (total of 10.5%).

This would:

- replace the funding currently provided by the temporary (7 years) SRV of 10% applied for by the former Armidale Dumaresq Council.

This Option would replace the temporary SRV, which is now worth approximately \$1.5 million annually in ordinary rate revenue.

Option 3. Decrease Services

Discontinuation of the temporary SRV

Council will not apply for a Special Rate Variation and revenue from ordinary rates will drop by \$1.5 million per annum.

This Option would result in a significant reduction in service levels.

The primary aim of the consultation process was to inform the community about why there is a need for consideration of a SV and the ratepayer impacts of each SV option. Council also sought to inform the community on the challenges and benefits of generating a sufficient level of funding to maintain service levels and assets.

Council also included information on rates harmonisation during the consultation process. At the community meetings, this information was presented separately to information on the SV but the potential for combined impacts on ratepayers also affected by rates harmonisation was explained.

The consultation period ran from Monday, 2 November 2020 to Thursday, 10 December

2020. The timing of face to face consultation was scheduled after the expected delivery of letters to ratepayers outlining the SV options and providing information on consultation options.

A timeline of the activities undertaken is included on pages 7-9 in the Community Engagement Strategy and Plan at Attachment A.10.

IP&R Documents

Council also included information the proposed SV Options in the public exhibition of its updated IP&R documents including the:

- Community Strategic Plan 2017-2027 (Attachment A.7);
- Delivery Program 2018-2022 (Attachment A.8); and
- Resourcing Strategy 2020-2021 (Addendum to revised Delivery Program 2018-2022) (Attachment A.9).

The public exhibition period for the above documents ran from 10 December 2020 to 7 January 2021 and no submissions were received during the public exhibition period.

b) Indicate the different methods the council employed to make the community aware of the proposed SV and seek their feedback, and why these were selected.

A copy of Council's summary report on the community engagement process is included as Attachment A.11. This report includes examples of the community engagement material used. A copy of the letter and brochure mailed to ratepayers is included on pages 10-13 in Attachment A.10.

Ratepayer Letter

At the commencement of the consultation process, a letter and brochure was sent to ratepayers informing them of the proposed SV Options and average ratepayer impacts of each option. This also included information on rates harmonisation. The letter was set out in 2 parts being SRV and Rates Harmonisation in order to provide a distinction of the 2 topics. The letter was also titled 'Changes to your rates' and the brochure titled 'Your rates are changing' in an effort to draw attention to the information and reduce the risk of the material not being read.

10,541 letters were distributed. Council has 12,873 rate assessments (see break-up in table below). Some of these rate assessments are properties owned by Council and a percentage of ratepayers own multiple properties. In order to reduce costs multiple property owners received only 1 letter (not one for each property).

Number of Rate Assessments			
Residential	Business	Farmland	Mining

10,679	692	1,490	12
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The letter was issued between 6-9 November and feedback at the first face to face public consultation on 11 November indicated that the letters had begun to be received by then. From the feedback provided at both face to face consultation and by way of the phone survey process this appeared to have reasonable success with the phone survey reporting 68% of respondents being aware of the proposed SV. This is an improvement from the phone survey response rate for the 2014/15 SRV, which indicated 39% of respondents were aware of the proposed SV and a similar process had been followed at that time.

Council established a SV 'hotline' for ratepayers so that they could immediately seek information or book a place at a community meeting through phone contact with a trained Council officer.

Council felt that the process of sending a letter to ratepayers was the most effective way of ensuring that as many ratepayers as possible were made aware of the proposed SV process and opportunities to obtain more information about the SV Options. This is because there are a number of residents in the community who are not online and, due to the high percentage of rental properties in the area, it cannot be assumed that all ratepayers live locally and will necessarily see or hear other forms of advertising about the process. At all face to face consultation sessions Council officers asked ratepayers if they had received the letter and most people said they had.

Website

Council established a page on its 'Your Say' consultation website called: *Council's Planning for our future - proposed Special Rate Variation and Rates Harmonisation* that contained information specifically on the SRV and rates harmonisation process [<https://yoursay.armidale.nsw.gov.au/planning-for-our-future-proposed-special-rate-variation-and-rates-harmonisation>]. This included further information for ratepayers on rating impacts, a range of frequently asked questions and copies of the material presented at the community meetings.

The public expect Council to ensure information is easily accessible from its website and Council uses the Your Say website for all public exhibition and consultation processes.

Advertising

Council's engagement strategy contained a high level of advertising, social media and online activities. Print advertising was limited in Armidale but still available in Guyra. Large advertisements were taken out in the Guyra Gazette and Express and, due to the limitations in Armidale where the Armidale Express is no longer producing a printed newspaper, regular advertising was booked on the local radio station. Council also heavily promoted the SV consultation process through its website and social media platforms.

Total radio ads were 36 across 2 stations including 2AD AM and 100.3 FM. Print advertising included the following advertisement:

Planning for our future Proposed Special Rate Variation



Council is seeking your feedback on a number of community projects and policies, including a proposed Special Rate Variation and Rates Harmonisation.

During the next five weeks Council will be engaging with the community on three SRV options for consideration in our final proposal to IPART and provide further clarity on the mandatory process for harmonisation of rates.

For full details on community consultations and how to submit your feedback visit yoursayarmidale.nsw.gov.au

The range of advertising was varied in line with the wide range of sources from which people now obtain information.

Community Meetings

Face to face meetings occurred in all locations including the towns of Armidale and Guyra and village locations including: Ben Lomond, Wollomombi, Hillgrove, Wards Mistake (held at Guyra), Black Mountain, Ebor and Lower Creek.

At the face to face meetings Council engaged an external facilitator, Morrison Low, to prepare and present the information on the SRV and rates harmonisation and Council's Manager Financial Services also assisted in that process. Council's Interim Administrator or Acting General Manager and senior staff also attended all meetings.

For meetings held in village locations a flyer was also delivered to all residents in those locations informing them of the meeting time and location. Council has found from previous consultation processes that this is the most effective way to ensure residents are made aware of consultation meetings in these locations.

Face to face communication is the best way to engage the community as there is an opportunity to present a much larger range of material than can be achieved through other methods and it also provides the ability to explain complex matters. At the meetings the attendees were given around 45 minutes per meeting to ask questions and provide feedback. Based on the fact that a number of SV submissions were made by people who attended the community meetings, these appeared to be a good forum for residents to get the information they needed to inform the SV submission process.

Due to the demographics of the area it is important to engage with peak bodies and

representative groups who are then able to disperse relevant information through established networks. To do this Council engaged with the Armidale Ratepayers Association and NSW Farmers Association and who between them represent residential and farming residents, which are the majority of Council's ratepayers. Council therefore took steps to ensure that these stakeholders were engaged individually at a face to face meeting and received written submissions from both groups.

Pop-Up Stalls

Pop up stalls were held in the Guyra Main Street and at 2 popular markets in Armidale.

The pop-ups were staffed by Council officers who could provide a high level overview of the SRV Options and rating impacts. A range of printed information and handouts were available at the pop-ups. Council's experience is that pop-up stalls are a more effective tool than formal meetings for engagement in some locations in the region as they present a more informal and accessible opportunity to engage.

Webinar

Towards the end of the consultation process, Council held an online version of the Community Meeting format via webinar. The webinar was reasonably well attended and was held mainly for the purpose of ensuring that ratepayers who didn't have the opportunity to attend any of the other consultation activities could be provided with the same information as presented at the community meetings and ask questions. The webinar was presented by the Manager Financial Services and the Acting General Manager and another senior staff member attended. The webinar provided attendees with the opportunity to ask questions and submit feedback.

Phone Survey

Council engaged Jetty Research to conduct a phone survey of approximately 400 residents based on a random sample residential telephone database of 3,657 residential and mobile telephone numbers within the LGA (60% mobiles, 40% landlines). They used a 75% former Armidale Dumaresq 25% former Guyra Shire split in line with the populations in each area.

The survey was conducted between 23 November 2020 and 2 December 2020 and timed towards the end of the consultation period so that it provided time for the letter to have been received and read and for ratepayers to have obtained further information if needed.

The phone survey assists with drawing in a wider range of feedback than can be achieved through other methods and allows for the collection of specific information. As an example, Council also sought to collect information about the level of satisfaction with key facilities and services so that it can use this feedback to help determine future funding priorities.

Engagement Activities

A full list of engagement activities carried out during the consultation process is provided below:

- Planning for our future – yoursay.armidale engagement hub
- Mail out letter to all ratepayers (including DL A4 fact sheet)
- Newspaper and radio advertising announcing consultation period
- Media releases – identified milestones
- Random phone survey (conducted by Jetty Research)
- Online forum – hosted on the yoursay.armidale engagement hub
- Physical displays in the customer service areas and libraries of everything available on the online yoursay.armidale hub
- Utilise fortnightly e-news and Printed Council News
- Social media (FB, Twitter and Instagram)
- FAQs hosted on the yoursay.armidale engagement hub
- Fact sheets including 'How this will affect my rates' for each rate category comparing 3 proposed options and how it will affect what a property owner will pay
- Customer service information packs (digital)
- Staff information packs (digital on the intranet)
- Media information packs (either hardcopy or digital)
- Pop-ups. Armidale markets and Guyra Main Street
- Webinar
- Face-to-face meetings: Armidale Ratepayers Association, NSW Farmers Association, Armidale, Guyra and village locations
- Village meetings: comprising representatives from Guyra, Wollomombi, Hillgrove, Ebor, Black Mountain, Ben Lomond and Wards Mistake
- Individual submissions open via email through the yoursay.armidale page or in person at the Customer Service offices in Armidale and Guyra, or emailed to council@armidale.nsw.gov.au or mailed to PO Box 75A, Armidale 2350

As Council worked through the engagement process the level of community awareness increased. The letter to ratepayers was the main way in which awareness was created and the other mechanisms including the website and advertising also contributed. Community meetings were reasonably well attended based on Council's experience with

other engagement processes and the pop-up stalls were also effective. The number of SV submissions received demonstrates that the consultation strategy used was effective in creating community awareness on the proposed SV. The online webinar had good registration numbers compared to other webinar processes that have been run previously.

Feedback

Both formal and informal feedback was sought through the community engagement process. Feedback was captured by way of:

- Formal written submissions
 - Phone survey
 - Informal feedback provided at community meetings documented by Council officers
 - Informal feedback provided at pop-up stalls and markets documented by Council officers
-

2.2 How did the council present the impact of the proposed special variation in the consultation material?

- ▼ **In the text box** provide details of the information made available to the community during consultation about the proposed rate increases.
 - ▼ **Attach** representative examples of the consultation material.
-

Ratepayer Letter

In the letter and brochure sent to all ratepayers, SV rating impacts were shown as a yearly average change for key rating categories of residential and farmland. A copy of the letter and brochure are included on pages 10.13 in Attachment A.10. The first year impact of the SV and rate peg are shown along with the second year impact of the rate peg only for each proposed SV Option. An example of how this was set out for the Armidale Residential sub category is shown below:

Option 1 – Increase Services

Residential - Armidale Average	SRV Adjustment		Rate Peg*		Annual Change	Average **
	%	\$	%	\$		
Harmonised Rate effective 1 July 2021						\$ 1,126.00
2021-22	9.3%	\$ 104.72	2.00%	24.61	\$ 129.33	\$ 1,255.33
2022-23			2.50%	31.38	\$ 31.38	\$ 1,286.71

Option 2 – Maintain Services

Residential - Armidale Average	SRV Adjustment		Rate Peg*		Annual Change	Average **
	%	\$	%	\$		
Harmonised Rate effective 1 July 2021						\$ 1,126.00
2021-22	0.0%	\$ -	2.00%	22.52	\$ 22.52	\$ 1,148.52
2022-23			2.50%	28.71	\$ 28.71	\$ 1,177.23

Option 3 – Decrease Services

Residential - Armidale Average	SRV Adjustment		Rate Peg*		Annual Change	Average **
	%	\$	%	\$		
Harmonised Rate effective 1 July 2021						\$ 1,126.00
2021-22	-7.8%	-\$ 87.83	2.00%	20.76	-\$ 67.07	\$ 1,058.93
2022-23			2.50%	26.47	\$ 26.47	\$ 1,085.40

Additional information was placed on Council's *Planning for our future - proposed Special Rate Variation and Rates Harmonisation Your Say* website page including:

- Business rating impacts in the same format as the rates brochure
- Rating impacts shown for each sub category by relevant valuation bands
- Rating comparison data to other councils

A copy of the above documents are included on pages 14-19 in Attachment A.10.

Community Meetings

At the face to face meetings Council engaged an external facilitator, Morrison Low, to prepare and present the information on the SV and rates harmonisation.

A copy of the presentation material used at these meetings is included on pages 20-64 in Attachments A.10.

IP&R Documents

The impact of the proposed SV was included in Council's updated IP&R documents including the revised Delivery Program on page 14. This is included as Attachment A.8. The Delivery Program showed the proposed SV adjustment and impact of the rate peg on each rating category that would exist in a harmonised rating structure as at 1 July 2021. Council's long term financial plans are contained on pages 28-54 in the Resourcing Strategy 2020-2021 which is included as Attachment A.9.

2.3 How effectively did the council's various consultation strategies engage the community about the proposed special variation?

- ▼ **In the text box** provide details on the level of community involvement, consultation strategies used and feedback from the community.
- ▼ **Attach** survey results and other examples of feedback from the community.

a) Indicate the level of community involvement in, and response to, the various consultation strategies the council used, eg, number of participants in meetings, number of submissions received.

A copy of Council's summary report on the community engagement process is included as Attachment A.11. This report contains information on all of the community consultation activities undertaken and responses to the consultation undertaken.

Through the various methods of consultation, the level of involvement from the community was as follows:

	Response #	% of Ratepayers
Community Meetings	146 Attendees	1.1%
Your Say Website	945 Unique Visitors	7.3%
Written Submissions	247	1.9%
Phone Survey	405	3.1%

Attendance at Community Meetings

Based on experience from previous consultation processes, Council viewed the response to the community engagement process as high and received relatively good attendance at community meetings. Morrison Low, who conducted the presentations at the community meetings and collated feedback from those meetings, also indicated that from their experience in other council SV consultation processes, attendance at community meetings was good and in their view Council had rolled out a comprehensive program of SV consultation activities.

Attendance at the various meetings was as follows:

Date	Meeting	Attendance
11/11/2020	NSW Farmers Association Meeting	11
11/11/2020	Armidale Ratepayers Association Meeting	16
12/11/2020	Guyra Community Meeting (day)	0
12/11/2020	Armidale Community Meeting (evening)	9
16/11/2020	Armidale Community Meeting (day)	11
16/11/2020	Guyra Community Meeting (evening)	9
17/11/2020	Ben Lomond Village Meeting	11
18/11/2020	Wollomombi/Lower Creek Village Meeting	9
19/11/2020	Hillgrove Village Meeting	14
24/11/2020	Wards Mistake (Guyra Chambers) Village Meeting	11
25/11/2020	Black Mountain Village Meeting	15
26/11/2020	Ebor Village Meeting	17
30/11/2020	Webinar	13

The engagement with the Armidale Ratepayers Association and NSW Farmers Association represented a wider group of residential and farming residents, which are the majority of Council's ratepayers. Council received written submissions from both groups.

Planning for our future - proposed Special Rate Variation and Rates Harmonisation Your Say website

A dedicated page was created on Council's Your Say website for the duration of the consultation period. Statistics from the website are:

- 1300 visits to the page
- 945 unique visitors to the page
- Frequently Asked Questions viewed 282 times
- 51 downloads of SRV & Rates Harmonisations – What would I pay? fact sheet
- 49 downloads of SRV – 3 options Non-urban farmland average impact fact sheet
- 37 downloads of Rating Comparison based on 2018-19 comparative data fact sheet

Written Submissions

A total of 247 written submissions were received during the consultation period. These have been redacted where required and are included on pages 51-429 in Attachment A.11. The submissions were included in a report to the Council meeting held 27 January 2021 where the decision to apply for a SV was made and have therefore been made a public document through that process.

Phone Survey

A copy of Council's summary report on the community engagement process is included as Attachment A.11. This includes the full report on the phone survey conducted by Jetty Research on pages 21-50.

The phone survey was based on a random sample residential telephone database of 3,657 residential and mobile telephone numbers within the LGA (60% mobiles, 40% landlines). 405 valid interviews were conducted (being 305 residents from the previous Armidale Dumaresq LGA and 100 from the previous Guyra Shire).

Jetty Research attempted to obtain a good cross-section of the community in terms of age profile and gender and the results were post-weighted by age and gender to match the LGA's profile as at the 2016 ABS Census.

The survey established some details about the respondents including location, whether they were a ratepayer, whether they lived in an urban or rural setting and whether they had children at home.

It then asked the respondent about their level of satisfaction of key Council facilities or services, including roads.

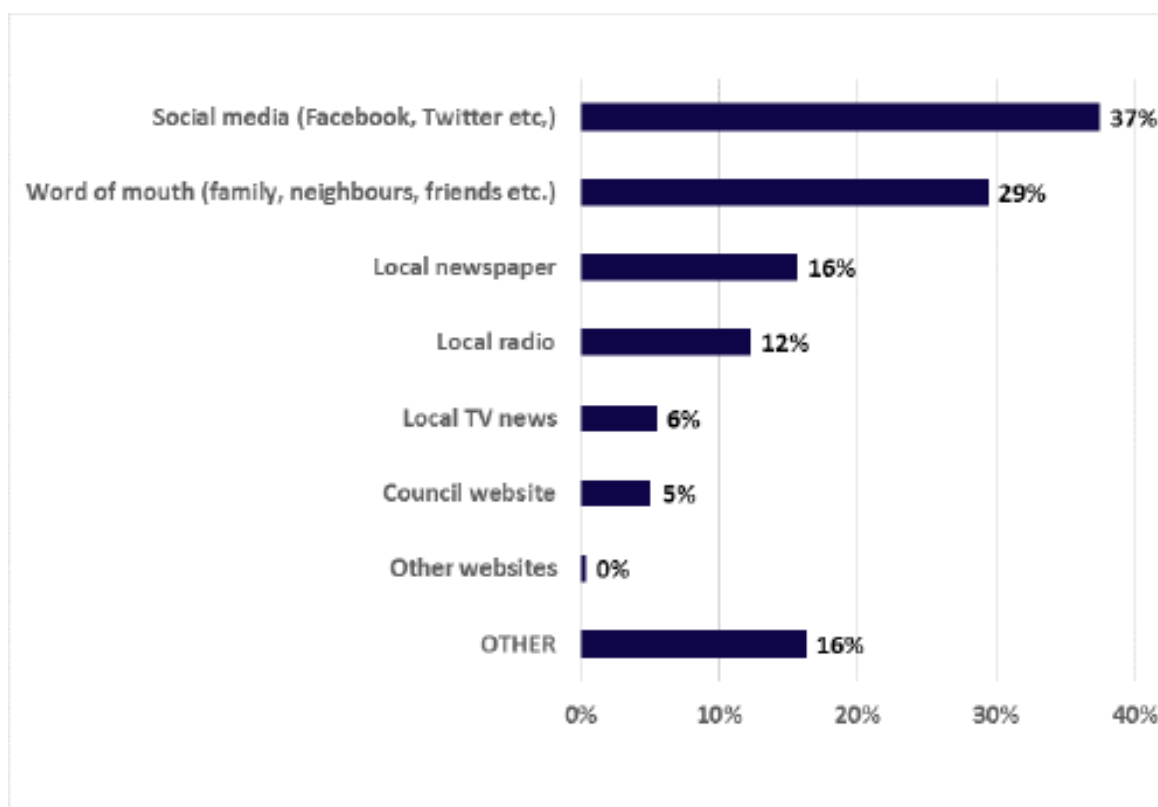
The survey then moved into the SV questions and firstly established if the resident had

received the SV letter and brochure and the response rate to this question was reasonably good considering that non-ratepayers would not have been sent the letter.

Slightly over two-thirds of residents claimed to have received the letter from Council regarding the proposed SV Options. Awareness was highest among residents aged 60+ (77%) and ARC ratepayers (78%).

Of those who recalled receiving the Council letter, slightly over three-quarters claimed to have read it – either in detail (34%) or just skimming it (44%).

Other prominent sources of information about the SV included social media and word-of-mouth. Social media was the most popular choice among younger residents, while one-third of those aged 60+ had read about the proposed SV in the local paper.



Council Meetings

During the SV consultation process, a special interest group was formed and representatives of the group were afforded the opportunity to speak at the Council meeting held 27 January 2021 in support of their written submission, which advocated support for Option 3. A representative from Armidale Ratepayers Association also spoke at the meeting in support of their written submission, which advocated support for Option 2 [<https://www.youtube.com/watch?v=5UxcRxjirXo> commences at 40:43/4:36:41].

Extract from Council minutes 27 January 2021:

5.2 Have your say

- Tony Sorensen Speaking for Item 7.1 Maker Lab at Library
- Joshua Fittler Speaking against Item 9.4 Special Rate Variation
- Leo Fittler Speaking against Item 9.4 Special Rate Variation
- Eric North Speaking against Item 9.7 Future of Proposed Australian Transport Museum
- John Atchison Speaking against Item 9.13 Armidale Airside Business Park Street Naming
- Rob Richardson Speaking against Item 9.4 Special Rate Variation

b) Outline the nature of the feedback the community provided on the proposed SV.

A copy of Council's summary report on the community engagement process is included as Attachment A.11. This report outlines the feedback received and provides an overall summary.

Community Meetings

The community meetings were held primarily for the purpose of providing further information on the proposed SV Options and their likely impacts and to gather informal feedback. The feedback was recorded on butchers paper and then summarised in a report. The summary of key feedback provided by each forum is contained in the summary report on the community engagement process.

Common themes raised at the community meetings were:

- Council does not listen to community views
- There is decreased community capacity to pay due to Covid-19, bush fires and drought
- Council needs to identify more efficiencies, cost savings and trim costs to fit budget
- Many questioned Council's financial management track record and capability if an SV is granted

Armidale Ratepayers Association

Council conducted a meeting with the Armidale Ratepayers Association on 11 November 2020. This group represents a wider group of residents and they raised a number of concerns via the informal feedback provided at the meeting. Following this meeting the group submitted formal feedback in support of Option 2 noting:

We are supporting Option 2, which is basically continuing the status quo since 2014. Unlike Option 1, there is no increase in the rate burden, except for the annual 2% rate pegging. While we would have appreciated the 10% reduction in rates for all ratepayers as outlined in Option 3, we do appreciate that actually decreasing rates at this stage would be unsustainable.

NSW Farmers Association

Council conducted a meeting with the NSW Farmers Association on 11 November 2020. This group represents a wider group of farming ratepayers and following this meeting the group submitted formal feedback in support of Option 3 citing a number of reasons including the combined impact of the SV and rates harmonisation on Guyra farmers, concerns about Council's efforts to reduce costs and a perceived lack of service for rates paid.

Phone Survey

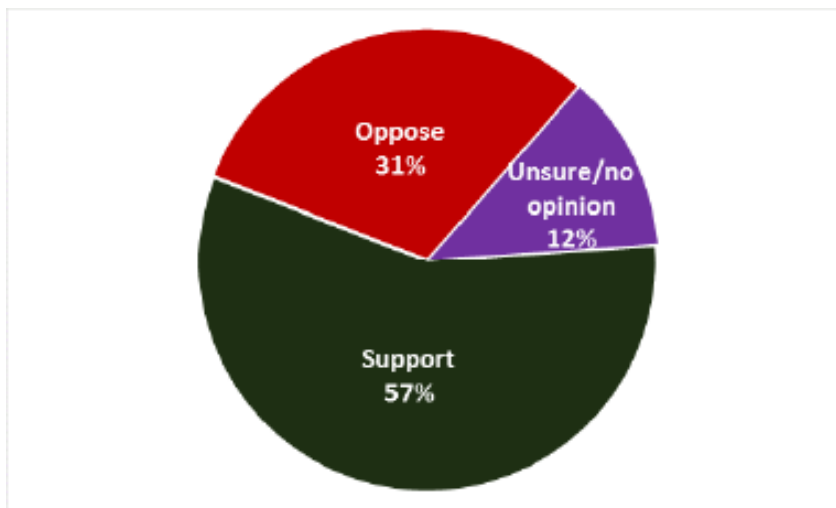
A copy of Council's summary report on the community engagement process is included as on pages 21-50 in Attachment A.11. This includes the full report on the phone survey conducted by Jetty Research.

In terms of support for the proposed SRV Option 2, the feedback from the phone survey can be summarised as follows:

	Support	Oppose	Unsure/No Opinion
All Respondents	231	124	50
%	57%	31%	12%
Ratepayers Only	187	113	38
%	55%	33%	11%

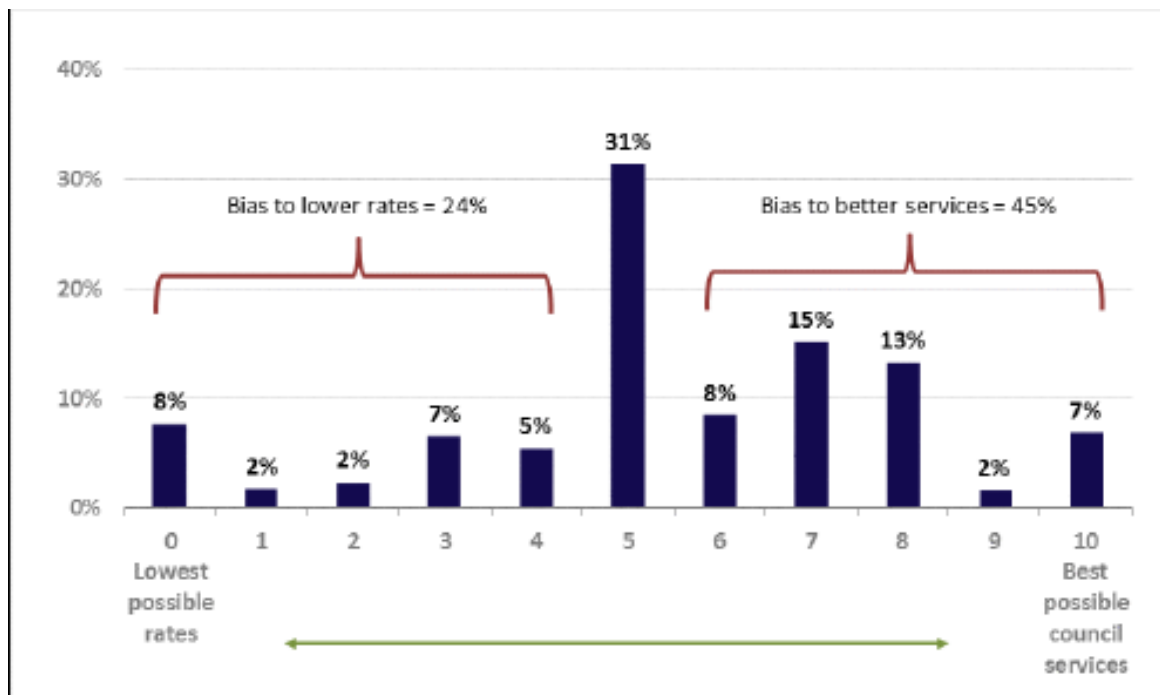
Jetty Research surveyed approximately 400 residents and 57% of respondents indicated their support and preference for retention of the existing temporary SRV as a permanent SRV as opposed to a reduction in the level of service or community assets.

This level of support was relatively consistent across the communities of Armidale and Guyra.



Respondents were also asked where they sat on a sliding scale of 0 to 10, where 0 means you only want to pay the lowest possible rates, and 10 means you only want the best possible council services.

Not unexpectedly, this drew a bias towards better services, with 45% on this side of the scale against 24% on the 'lowest rates' side. Former Armidale Dumaresq residents were significantly more likely to be on the better services side, at 49% (against 32% of those in the former Guyra shire).



Written Submissions

A copy of Council's summary report on the community engagement process is included as Attachment A.11. This includes a summary of the 247 submissions received on pages 51-74 and the nature of the issues raised in the submissions.

The written submissions received supported the proposed SV Options as follows:

SRV Option	No Submissions	% Submissions
Option 1 – Improve Services	22	9%
Option 2 – Maintain Services	53	21%
Option 3 – Decrease Services	116	47%
Unclear	56	23%
Total	247	

Within the category of “unclear” no SV Option was identified in the submission; however, most submissions in this category made mention of ‘no rate increase’ so it was unclear if they supported Option 2 or Option 3. Further analysis of these submissions shows that it appears likely that the majority of “unclear” submissions support Option 3.

Feedback from written submissions cited similar feedback to the common themes raised at community meetings.

Council Meetings

During the SRV consultation process, a special interest group was formed and representatives of the group were afforded the opportunity to speak at the Council meeting held 27 January 2021 in support of their written submission, which advocated support for Option 3.

A representative from Armidale Ratepayers Association also spoke at the meeting in support of their written submission, which advocated support for Option 2.

2.4 How did the council respond to feedback from community consultation?

In the text box explain the action, if any, the council took in response to feedback from the community.

Council considered all feedback from the community in addition to the financial modelling on the SV Options.

The report provided to Council to determine whether to make an SV application on 27 January 2021 recommended that Council make application for Option 1 being a permanent Special Rate Variation of 18.5% plus 2.0% rate peg (total 20.5%) commencing in 2021-22 to enable Council to improve its financial sustainability and maintain essential community infrastructure including Council's road network, footpaths and community buildings. This option would have resulted in ratepayers experiencing a rate increase above the rate peg although individual impacts would also be affected by rates harmonisation.

However, in considering the community feedback Council took into consideration the combined impacts of drought, bushfire and Covid-19 on the community and ratepayers and instead resolved to apply for Option 2 being a permanent Special Rate Variation of 8.5% plus 2.0% rate peg (total 10.5%) commencing in 2021-22. This option would result in most ratepayers being subject to an increase equivalent to the rate peg only compared to current rates levied. Council felt that the combined impact of external factors plus a rate increase at this time would be detrimental to community recovery.

While Council was aware of the high level of community support for Option 3 from the process for written submissions, the significant funding gap that would result in addition to existing asset renewal funding shortfalls would have resulted in the organisation being placed at risk of non-compliance with the Local Government Act and unable to implement the recommendations resulting from the Ministerial Performance Improvement Order it is now operating under.

In addition, further reductions in funding would place the organisation at risk of failing to meet basic standards of service and create further serious problems and instability to an organisation that has already experienced a great deal of instability.

In addition to resolving to apply for SRV Option 2, Council also resolved to receive a report outlining an improvement program to be implemented in the 2021/22 budget in order to improve Council's financial sustainability and implement the actions relating to the financial position as required by the mandatory Performance Improvement Order.



Attachments for Criterion 2

List attachments relevant to your response for Criterion 2 in **Table 2.1**. Use the council assigned number shown in Table 8.1.

Table 2.11 Attachments relevant to response for Criterion 2

Council- assigned number	Name of document	Page references ^a
A.7	Community Strategic Plan 2017-2027	

A.8	Delivery Program 2018-2022
A.9	Resourcing Strategy 2020-2021 (Addendum to revised Delivery Program 2018-2022) – includes long term financial plans
A.10	Community Engagement Combined Documents
A.11	Community Feedback Combined Documents

a If document only relevant in part.



Criterion 3

Impact on ratepayers

Criterion 3 in the SV Guidelines is:

The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. The Delivery Program and Long Term Financial Plan should:

- clearly show the impact of any rises upon the community
- include the council's consideration of the community's capacity and willingness to pay rates and
- establish that the proposed rate increases are affordable having regard to the community's capacity to pay.

To complete the questions for Criterion 3: Impact on ratepayers refer to IPART's Application Guide for SV Application Form Part B.

Refer also to the IPART publications:

- ▼ *The Year Ahead – Special Variations in 2021-22 – Fact sheet*
- ▼ *Special Variations in 2021-22 – Information Paper*
- ▼ *Community awareness and engagement for special variations – Information Paper*

3.1 What is the impact on rates of the proposed special variation?

In the text box provide information about the impact on rates of all affected ratepayer categories.

Council's rate structure is based on a base rate plus ad valorem rate in the dollar for all rate categories. In 2021/22 Council is also required to harmonise the former Armidale Dumaresq and Guyra Shire Council rate structures. As a result, Council's rating structure from 2020/21 to 2021/22 will change. The rating impacts below are modelled over the harmonised rating structure that has been included in the revised Delivery Program.

Council has outlined the average impact of the proposed SV (Option 2) for each rate category in the revised Delivery Program on page 14 in Attachment A.8. As the proposed SRV of 8.5% plus rate peg is structured to permanently replace funding currently provided by a temporary SV that expires 30 June 2021, there is no increase expected to impact ratepayers from the proposed SV apart from the rate peg, which is 2% in 2021/22. Due to this, rating impacts from the proposed SV reflect the increase associated with the rate peg from current rating levels.

Below is a summary extracted from the updated assessment information (January 2021) that aligns with Part A comparing the base case (no SV) with the proposed SV. These figures do not include annual charges such as waste, water and sewerage, or the pension rebate.

Harmonised Rating Category 1 July 2021	No of Assessments	2020/21 Average Rate	2021/22 Average Rate with SV plus rates catch up	\$ Increase	% Increase
Residential - Armidale	8,239	1,123.69	1,152.87	29.18	2.6%
Residential - Guyra	945	526.84	540.52	13.68	2.6%
Residential - Ebor	53	424.78	435.81	11.03	2.6%
Residential - Wollomombi	16	576.08	591.04	14.96	2.6%
Residential - Hillgrove	99	583.57	598.72	15.16	2.6%
Residential - Village	106	372.50	382.18	9.67	2.6%
Residential Non-Urban	1,221	1,086.80	1,115.03	28.23	2.6%
Business - Armidale	393	4,466.30	4,582.29	116.00	2.6%
Business - Guyra	97	933.91	958.17	24.26	2.6%
Business - Armidale Industrial	157	4,862.93	4,989.23	126.30	2.6%
Business - Non-Urban	45	1,115.07	1,144.03	28.96	2.6%
Farmland	1,488	3,274.92	3,359.98	85.06	2.6%
Farmland - Intensive	2	6,284.74	6,447.97	163.23	2.6%
Mining	12	5,431.00	5,572.05	141.05	2.6%
Total Assessments/ Total Average	12,873	1,462.15	1,500.12	37.97	2.6%

Note that the above modelling will contain slightly different results to the amounts shown in the Delivery Program as property numbers and land valuations have changed since the initial modelling was performed and the updated modelling also incorporates the rates catch up amount applicable for 2021/22.

The table below shows the rating levels that will apply if the SV is not approved.

Harmonised Rating Category 1 July 2021	No of Assessments	2020/21 Average Rate	2021/22 Average Rate without SV plus rates catch up	\$ Decrease	% Decrease
Residential - Armidale	8,239	1,123.69	1,062.55	-61.13	-5.4%
Residential - Guyra	945	526.84	498.17	-28.66	-5.4%
Residential - Ebor	53	424.78	401.67	-23.11	-5.4%
Residential - Wollomombi	16	576.08	544.74	-31.34	-5.4%
Residential - Hillgrove	99	583.57	551.82	-31.75	-5.4%
Residential - Village	106	372.50	352.24	-20.27	-5.4%
Residential Non-Urban	1,221	1,086.80	1,027.67	-59.13	-5.4%
Business - Armidale	393	4,466.30	4,223.31	-242.99	-5.4%
Business - Guyra	97	933.91	883.10	-50.81	-5.4%
Business - Armidale Industrial	157	4,862.93	4,598.37	-264.57	-5.4%
Business - Non-Urban	45	1,115.07	1,054.41	-60.67	-5.4%
Farmland	1,488	3,274.92	3,096.75	-178.17	-5.4%
Farmland - Intensive	2	6,284.74	5,942.82	-341.92	-5.4%
Mining	12	5,431.00	5,135.53	-295.47	-5.4%

Total Assessments/ Total Average	12,873	1,462.15	1,382.60	-79.55	-5.4%
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Rates Harmonisation

Since amalgamation of Armidale Dumaresq and Guyra Shire Council in 2016, Council has been required to maintain two rating systems for the local government area. This was due to a four year rate freeze imposed by the NSW Government.

Under current legislation, from 1 July 2021, Council must maintain one consistent rating structure to ensure a fairer and more equitable system across all rating categories within the Armidale Regional local government area. This is known as rates harmonisation and will require adjustment to some rating categories to align them with the requirements of the Local Government Act and Regulation.

Current rate modelling has identified that the Farmland, Residential Non-Urban/Residential Village and Business Non-Urban rate categories are those most affected by rates harmonisation.

The harmonisation of farmland is particularly problematic due to the land value between the former Armidale and Guyra areas being approximately the same but rate revenue derived from Armidale farmland being much higher than Guyra farmland. Combining these properties into one farmland rate category, as is currently required under the Local Government Act, would create a significant shift of rate burden from the former Armidale to the former Guyra farmland ratepayers.

The NSW Government released Exposure Draft Bill *Local Government Amendment (Rates) Bill 2021* on 22 December 2020, which proposes greater flexibility to the way councils may determine rating structures from 1 July 2021 and includes different options for the harmonisation of rating structures. If passed in its draft form, this legislation would, at a minimum, allow Council to harmonise rates over a four year timeframe.

While some impacts on ratepayers are still expected from rates harmonisation, the draft legislation proposed is expected to allow Council options to minimise negative impacts to ratepayers.

Part A of Council's SV application contains further detail on forecast rating impacts; however, it will also show the impact of rates harmonisation as it is currently required to be implemented under the Local Government Act. Council has not performed detailed modelling or made a determination on a harmonisation path at this stage as the legislation is still in draft form. However, where there are negative impacts shown in Part A due to rates harmonisation IPART can expect that Council will implement measures available under the *Local Government Amendment (Rates) Bill 2021* to, at a minimum, lessen these impacts.

Fees and Charges

Council's long term financial plan (contained in the Resourcing Strategy 2020-2021 and included as Attachment A.9) contains some assumptions around increases for other fees and charges on page 32. The impact of these assumptions on annual charges has been incorporated into the information provided in Part A of the SV Application. The key assumptions around price increases that will impact ratepayers depending on what services they access are:

- Annual charges for waste are assumed to increase by 2.5% per annum; the exceptions to this are an increase in the Guyra rural waste management charge over the next two years to bring it into line with Armidale's charge and the Waterfall Waste Regional Landfill Levy where a drop in the charge is forecast in line with the loans it is levied to cover as they are paid out
- The value of drainage charges is set by the Local Government Act and Regulation and the value of these is not planned to be changed unless there is a change in the legislated amount
- Annual charges for water and sewerage are assumed to increase by 4.5% per annum; this is necessary to maintain the level of cash reserves available for water and sewerage infrastructure replacement and also to provide water security following prolonged drought conditions
- Non-statutory user charges and fees are assumed to increase by 2.5% per annum
- Statutory user charges and fees are assumed to increase by 2% per annum but actual levels will be determined by NSW Government legislation
- Water user charge revenue is assumed to increase by 5% per annum; this will not necessarily represent an increase in the value of the charge for water usage as this is determined each year in line with forecast usage levels

3.2 How has the council considered affordability and the community's capacity and willingness to pay?

In the text box explain how the council considered whether the rate increases would be affordable for the community, including any socioeconomic data referred to in making its assessment.

Council is seeking a permanent continuation of a temporary SV that has been in place since 2014. As the level of rates incorporating the proposed SV is already incorporated into the rates base and is therefore already paid by ratepayers, no significant additional financial costs are proposed to be imposed on the community or the ratepayer's capacity to pay. To establish further the affordability of the SV and the community's capacity to pay, Council performed a comparison of its rates based on OLG's comparative council information and referred to such indicators as the Socio – Economic Indexes for Areas (SEIFA), household income, employment status and the rates and annual charges

outstanding percentage. These are discussed below.

Comparative Rating Data

Comparisons are difficult to make to other councils because of a range of factors, including the area of land in the local government area, population density and the associated number of rateable assessments, the number and types of services provided and types of industry. Comparisons with financially-stressed councils are also problematic because it might seem they are more efficient but, in fact, they have many challenges ahead of them.

The table below contains data on average rates extracted from the OLG's Time Series Data 2018-19 for Group 4 (Regional Town/City) councils and Northern Region councils: [<https://www.olg.nsw.gov.au/public/about-councils/comparative-council-information/your-council-report/>]

Average Rates \$	Armidale	Group 4	Northern Region*
Residential	1,014	1,140	1,064
Business	3,649	3,895	3,014
Farmland	3,202	2,247	3,869
Mining	5,909	134,153	64,634

*Northern Region group incorporates Armidale, Glen Innes, Gunnedah, Gwydir, Inverell, Liverpool Plains, Moree, Narrabri, Tamworth, Tenterfield, Uralla and Walcha.

Council's average residential rate is comparatively lower than the average residential rate for Group 4 and Northern Region councils.

Council's average business rate is lower than Group 4 but higher than Northern Region councils.

Council's average farmland rate is higher than Group 4 but lower than Northern Regional councils.

Council's average mining rate is lower than Group 4 and Northern Region councils.

This data shows that retaining the SRV funding permanently in the rate base would not place Council in a position where average rates are higher than comparative groups.

Index of Disadvantage

Socio-Economic Indexes for Areas (SEIFA), produced by the Australian Bureau of Statistics, are an assessment of the welfare of Australian communities. The index of Advantage / Disadvantage is a composite index in which lower scores indicate more disadvantaged areas and higher scores indicate more advantaged areas.

Council's 2016 SEIFA rating was 87 and this puts Council at 8 out of 26 in the Group 4 councils and at 1 out of 12 in the Northern Region group.

Council engaged Morrison Low to conduct a Capacity to Pay review in 2019. It found the Armidale Regional Council area has lower disadvantage and greater advantage than regional NSW but is below the state wide averages. The review also noted there are greater levels of wealth inequality within the Armidale Region local government area compared to regional NSW. This report is included as Attachment A.16.

Where lower disadvantage in the region exists (for example the township of Guyra and Villages) the rates structure already provides for a differential in the base rate for these areas and the average rates paid in lower socio-economic areas is substantially less than the average rates paid in higher socio-economic areas.

Household Income

Household income is one of the most important indicators of socio-economic status. In the Northern Region group Council ranks 5 out of 12 with a median weekly household income of \$1,173 and sits above the group average of \$1,059.

(Source: Australia Bureau of Statistics, Census of Population and Housing 2016)

Employment

Armidale Regional Council has relatively high labour force participation and a low unemployment rate. In 2016 a total of 13,321 (92%) people living in the area were employed, out of which 59% were employed full time and 33% part time, as per the table below:

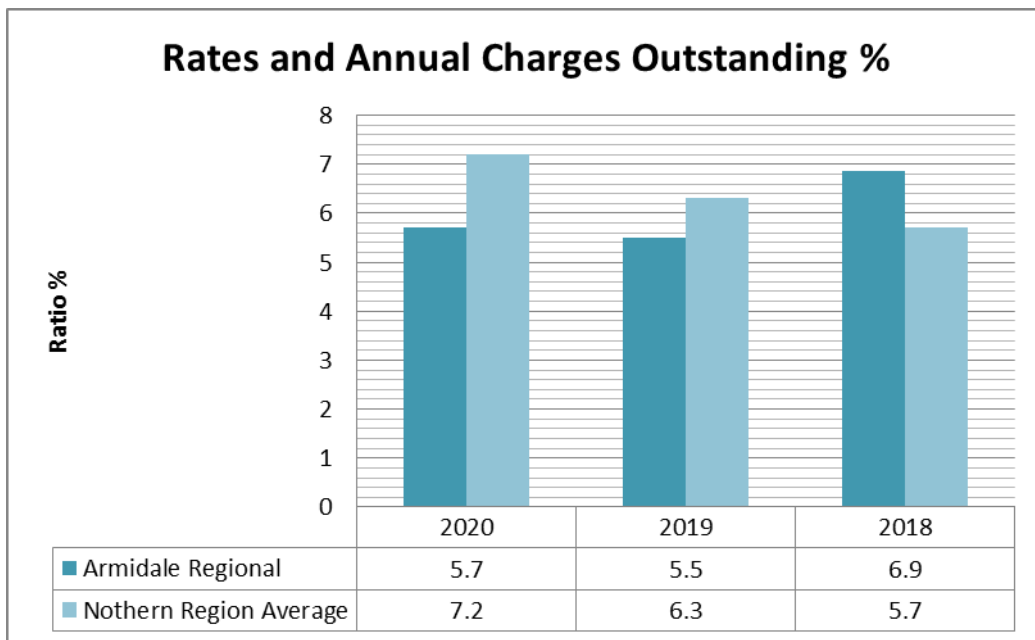
Employment Status	Number	ARC %	Northern Region %
Employed, worked full-time	7126	53%	58%
Employed, worked part-time	4459	33%	30%
Employed, away from work	736	6%	6%
Unemployed, looking for work	1032	8%	6%
Total Labour Force	13353	100	100%

(Source: Australia Bureau of Statistics, Census of Population and Housing 2016)

Outstanding Rates

Evidence of capacity to pay is also demonstrated by a low Rates and Annual Charges

Outstanding Ratio for a number of years. The “Rates and Annual Charges Outstanding Ratio” assesses the impact of the percentage of rates and annual charges that are unpaid at the end of the financial year. This is a measure of how well Council is managing debt recovery and how well the community is complying with the rates and charges payment terms. Rates collection has remained stable over the last 3 years and Council has exceeded the benchmark of less than 10% for the last 3 years. The following table indicates that Council’s outstanding rates and annual charges are less than the average for the Northern Region group. This indicates a relatively lower level of financial hardship within the Armidale Regional Council LGA.



3.3 How does the council intend to address hardship?

Does the council have a Hardship Policy? Yes No

If Yes, is an interest charge applied to late rate payments? Yes No

In the text box:

a) Explain the measures the council proposes to use to reduce the impact of the proposed SV on vulnerable ratepayers, or alternatively, explain why no measures are proposed.

As Council is seeking a permanent continuation of a temporary SV that has been in place since 2014, it is intending to manage hardship in the same way that it is currently.

Council has a hardship policy (included as Attachment A.13), which was developed specifically in response to the impact of Covid-19 and has continued to be updated regularly to take account of any change in circumstances.

The number of people accessing hardship arrangements due to Covid-19 was low with only 22 requests made citing Covid-19 as the reason. Council initially permitted payment deferrals or payment arrangements as hardship provisions for Covid-19. However, as time has passed the policy was amended to allow payment arrangements only as otherwise the rate debt can rise to unmanageable levels and create other problems. Ratepayers have also made application for hardship consideration for other reasons and generally Council will accept a minimum payment arrangement under the policy. Extreme hardship situations are looked at on an individual basis.

Due to the low numbers of people accessing hardship under the policy, Council has started to return to normal debt recovery procedures, which it had put on hold from March 2020. The application of 0% interest from 1 July 2020 to 31 December 2020 as required by the Office of Local Government has also assisted ratepayers who may have experienced financial difficulties during this period.

Council is mindful that the current economic situation with Covid-19 is constantly changing and will require ongoing monitoring to determine if hardship provisions may need to be reviewed in light of any further downturn in the economy.

Pensioners

Council has 1638 ratepayers eligible for the pension rebate. The highest proportion is in the residential rating categories. Pensioners comprise 22.6% of residential ratepayers in Guyra and 14.6% in Armidale.

In addition to pension rebate concessions provided by the NSW Government, Council also grants a pension rebate of up to \$25 on ordinary rates, \$25 on annual water charges and \$25 on annual sewerage charges to eligible pensioners.

Some further protections for pensioners are that residential base rates are not proposed to be increased in 2021/22 rates structure and this should assist with alleviating the rate burden on lower valued properties.

As outlined previously, where lower disadvantage in the region exists (for example the township of Guyra and Villages) the rates structure already provides for a differential in the base rate for these areas and the average rates paid in lower socio-economic areas is substantially less than the average rates paid in higher socio-economic areas. As pensioners will also be represented in the lower disadvantage group, the rates structure provides another mechanism to assist with rating impacts.

b) Indicate whether the hardship policy or other measures are referenced in the council's IP&R documents (with relevant page reference or extract provided).

Council's revised Delivery Program included as Attachment A.8, refers to Council's hardship policy and information on pensioners on page 19:

Council has a hardship policy that aims to provide options for ratepayers deemed to be in genuine financial hardship and to provide equitable access to relief measures for all ratepayers.

Council also has reference to the hardship policy in its 2020-2021 Revenue Policy on page 22:

Financial Hardship

There are a number of options available to ratepayers experiencing financial hardship and ratepayers in this situation are encouraged to contact Council as soon as possible to work out a payment plan arrangement.

Council has also adopted an interim hardship policy to assist ratepayers significantly impacted by the COVID-19 shutdown. These provisions are not intended to replace existing hardship policy provisions, but to assist individuals, businesses and community groups in the short term, pending any further guidance from Federal or State Government and while the current hibernation of the economy persists.

Council's website www.armidaleregional.nsw.gov.au contains references to the interim hardship policy for COVID-19 and also drought relief.

[<https://www.armidaleregional.nsw.gov.au/ArticleDocuments/267/Revenue%20Policy%2020-2021.PDF.aspx>]



Attachments for Criterion 3

List attachments relevant to your response for Criterion 3 in **Table 3.1**. Use the council assigned number shown in Table 8.1.

Table 3.1 Attachments relevant to response for Criterion 3

Council- assigned number	Name of document	Page references ^a
A.8	Delivery Program 2018-2022	
A.9	Resourcing Strategy 2020-2021 (Addendum to revised Delivery Program 2018-2022) – includes long term financial plans	
A.16	Morrison Low Capacity to Pay Report April 2019	
A.13	Interim Hardship Policy October 2020	

a If document only relevant in part.



Criterion 4 Exhibition of IP&R documents

Criterion 4 in the SV Guidelines is:

The relevant IP&R documents must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation to its general revenue.

To complete the questions for Criterion 4: Exhibition of IP&R documents refer to IPART's Application Guide for SV Application Form Part B.

Refer also to the IPART Information Paper – *Special Variations in 2021-22*.

4.1 What IP&R processes did the council use in determining to apply for a special variation?

In the text box outline the council's IP&R processes as they relate to public exhibition and adoption of the IP&R documents relevant to the council's application for the SV.

Armidale Regional Council has undergone significant challenges over the last 12 months both from external and internal factors. This is relevant to this section of the application as it assists with explaining why Council's IP&R process has not aligned with the SV consultation period and why there are some areas, for example Council's Asset Management Strategy and Plans, that have been provided in updated draft form but have not yet been adopted by Council. Due to the reasons outlined below, Council is seeking a partial exemption from the requirements of this section, specifically the requirement for Council to have adopted the Asset Management Strategy and Plans prior to submitting the application to IPART and for these to be made available on Council's website.

Council experienced significant change during 2020 including the suspension of Councillors by the Minister for Local Government in June 2020, the appointment of an Interim Administrator from June to December 2020, departure of CEO in July 2020, appointment of a short-term Acting General Manager in August 2020, appointment of an Acting General Manager from August 2020 to January 2021, return of the Councillors in December 2020 and the appointment of a General Manager in January 2021.

Council is now operating under a Performance Improvement Order issued by the Minister for Local Government on 9 December 2020 and has a large number of recommendations from that Order to implement by 4 September 2021.

In addition to the above, Council's staff turnover rate has been at 22% and there has been a substantial turnover of staff at Manager level and above since merger. Due to the disruption caused by the above factors, many senior roles within Council are filled with

staff that are acting in the role and there are a number of key vacant positions.

The region has also experienced a number of natural disaster events and this not only impacts on the community but on the human resources of Council who are then diverted from key priorities to manage these impacts.

As a result of the above factors, resourcing and support for the SV process has competed with other internal priorities and it has not been possible to achieve full compliance with this section.

IP&R Documents

Council has included information on the proposed SV in the public exhibition of its updated IP&R documents including the:

- Community Strategic Plan 2017-2027 (Attachment A.7);
- Delivery Program 2018-2022 (Attachment A.8); and
- Resourcing Strategy 2020-2021 (Addendum to revised Delivery Program 2018-2022) (Attachment A.9).

The public exhibition period for the above documents ran from 10 December 2020 to 7 January 2021.

The draft documents were advertised on Council's your say engagement hub and widely promoted across Council's communications channels.

No submissions were received during the public exhibition period.

References to the proposed SV in the above documents are shown below.

Community Strategic Plan 2017-2027

The Community Strategic Plan contains reference to the proposed SV under:

7. Leadership for the Region

Community Outcome 2 – Council exceeds community expectations when managing its budget and operations

Supporting Strategy:

Maintain financial sustainability through effective short and long-term financial management, including applying to IPART for a Special Rate Variation. The SRV rate will be determined through community consultation and in line with Council resources and viability, specifically to provide revenue to fund asset maintenance and renewals.

Delivery Program 2018-2022

Pages 5-22 contain reference to the specific Delivery Program SV reporting requirements. In addition to this, the following references are also included:

L2 Fiscal Responsibility

COMMUNITY OUTCOME - Council exceeds community expectations when managing its budget and operations

L2.1 Financial Sustainability

Maintain financial sustainability through effective short, medium, and long-term financial management. That includes an application to IPART for a Special Rate Variation at a rate determined through community consultation – and in line with Council resources and viability - for the specific purpose of creating revenue to fund asset maintenance and renewals.

E4 Transport

COMMUNITY OUTCOME - The community has access to transport which enables connectivity both locally and outside of the region

E4.1 Roads and Bridges

Maintain safe and effective traffic facilities on the road network, through appropriate resourcing, including applying for a Special Rate Variation to maintain and renew roads and bridges to expected service levels.

Resourcing Strategy 2020-2021 (Addendum to revised Delivery Program 2018-2022)

The Resourcing Strategy 2020-2021 contains information on the proposed SV from pages 9-12 and the financial modelling on each SV Option is on pages 28-54.

Council has also updated the section on Asset Management Planning on pages 73-77, which includes reference to Council's Asset Management Strategy and Plans.

Council is currently in the process of reviewing the Asset Management Framework which will include Council's Asset Management Policy, Strategy and associated Plans. Asset Management Plans have been developed and contain specific details about:

- *asset inventory, values and condition*
 - *asset based levels of service*
 - *demand and service management*
 - *risk management*
 - *maintenance and renewal estimates*
-

Draft asset management plans exist for:

- Transport Infrastructure (roads, bridges, kerb and gutter, footpaths)
- Buildings
- Stormwater
- Parks, Recreation and Other
- Water Supply
- Sewerage Network
- Airport

The Asset Management Strategy and Plans are included as Attachment A.14.

4.2 When did the council meet the formal requirements for all relevant IP&R documents?

Complete Table 4.1 for the mandatory IP&R documents. If other IP&R documents are relevant to the council's application, also complete Table 4.2.

As required by Section 7 of the SV Guidelines, councils should provide web links to all relevant IP&R documents in Table 4.3.

Table 4.1 Mandatory IP&R documents

Document	Date(s)
Community Strategic Plan	
Exhibition	10/12/2020
Adoption by council	27/01/2021
Placed on council website	01/02/2021
Delivery Program	
Exhibition	10/12/2020
Adoption by council	27/01/2021
Placed on council website	01/02/2021
Long Term Financial Plan	Included in Resourcing Strategy
Revised LTFP endorsed by council	10/12/2020
Placed on council website	01/02/2021

Table 4.1 Other IP&R documents (if relevant)

Document	Date(s)
Asset Management Strategy / Plan(s)	
Exhibition	N/A
Adoption by council	N/A
Placed on council website	N/A
Operational Plan for 2020-21	
Endorsed by council	29/07/2020
Placed on council website	30/07/2020

Table 4.2 Website links for council's IP&R documents

Document	Website link
Community Strategic Plan	https://www.armidaleregional.nsw.gov.au/ArticleDocuments/267/Community%20Strategic%20Plan%20CSP%202017-2027.pdf.aspx
Delivery Program	https://www.armidaleregional.nsw.gov.au/ArticleDocuments/267/Delivery%20Program%202018-2022.PDF.aspx
Long Term Financial Plan	https://www.armidaleregional.nsw.gov.au/ArticleDocuments/267/Resourcing%20Strategy%202020-2021%20-%20Addendum%20to%20revised%20Delivery%20Program%202018-2022.PDF.aspx
Asset Management Strategy / Plan(s)	N/A

4.3 What, if any, relevant issues arose in the public exhibition of the IP&R documents?

In the text box explain any issues arising from the council's IP&R processes and documentation associated with the proposed SV which you consider are relevant factors for IPART to take into account in assessing the council's application, including responses to public exhibition.

No submissions were received during the public exhibition period of the IP&R documents.

4.4 Where is the proposed special variation referred to in the council's IP&R documents?

Complete Table 4.4 with all relevant page (or section) references in the mandatory IP&R documents for material related to each criterion. Add rows for other IP&R documents if necessary.

IP&R document	Page reference(s)
Criterion 1: Financial need	
Delivery Program 2018-2022	7-11, 22
Resourcing Strategy 2020-2021	28-54, 72-77
Criterion 2: Community awareness and engagement	
Community Strategic Plan 2017-2027	22
Delivery Program 2018-2022	5-22, 38, 45
Resourcing Strategy 2020-2021	9-12
Criterion 3: Impact on ratepayers	
Delivery Program 2018-2022	12-19



Attachments for Criterion 4

List attachments relevant to your response for Criterion 4 in **Table 4.5**. Use the council assigned number shown in Table 8.1.

Table 4.35 Attachments relevant to response for Criterion 4

Council- assigned number	Name of document	Page references ^a
A.7	Community Strategic Plan 2017-2027	
A.8	Delivery Program 2018-2022	
A.9	Resourcing Strategy 2020-2021 (Addendum to revised Delivery Program 2018-2022) – includes long term financial plans	
A.14	Asset Management Combined Documents	

^a If document only relevant in part.



Criterion 5

Productivity improvements and cost containment strategies

Criterion 5 in the SV Guidelines is:

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

To complete the questions for Criterion 5: Productivity improvements and cost containment strategies refer to IPART's Application Guide for SV Application Form Part B.

Refer also to the IPART publication *Special Variations in 2021-22 – Information Paper*

5.1 What is the council's strategic approach to improving productivity in its operations and asset management?

In the text box explain the council's overall approach to improving productivity, containing costs, increasing own source revenue in the context of its operations and IP&R resource planning.

Since the merger of Armidale Dumaresq Council and Guyra Shire Council to create Armidale Regional Council on 12 May 2016, Council's strategic approach to improving productivity in its operations and asset management have included several approaches including collaboration, technology, policy change and development, capacity building and systemic change and integration.

Some examples are noted below:

In November 2016, the Interim Executive Leadership Team (ELT) at the time post merger established a Transformation Advocacy Team. The purpose of this team was to support the Project Management Office (PMO) to guide the new council through the merger transformation process; to operate as a conduit between the PMO and the organisation; to pass on information regarding PMO activities throughout the organisation; to contribute ideas, information, opinions and staff queries; to meet regularly for discussion about the merger process and feedback on progress.

In March 2019, the ELT introduced the ARC 2022 Transformation Program. The Corporate Strategy of the program was divided into 4 functional areas: 1. Digital Services Transformation, 2. Businesses & Commercial Transformation, 3. Financial Sustainability Transformation, and 4. 21st Century Council People & Culture Transformation.

The Top 10 priorities were:

1. Services Review/Process Mapping
2. Best in Class Procure to Pay
3. Deploy Smart Parking Strategy
4. Airport Options/Strategy
5. Commercial Plant & Fleet
6. Parks Review
7. Customer Services Alignment Review
8. Aquatic Centres Review
9. Special Rate Variation
10. Property Divestment Strategy Phase 2

The potential long term benefits of the Transformation Program were forecast at approximately \$15m with a forecast benefit of \$3m in 2019-20.

Priority Support Projects and Other Projects were noted as:

1. Executive Development Program
2. Performance Management Framework
3. Technology & Automation Review
4. Administration Review
5. Transformation Communications & Engagement Plan
6. Safety Excellence Program
7. 21st Century Library
8. Preschool Review

The potential long term benefits of the above Support Projects were forecast at approximately \$2.5m with a forecast benefit of \$300,000 in 2019-20.

Council made progress with the above projects until key staff involved in the overall program departed from Council and resourcing the priority projects in addition to daily business-as-usual resourcing became challenging. A change in the ELT placed the overall program on hold during 2020.

Council experienced significant change during 2020 including the suspension of

Councillors by the Minister for Local Government in June 2020, the appointment of an Interim Administrator from June to December 2020, departure of CEO in July 2020, appointment of a short-term Acting General Manager in August 2020, appointment of an Acting General Manager from August 2020 to January 2021, return of the Councillors in December 2020 and the appointment of a General Manager in January 2021.

The Acting ELT in 2020 commissioned several reviews including:

1. Review of Council's Governance Practices;
2. Review of Council's Land Management Practices; and
3. Review of Council's Finances.

Recommendations were made in these Reviews and presented to Council. On 9 December 2020, the Minister for Local Government issued Council with a Performance Improvement Order which requires Council to implement the recommendations from the Reviews by 4 September 2021. Included in the recommendations are:

- Council should adopt surplus budgets that ensure financial sustainability over the longer term.
- Council should ensure that the budget approval and monitoring process incorporates detailed information in relation to major capital projects and funding sources.
- Management should establish an appropriate Project Management framework that is best practice, together with a reporting architecture that ensures accountability for budget variances.
- Office of Local Government guidelines pertaining to Capital Expenditure Reviews should be applied to relevant projects.
- Council should ensure that sufficient resources are provided within the organisation to address the above recommendations.

Council is committed to implementing all recommendations and is required to do so under the NSW Minister for Local Government's Performance Improvement Order by 4 September 2021. Implementation of the recommendations requires additional resources. Council is currently examining opportunities to accumulate the necessary resources through the Quarterly Budget Review process and preparation of the 2021-22 budget and Operational Plan documents.

Should Council's current application for the SV not be successful, the impact on Council will be significant. To be able to implement the required recommendations, service levels will need to be reduced and Council's ancillary services to the community will need to be scaled back to only those required under the legislation.

To provide further reference to Asset Management, Council's strategic approach to making improvements has been:

- Develop an Asset Management Policy
 - Appointing external consultant Morrison Low to provide Asset Management Strategies and Asset Management Plans in July 2018
 - Appointing external consultant Morrison Low to provide updated Asset Management Strategies and Asset Management Plans in October 2020 including providing a high level improvement plan and specific recommendations for implementation.
 - Council's asset team conducting regular asset inspections and collating data for identification of repairs and maintenance and to provide forward works plans for inclusion in future budgets.
-

5.2 What outcomes has the council achieved from productivity improvements and cost containment strategies in past years?

In the text box:

a) Explain initiatives undertaken in the past few years to improve productivity and contain costs.

Some of the initiatives undertaken by Council in the past few years to improve productivity and contain costs are:

1. Reduction in Councillor numbers from 16 to 11 in 2016/17. In 2020, Councillor numbers have been temporarily reduced from 11 to 7 until local council elections due in September 2021. Council has notified the NSW Electoral Commission that it intends to undertake a Constitutional Referendum in conjunction with the 4 September 2021 Council election to reduce the number of Council elected representatives from eleven to nine councillors.
 2. Council transferred operational responsibility of the Kolora Aged Care facility to a third party provider of aged care services.
 3. Investment in parking technology to enable a higher incidence of parking infringements to be issued within available resources resulting in additional possible income
 4. Introduction of paid parking at the Armidale Regional Airport
 5. Some progression of land divestment strategy and disposal of surplus land
-

6. Holding the recruitment of some positions and managing the vacancy factor
 7. Transformation Program 2022
 8. Travel contract arrangements – saving on booking fees and staff time
 9. Implementation of Flexipurchase credit card system that translated to time savings for staff processing payments
 10. Property, plant & equipment (PPE) contract arrangements, savings on PPE purchases
 11. Review of insurance arrangements to lower premiums due to merger of Councils
 12. Electricity account consolidation and introduction of LED Street lighting
 13. Environmental Monitoring contract arrangements.
-

b) Outline the outcomes which have been achieved.

The outcomes that have been achieved include:

1. Savings in Councillor fees and expenses
 2. Reduction of the deficits incurred by the Kolora aged care facility
 3. Increased income from parking fines (targets have not been achieved during the Covid19 pandemic, while the technology and infrastructure is in place)
 4. Increased income from parking fees at the Armidale Regional Airport (targets have not been achieved during the Covid19 pandemic, while the technology and infrastructure is in place)
 5. Disposal of surplus land with funds redirected into improving the overall cash position of Council by replacing funding from rates in the budget
 6. Reduction in employee costs and overhead costs
 7. Saving on travel booking fees and staff time
 8. Savings on property, plant & equipment (PPE) purchases
 9. Lower insurance premium pricing due to Council merger
 10. Reduced time for order and payment processing of electricity accounts, along with reduced electricity costs from LED street lighting.
 11. Savings on environmental monitoring costs
-

c) Where possible, quantify the gains these past initiatives have realised.

The above initiatives have provided Council with approximately \$6.2 million in savings to date, with approximately \$2.2 million in annual ongoing savings.

5.3 What productivity improvements and cost containment strategies are planned for future years?

In the text box summarise the council's ongoing efficiency measures.

a) Explain the initiatives which the council intends to implement.

In December 2020, the Acting Director and Managers of the Corporate Services Directorate participated in a Strategy Day. An outcome from the Strategy Day was a Corporate Services Change Projects Roadmap. The Roadmap is divided into functional areas as follows:

1. Governance and Risk
2. People and Systems
3. Finance and Procurement
4. Land Management
5. Assets, Capital Projects and Services
6. Communications and Community

Using the above Functional areas, Council has identified the following initiatives as possible future Revenue Opportunities and Cost Containment Strategies which Council intends to explore and implement where the benefits outweigh the costs:

1. Governance and Risk

1.1 Insurance review

Insurance premiums represent a significant while necessary cost for Council given the broad spread of assets and public liability risks. Council proposes:

1. a brokerage review to ensure efficient and effective insurance coverage,
2. realigning insurances in relation to a proposed asset divestment strategy,
3. consider self-insurance opportunities.

1.2 Future appointment of a Governance Manager

The future appointment of a Governance and Risk Manager is expected to assist Council improve its operational compliance with relevant Governance and Risk requirements, as well as provide opportunities for improvements.

2. People and Systems

2.1 Overtime & allowances review – aim for a 1%-1.5% pa increase in total employee costs

Employee costs which includes overtime and allowances represents approximately 30% of Council's annual expenses. Excessive overtime and allowances could indicate better management and planning is required for the day-to-day management and resourcing of projects. A detailed examination of employee overtime and allowances will assist Council to identify improvements in project and job management procedures, thereby improving sustainability by managing employee costs and refining resourcing to be as efficient and effective as possible.

2.2 Staff Training

Training of employees can have a positive impact on productivity and overall efficiencies. Council proposes to perform a targeted training review to identify opportunities for Council to provide training in areas that will provide a positive contribution to projects and Council's daily operations.

2.3 Information and Communication Technology Strategy review

Information and Communication Technology has a significant impact on Council's operations. Technology has helped Council improve the delivery of services to ratepayers and will continue to do so in the future. Continual improvements in how technology is applied in Council's operations are expected to produce additional benefits with improved efficiencies and productivity. A review of all technology licences is expected to provide some benefits with removal of unused licences and duplication between technology applications (for example, a recent telephony service review has resulted in cost savings of \$55,446 pa from FY2022).

2.4 Internal Service delivery review

Internal Corporate departments provide various services to other departments within Council. Performing a quality review of current internal service delivery is expected to identify some areas where more effective and efficient procedures could provide positive benefits to Council (eg via improved resourcing and management of Internal Corporate departments).

2.5 Investigate shared services with other councils

Several years ago, Council was part of a shared financial services

arrangement with several neighbouring Councils for a period of until. While this arrangement was exited by the neighbouring Councils at that point in time, given advancement in technology solutions, it may be opportune for Council to examine options of shared services with other neighbouring councils again, with a view to explore efficiencies. Council is currently participating in a shared services arrangement with two smaller neighbouring Councils for Internal Audit Services.

2.6 Organisation design

The design of an organisation impacts upon the efficient and effective delivery of its services to the community. Ensuring the organisation is designed fit-for-purpose to produce the best outcome for all stakeholders is important and likely to yield positive contributions to Council's sustainability. The appointment of a new General Manager at Council in January 2021 along with the impending appointments of some other vacant positions is expected to have a positive impact on Council's operations.

2.7 Culture & Climate Survey, Staff management

With the appointment of a new General Manager in January 2021, Council Management intends to conduct a Culture & Climate Survey early in 2021. The responses from the survey will be collated with planned initiatives including to improve Council's culture, reduce staff turnover, improve staff leave management. Such initiatives are expected to improve Council's sustainability by improving retention of staff, reducing recruitment costs. Council aims for a 12% turnover rate, down from a current 22% turnover rate.

3. Finance and Procurement

3.1 Review of fees and charges

A review of Council's fees and charges could yield positive impacts for Council's revenue. It is proposed to review fees and charges for all services to meet an agreed target for cost recovery. This target will be set for all services considering the following:

1. Refinement of estimated cost of service, taking account of productivity initiatives,
2. Examination of cost recovery rates for similar councils,
3. Examination of potential impact of increased fees,
4. Examination of Council's overhead costs and consideration of full recovery of costs, and
5. Consultation with Councillors and affected stakeholders.

3.2 Other Revenue Opportunities

A review of Council's revenue streams could provide possible additional or

alternative revenue sources, including:

1. Parking compliance
2. Paid parking opportunities (cost-benefit analysis to be considered)
3. Advertising opportunities

3.3 Fringe Benefits Tax (FBT) costs

In an effort to attract and retain quality staff, Council offers certain motor vehicle benefits as part of remuneration packages to management and certain other staff. The remuneration packages come with an FBT cost component. Council recoups some of the FBT costs via a contribution from the employee however a detailed examination is expected to produce benefits to Council through improved recovery of FBT costs.

3.4 Debt recovery

The recent Covid19 Pandemic has required Councils to amend their debt recovery procedures and additional hardship policies have been introduced by Council to assist those ratepayers affected by the pandemic. An examination of Council's debt recovery procedures may provide a positive impact to Council through improved recoveries or efficiencies.

3.5 External Cash Review Recommendations

In accordance with Council's Performance Improvement Order issued by the NSW Minister for Local Government in December 2020, Council must implement the recommendations made in the report of the review of Council finances. Implementation of the recommendations will improve Council's sustainability.

4. Land Management

4.1 Crown Land Reserves

A review of Council's Crown Land Reserves for revenue opportunities may provide positive benefits to Council, for example, renting to groups, café/food vans.

5. Assets, Capital Projects and Services

5.1 Property & asset divestment strategy

Council has previously divested properties that are no longer required for Council's needs or that are surplus to community requirements. A focussed asset divestment strategy is expected to yield benefits to Council via:

1. proceeds from disposal of surplus properties, and
 2. reduced maintenance costs and depreciation on assets no longer required
-

for Council services.

5.2 Waste Strategy Review

Council's new Waterfall Way Regional Landfill commenced operations with the acceptance of landfill during FY2021. It is proposed for Council to prepare a Waste Strategy to include consideration of strategic alliances with neighbouring Councils, review of waste management costs and recoveries.

5.3 Asset management & Strategic review of key assets

Council has over \$1 billion of assets (replacement cost) to manage across the local government area. Costs incurred in managing those assets include:

1. Regular repairs and maintenance (eg repairing potholes before weather conditions impact the underlying road foundations, gravel resheeting programs for rural unsealed roads)
2. Depreciation of the asset over its useful life
3. Planning for future renewals (eg 10 year capital works plan)
4. Project management costs to manage the portfolio of assets.
5. Conducting regular inspections of asset conditions to prioritise those assets in need of repairs.

By conducting an examination of Council's Asset Management practices, it is proposed Council will identify opportunities to refine processes and improve the effectiveness and efficiency of the Asset Management team and improve how Council manages its assets.

OLG Capital Expenditure Reviews on all required projects is expected to produce favourable results to Council through a more robust review of projects before commencement of planning.

A Strategic review of key assets and a review of the alignment of community facilities with community needs is expected to provide Council with improved clarity as a manager of community assets. This is expected to aid Council with its asset divestment strategy noted above.

5.4 Legal and Property - outsourcing commercial properties

Council currently manages several commercial properties that are owned by Council, while some properties are managed by external property agents. A review of the management of all commercial properties may assist Council identify fully outsourced options that are more cost effective to Council in the long term. A review of Council's Community Leasing Policy to implement cost recovery, as opposed to ratepayer subsidies, will help improve the financial viability of current community leasing arrangements. Plans of management are to be prepared or updated for each parcel of community land to enable revenue opportunities to be explored.

5.5 Facilities review

Council operates several facilities as part of its service delivery to the community. The costs of operating some of these facilities exceed the income generated by the facility. An example is Council's aquatic facilities at Armidale and Guyra. An operational review of the facilities will assist Council to identify opportunities to improve the gap between of income and expenses. Some Councils outsource the operation and management of their aquatic facilities to external parties and this provides a positive impact to those Councils. Council's facilities include Depots, Aquatic centres, Companion animal shelter, museums, Vehicle & fleet management facilities.

5.6 Project Management review

Council's Project Management Team manages projects from inception to completion. Given the size of some projects across the span of a financial year or several financial years, small savings can add up to produce significant savings for Council. A review of Council's Project Management processes is expected to yield positive outcomes for Council.

5.7 Grants review and application process

Grants received by Council for operating and capital purposes can provide between 30%-40% of Council's income in any one year. Grants can be received from various sources, primarily NSW State Government and the Australian Government. Seeking funding for projects and writing grant applications can be a complex process for Council, involving hours of research, preparation of forecasts, design plans and preparing and submitting the grant documentation to the relevant Government department. Not all grants are successful and while grants may appear to be 'free' money to help Council achieve certain community deliverables, there are always associated costs with the grant that Council must fund. One such cost is the whole of life cost of the underlying asset or deliverable being funded by the grant. All new assets constructed from grant funds add to Council's asset base and require ongoing maintenance, depreciation and eventual renewal.

An examination of Council's grant process is expected to assist Council identify areas of the grant process which could be streamlined to ensure only grants that add to Council's sustainability are applied for. Grants that do not provide a sustainable outcome for Council should not be applied for, saving on resources and assisting Council focus on core activities.

6. Communications and Community

6.1 Service Delivery review

A service delivery review is proposed to assist Council clarify current service

delivery levels and to best align with Community requirements. Service Delivery Reviews often identify areas where Council is over-servicing particular areas that the community no longer requires. This provides opportunities to refine operations.

6.2 Review Customer needs and consider additional online services

Council currently provides a range of services online and via face-to-face methods. While the demographics of the community may always require Council to provide some face-to-face options, a review of customer needs and the examination of more online services may yield benefits to Council.

b) Estimate their financial impact.

Further cost-benefit analysis of the above initiatives is required by Council before reliable estimates of their financial impact can be determined.

c) Indicate whether these have been incorporated in the council's Long Term Financial Plan.

Further cost-benefit analysis of the above initiatives is required by Council before reliable estimates can be incorporated into Council's Long Term Financial Plan for all initiatives proposed. At this time, ongoing savings have been assumed in the Long Term Financial Plan of 2.5% of General Fund operational costs excluding depreciation and this is expected to be realised through savings achieved in the organisational redesign process and review of employment practices.

5.4 How have the council's levels of productivity and efficiency changed over time, and compare with those of similar councils?

In the text box summarise data which demonstrates how the council has improved productivity over time, and indicates its performance against that of comparable councils.

Some measures of council's productivity and efficiency over time and a comparison with those of similar/nearby Councils is provided in the tables below. Council and Management are aware further improvement is required to improve sustainability.

The results of Council's initiatives to improve productivity are varied as outlined in the tables below. Council has met 5 out of 6 of the Performance ratio benchmarks over the past 4 years (met 6 out of 6 in 2019).

OLG Performance ratios (Consolidated Fund):

						Northern Region Councils	Councils with Populations < 70,000	State Avg
Performance Ratio	Benchmark	2017	2018	2019	2020	2020	2020	2020
1. Operating performance ratio	> 0%	12.35%	-8.73%	1.09%	0.90%	0.51%	1.48%	0.07%
2. Own source operating revenue ratio	> 60%	59.54%	71.27%	65.09%	58.56%	60.34%	66.96%	69.78%
3. Unrestricted current ratio	>1.50x	2.21x	1.53x	2.40x	2.64x	2.71x	2.6x	3.18x
4. Debt service cover ratio	>2.00x	6.00x	2.81x	4.47x	4.06x	4.69x	4.24x	5.43x
5. Rates, annual charges, interest and extra charges outstanding percentage	<10%	6.81%	6.86%	5.52%	5.74%	7.56%	6.56%	5.57%
6. Cash expense cover ratio (Mths)	>3mths	14.40	13.37	12.57	13.91	12.91	14.03	13.05

Source: Council's audited financial statements, LG Solutions Analyser Portal information

Operating expenses:

In relation to employees and employee costs, the number of Full time equivalents (FTE's) shows a downward trend, with Council managing to keep Employee costs as a % of Total Operating Expenditure below 35%.

Employees and employee costs:

						Northern Region	Councils with Populations < 70,000	State Avg
	13/5/16- 30/6/17	FY18	FY19	FY20	FY20	FY20	FY20	FY20
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee Costs	26,079	24,083	24,385	23,750	N/A	N/A	N/A	N/A
Adjusted for 12mths	23,181							
Total Operating Expenditure	76,977	80,243	74,329	76,402	47,495	99,260	98,658	
Adjusted for 12mths	68,424							
Employee Costs as % of Total Op Exp	34%	30%	33%	31%	34%	33%	37%	
Employee FTE's	296	275	277	272	158	237	233	

Source: Council's audited financial statements, LG Solutions Analyser Portal information

The tables below compare the population of Armidale and the number of full time equivalent employees employed by Council with several other Councils. The first table shows Councils in the NSW Northern Region and the second table shows Councils with

populations < 70,000. It should be noted in the comparisons below that not all councils are responsible for the provision of water and sewerage services as Armidale Regional Council is.

Employees and Populations (comparison with other Northern NSW Region and similar populations):

Northern NSW Region			
Council	Population	Staff (FTE)	Population per FTE
Armidale Regional	30,707	277	111
Glen Innes Severn	8,908	124	72
Gunnedah	12,661	181	70
Gwydir	5,349	153	35
Inverell	16,844	198	85
Liverpool Plains	7,893	111	71
Moree Plains	13,350	229	58
Narrabri	13,231	175	76
Tamworth Regional	62,156	540	115
Tenterfield	6,638	103	64
Uralla	6,062	126	48
Walcha	3,132	80	39
Similar Population Councils			
Council	Population	Staff (FTE)	Population per FTE
Armidale Regional	30,707	277	111
Bathurst Regional	43,206	372	116
Bega Valley	34,348	341	101
Clarence Valley	51,647	518	100
Dubbo Regional	53,240	459	116
Goulburn Mulwaree	30,852	290	106
Kempsey	29,665	314	94
Lismore	43,843	369	119
Lithgow	21,636	181	120
Mid-Western Regional	25,086	337	74

Source: ABS 2018-19 Data Tables



Attachments for Criterion 5

List attachments relevant to your response for Criterion 5 in **Table 5.1**. Use the council assigned number shown in Table 8.1.

Table 5.1 Attachments relevant to response for Criterion 5

Council- assigned number	Name of document	Page references ^a

a If document only relevant in part.



Criterion 6 Other relevant matters

Criterion 6 in the SV Guidelines is:

Any other matter that IPART considers relevant.

6.1 Reporting requirements SV compliance

In the text box propose additional SV compliance community awareness in addition to the requirements in the IP&R documentation.

If Council's application for a proposed SV is successful it will issue a media release and include relevant information in community messaging (e.g. rates brochure) outlining that it intends to undertake the following SV compliance actions in addition to the requirement to provide information in Council's annual report:

- Budgeting and asset planning processes will incorporate the SV requirement as a key priority
- Annual consultation on the Operational Plan and Budget will incorporate information on what specific projects are being delivered with the SV
- Council's Operational Plan will include two new key reporting areas;
 1. Reporting on projects funded by SV
 2. Reporting on Council's improvement program as outlined in Criterion 5

A cash reserve would also be established to record the value of the SV and account for outgoing expenditure; this will then be included in end of financial year audit processes and reporting.

The Guidelines provide further that:

IPART will assess each application based on its merits against the assessment criteria. In doing so, IPART may consider:

- size of the council
- resources of a council
- size (both actual \$ and %) of increase requested
- current rate levels and previous rate rises
- purpose of the special variation

- compliance with this or any other applicable guideline
- compliance with the conditions of any previous special variations, and
- any other matter considered relevant in the assessment of a special variation application.

To complete the question for Criterion 6: Other relevant matters refer to IPART's Application Guide for SV Application Form Part B.

In the text box the council **may** provide information in addition to that provided elsewhere in the Application Form which it would like IPART to consider when assessing its proposed SV.

Council has experienced several other significant issues that are considered relevant for IPART's consideration of Council's application. Each of the items are outlined below:

1. Impact of Covid-19 on Council revenues
2. Landfill Rehabilitation increase of \$19.8 million, no cash reserve
3. Cost Shifting from Other Government Departments
4. Impact of Natural Disasters
5. Whole of Life costs from Grant Funding
6. Population Growth Impacts

1. Impact of Covid-19 on Council revenues

- For FY2020/21, the forecast revenue loss from FY2019/20 budgeted levels is \$1.5 million for airport revenues and \$170k for rent and lease income. Other negative impacts continue to be experienced and this could worsen and extend longer as the pandemic passes the one year mark in Australia.
- The outlook for airport revenues remains grim. Due to the ongoing impacts of Covid-19 on international and interstate travel, the expectation for a return to previous budgeted levels is low for an extended period. A high percentage of flights in and out of Armidale Regional Airport are connecting flights and if the connections are not available then the flights from Armidale do not occur.
- There are ongoing financial impacts to the airlines that use the airport. The airlines continue to place significant pressure on Council to reduce fees for flights in order to keep operating out of the airport.
- Businesses who lease facilities from Council at the airport continue to experience disruptions to their businesses. They have sought relief from Council on the payment of rents and leases.

2. Landfill Rehabilitation increase of \$19.8 million, no cash reserve

- Council has inherited significant landfill rehabilitation liabilities from the former councils with no cash reserves to undertake the required rehabilitation work.
 - As noted in the Finch Consulting Report on Council's Finances, Council's cash reserves since merger have also significantly reduced leaving few options
-

available to Council to address increased costs, other than increasing fees and charges to ratepayers where possible.

- In FY2020, Council undertook to have an external consultant prepare a landfill rehabilitation model that provided an estimate of landfill rehabilitation costs totaling \$23.6 million. This estimate represents a \$19.8 million increase on previous internal estimates and is due to several factors: additional rehabilitation required for the closed Guyra site (inherited from Guyra Shire Council with no rehabilitation reserve); provisional rehabilitation for a newly commenced site (Waterfall Way Regional Landfill) and an underlying increase in rehabilitation material costs at the Armidale Long Swamp Road Landfill, which is transitioning from a landfill site to a waste transfer and processing station. The higher estimate of \$23.6 million highlights the need for Council to accumulate cash reserves for the purpose of funding these increased liabilities.
- Currently the only waste reserve that exists to assist with funding these liabilities is the Domestic Waste Reserve with a balance of \$1.4 million as at 30 June 2020.

3. Cost Shifting from other Government Departments

- Like all other Local Councils, Armidale Regional Council has experienced significant shifting of costs from other Government Departments over recent years.
- One example is the increase in the Emergency Services Levy over the past 2 years. The gross increase in the levy, which is paid to the NSW Government, is approximately \$460,000. As Uralla Shire Council and Walcha Shire Council contribute to a share of these costs, Council's net increase over the past 2 years is approximately \$300,000. While the NSW Government has provided a rebate for the increase over the past 2 years, going forward this item is a permanent addition to Council's budget without any offsetting source of funding.
- A further example is the devolution of Crown Land parcels to Council's care and control without any funding for the ongoing management and maintenance of these areas.

4. Impact of Natural Disasters

- Council has been impacted by the following recent Declared Natural Disaster Events:

NSW Bushfires: 31 August 2019 onwards (Code: AGRN871) – this fire event impacted several areas of Armidale's Local Government Area including areas surrounding Ebor Village, Waterfall Way (State Road MR76), Point Lookout, Guyra Road, Round Mountain Road, Raspberry Road, Kempsey Road and Big Hill. Armidale Airport was used as a base by the RFS for fire fighting missions to surrounding Local Government Areas. Council provided additional support to the RFS during this period.

NSW Storms and Floods: 15 January 2020 onwards (Code: AGRN898) – this storm and flood event primarily impacted the Kempsey Road and Big Hill areas, after the vegetation of these areas were already impacted by bushfires only several months earlier.

NSW Storms and Floods: 20 October 2020 onwards (Code: AGRN936) and NSW Storms and Floods: 10 December 2020 onwards (Code: AGRN943) – these storm events further impacted the Kempsey Road and Big Hill areas, after rehabilitation work had been performed. Some of completed rehabilitation work was washed away during both events. Council is working with the NSW Government Transport for NSW (TfNSW) to plan structural work to minimise the impact of future events.

- Along with financial resources, natural disasters absorb staff resources and impact upon Council's delivery program, resulting in deferral of priority projects.
- For each natural disaster, Council incurred costs for Emergency Works and Immediate Reconstruction Works to remove fallen trees, fire damaged vegetation and other debris from roads; repair and replace fire damaged assets and ensure the safety and convenience of residents and visitors. The following table shows the costs incurred by Council for Emergency Works and Immediate Reconstruction Works along with the amounts that Council has lodged claims for reimbursement with relevant Government Departments and Agencies. Under the relevant reimbursement provisions, Council may or may not be permitted to claim for 100% reimbursement, so Council must absorb a certain amount of the costs incurred in performing emergency works and reconstruction works.
- The following table lists each disaster, costs to Council and where Council can lodge claims for reimbursement, the amount of the claim and related Agency.

Declared Disaster	Cost to Council	Amount Claimed	Agency
Bushfires (AGRN871)	\$523,518	\$366,128	Transport for NSW (TfNSW)
Bushfires (AGRN871)	\$363,703	\$363,703	RMS
Bushfires (AGRN871)	\$99,899	\$99,899	RMS
Bushfires (AGRN871) – Section 44 Emergency under the Rural Fires Act 1997	\$67,368	\$67,368	RFS
Bushfires – RFS Items - Water Carting for fire fighting missions, Emergency repairs to Airport Runway, Water bores.	\$186,687	\$186,687	RFS
Bushfires (AGRN871) – BlazeAid Ebor Base-Camp	\$46,880	\$46,880	Resilience NSW
Storms & Floods (AGRN898) – Tree Removal & Emergency Works Kempsey Road	\$824,456	\$824,456	Transport for NSW (TfNSW)

Storms & Floods (AGRN898) – Emergency Work Kempsey Road	\$984,347	\$854,544	Transport for NSW (TfNSW)
Storms & Floods (AGRN936/943) – Emergency Work Kempsey Road	\$414,949	Note 1	Transport for NSW (TfNSW)
TOTAL	\$3,511,807	\$2,809,665	

Note 1: Claim currently being prepared.

- The difference in the Total Cost to Council and Total Amount Claimed in the table above is \$702,142. Some of this balance relates to a claim yet to be made, while the balance relates to costs that Council must absorb and was not budgeted for.
- As a result of the damage sustained to Kempsey Road from the above Natural Disaster Events, for the year ended 30 June 2020 financial statements, Council recorded an impairment loss of \$1,893,000 against the Road and Infrastructure assets.

5. Whole of Life costs from Grant Funding

- NSW State Government and Commonwealth Grants provide an important source of funding for Council, however many grants are provided for the purpose of creating new assets. While new assets are attractive, the downside is they negatively impact Council by growing Council's operational costs without an equivalent source of revenue.
- New assets are required to be maintained and repaired when necessary and they depreciate over their useful life. At the end of their useful life, Council must consider the cost-benefit analysis of replacing the item which requires budget and forward capital planning. New assets add to Council's asset base and cost base and spreads an already thin maintenance budget over additional assets. This has an unfavourable impact on Council's sustainability.
- Many grants require a co-contribution or at least a level of what is often referred to as 'in kind' support; however, no level of support is without a consequence on the Council. Deferring existing resources to support grants is resulting in the inability to progress important priorities of Council such as maturing the asset management framework and implementing productivity and efficiency programs.
- In addition, Grants take a considerable amount of time to research, collate the necessary data, prepare and lodge. Grant writing is sometimes outsourced at additional cost to Council, while in most cases internal resources are required. This detracts from Council's primary focus to deliver existing services and focus on existing priority projects.

6. Population Growth Impacts

- While population growth can provide a positive contribution for Council's rate base and rates income, additional population places pressure on Council's services, impacting upon resource utilization and depletion and may lead to a faster

deterioration of assets.

- An extract from Council's Local Strategic Planning Statement (LSPS) adopted by Council on 28 October 2020 included highlights from the 2019 Populations Projections for the Armidale Regional Council local government area:
 - The population is estimated to increase by 7,800 people between 2016 and 2041, from 30,300 to 38,100 i.e. an average annual growth rate of 0.9%.
 - The population is estimated to continue to grow as people move in from across the state; migration (arrivals less departures) is projected to account for about 58% of the population change over 25 years.
 - The working age population (aged 15-64) is estimated to increase from 19,750 in 2016 to 23,400 in 2041 – a change of 3,650.
 - The number of children aged 14 and under is estimated to increase by 1,050, from 5,600 in 2016 to 6,650 in 2041.
 - The number of people aged 65 and over is estimated to increase from 4,950 in 2016 to 8,100 by 2041 - a change of 3,150.
 - Total households are estimated to increase by 4,050, from 11,750 in 2016 to 15,800 in 2041; family with children (at c.36%) remain as the dominant household type, followed by lone person households (at c.31%) and couple-only households (at c.27%).
 - Household size (average persons resident per occupied private dwelling) is estimated to decrease from 2.38 in 2016 to 2.24 in 2041.
 - An additional 4,600 dwellings are estimated to be required over the 25 year period to 2041 if the population forms households in the same ways as in 2016.
 - Providing for future population growth is a key consideration for the LSPS.
 - The New England North West Regional Plan 2036 is a 20 year blueprint for the future of the region. The NSW Government's vision for the New England North West Region is: Nationally valued landscapes and strong, successful communities from the Great Dividing Range to the rich black soil plains. The vision acknowledges the opportunities provided by natural resources and strong communities and set the following regionally focused goals:
 - A strong and dynamic regional economy
 - A healthy environment with pristine waterways
 - Strong infrastructure and transport networks for a connected future
 - Attractive and thriving communities
 - While Council welcomes the forecast growth outlined in the plan, Council also understands and expects with growth comes some challenges. Challenges are expected to come in the form of financial, resourcing and delivery challenges.



Attachments for Criterion 6

List attachments relevant to your response for Criterion 6 in **Table 6.1**. Use the council assigned number shown in Table 8.1.

Table 6.11 Attachments relevant to response for Criterion 6

Council- assigned number	Name of document	Page references ^a

a If document only relevant in part.

Council certification and contact information

To prepare the Council certification and provide council information refer to IPART's Application Guide for SV Application Form Part B.

Certification of application

Prepare a document in the form indicated below, sign, scan and attach as a public supporting document.

Application for a Special Rate Variation

To be completed by General Manager and Responsible Accounting Officer

Name of council: Armidale Regional Council

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

General Manager (name): James Roncon

Signature and Date: X

Responsible Accounting Officer (name): Kelly Stidworthy

Signature and Date: X

Council contact information

Complete Table 7.1.

Table 6.2 Council contact information

General Manager	
General Manager contact phone	
General Manager contact email	
Primary council contact	
Council contact phone	
Council contact email	
Council email for inquiries about the SV application	

List of attachments

To prepare the List of attachments refer to IPART's Application Guide for SV Application Form Part B.

Table 8.1 is the list of all attachments to the council's SV Application Form Part B.

To complete Table 8.1 (adding rows as necessary):

1. Assign an identifying number and/or letter to each document.
2. Name each document.
3. Check the box to indicate that it is being submitted with the application.

Table 6.3 List of Attachments to the council's application

Council-assigned number	Name of Attachment	Is the document included in the application as submitted?
Mandatory forms/attachments		
A.1	Application Form Part A (Excel spreadsheet)	<input checked="" type="checkbox"/>
A.2	Application Form Part B (this Word document)	<input checked="" type="checkbox"/>
A.3	Council resolution to apply for the proposed special variation	<input checked="" type="checkbox"/>
A.4	Certification	<input checked="" type="checkbox"/>
If applicable for Description and Context Question 4		
A.5	Instrument for expiring special variation	<input checked="" type="checkbox"/>
A.6	OLG advice confirming calculation of amount to be removed from the council's general income	<input checked="" type="checkbox"/>
If applicable for Description and Context Questions 5 and 6		
	Declaration of compliance with conditions in past instruments (if applicable)	<input type="checkbox"/>
	Relevant instrument(s) for past special variations (if applicable)	<input type="checkbox"/>
	Evidence of compliance with conditions in past instruments (if applicable)	<input type="checkbox"/>
Mandatory public supporting material (ie, to be published on IPART's website)		
A.7	Community Strategic Plan – Relevant extracts	<input checked="" type="checkbox"/>
A.8	Delivery Program – Relevant extracts	<input checked="" type="checkbox"/>
A.9	Long Term Financial Plan with projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in Excel format <ul style="list-style-type: none"> • Resourcing Strategy 2020-2021 (Addendum to revised 	<input checked="" type="checkbox"/>

Council- assigned number	Name of Attachment	Is the document included in the application as submitted?
	Delivery Program 2018-2022) • LTFP_General_Main_Workfile	
A.10	Consultation material, eg copies of media releases, notices of public meetings, newspaper articles, fact sheets used to consult on rate increase and proposed special variation • Community Engagement Combined Documents	<input checked="" type="checkbox"/>
A.11	Community feedback (including surveys and results if applicable) • Community Feedback Combined Documents	<input checked="" type="checkbox"/>
	Willingness to pay study (if applicable)	<input type="checkbox"/>
A.13	Hardship Policy	<input checked="" type="checkbox"/>
Other public supporting material		
A.14	Asset Management Strategy / Plan(s) (if applicable) • Asset Management Combined Documents	<input checked="" type="checkbox"/>
	Operational Plan for 2020-21 (ie, not for 2021-22) (if applicable)	<input type="checkbox"/>
	NSW Treasury Corporation report on financial sustainability (if applicable)	<input type="checkbox"/>
A.15	Council Resolution to Adopt Updated IP&R Documents	<input checked="" type="checkbox"/>
A.16	Ratepayer Impact - Morrison Low Capacity to Pay Report April 2019	<input checked="" type="checkbox"/>
A.17	Armidale Dumaresq Council - Fit for the Future Assessment Summary	<input checked="" type="checkbox"/>
A.18	Performance Improvement Order and Review of Council Finances	<input checked="" type="checkbox"/>
A.19	Audited Financial Statements 30 June 2020	<input checked="" type="checkbox"/>
		<input type="checkbox"/>
		<input type="checkbox"/>
		<input type="checkbox"/>
Confidential supporting material (ie, not to be published on IPART's website)		
		<input type="checkbox"/>
		<input type="checkbox"/>
		<input type="checkbox"/>
		<input type="checkbox"/>

Important information for completing and submitting Special Variation Application Form Part B for 2021-22

Submitting the application online

Applications must be submitted through the Council portal by Monday, 8 February 2021.

- ▼ A file size limit of 10MB applies to the Part B Application Form.
- ▼ For supporting documents (Attachments) a file size limit of 70MB applies to public documents, and another 50MB to confidential documents.

Confidential content in applications

IPART will post all applications (excluding confidential content) on the IPART website. Examples of confidential content are those parts of a document which disclose the personal identity or other personal information pertaining to a member of the public, a document such as a council working document that does not have formal status, or document which includes commercial-in-confidence content.

Councils should ensure supporting documents are redacted to remove confidential content where possible, or clearly marked as CONFIDENTIAL.

Publishing the council's application

Councils should also post their application on their own website for the community to access.