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| Special Variation Application Form – Part BFor applications for 2014/15Issued October 2013 |
| BLAYNEY SHIRE COUNCILDate Submitted to IPART:Council Contact Person: Anton FranzeCouncil Contact Phone: (02) 6368 2104Council Contact Email: council@blayney.nsw.gov.au  |

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# Introduction

Each council must complete this application form (Part B) in order to apply for a special variation to general income. The same Part B form is to be used for applications made either under section 508A or under section 508(2) of the *Local Government Act 1993*.

IPART assesses each application against the criteria set out in the Division of Local Government (DLG) *Guidelines for the preparation of an application for a special variation to general income for 2014/2015* (the Guidelines). Councils should refer to these guidelines before completing this application form. They are available at [www.dlg.nsw.gov.au](http://www.dlg.nsw.gov.au).

We also publish Fact Sheets on our role in local government rate setting and special variations and on the nature of community engagement for special variation applications. The latest Fact Sheets on these topics are dated September 2013. They are available on our website at [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au).

Councils must complete this Part B form with a relevant Part A form, also posted on our website. The relevant Part A form is either:

* *Section 508(2) Special Variation Application Form 2014/15 – Part A* for a single percentage variation under section 508(2) or
* *Section 508A Special Variation Application Form 2014/15 – Part A* for more than one percentage variation under section 508A.

The amount of information to be provided is a matter for judgement, but it should be sufficient for us to make an evidence-based assessment of the council’s application against each criterion. This form includes some questions that the application should address, and guidance on the information that we require. As a general rule, the higher the cumulative percentage increase requested, and the greater its complexity, the more detailed and extensive will be the information required.

## Completing the application form

To complete this Part B form, insert the council’s response in the boxes and the area which is highlighted, following each section or sub-section.

Councils may submit additional supporting documents as attachments to the application. The attachments should be clearly identified in Part B and cross-referenced. We prefer to receive relevant extracts rather than complete publications, unless the complete publication is relevant to the criteria. Please provide details of how we can access the complete publication should this be necessary.

We may ask for additional information to assist us in making our assessment. If this is necessary, we will contact the nominated council officer.

This application form consists of:

* Section 2 - Focus on Integrated Planning and Reporting
* Section 3 – Assessment criterion 1
* Section 4 – Assessment criterion 2
* Section 5 – Assessment criterion 3
* Section 6 – Assessment criterion 4
* Section 7 – Assessment criterion 5
* Section 8 - Other information
* Section 9 – Checklist of contents
* Section 10 – Certification.

## Submitting the application

IPART asks that all councils intending to apply for a special variation use the Council Portal on our website to register as an applicant council and to submit their application.

The Portal is at <http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt>. A [User Guide](http://www.ipart.nsw.gov.au/files/948b8fb1-2e6e-4647-b9d3-a10000a2552a/Local_Government_-_Council_Portal_User_Guide_-_November_2012.pdf) for the Portal will assist you with the registration and online submission process.

Councils intending to submit an application should notify us of their intention to apply by **cob Friday 13 December 2013.**

Councils should also submit their applications, both Part A and Part B and supporting documents, via the Portal. File size limits apply to each part of the application. For Part B the limit is 10MB. The limit for the supporting documents is 120MB in total, or 70MB for public documents and 50MB for confidential documents. These file limits should be sufficient for your application. Please contact us if they are not.

We also ask that councils also submit their application to us in hard copy (with a table of contents and appropriate cross referencing of attachments). Our address is:

Local Government Team
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

Level 17, 1 Market Street, Sydney NSW 2000.

We must receive your application via the Council Portal and in hard copy no later than **cob Monday 24 February 2014.**

We will post all applications (excluding confidential documents) on our website. Councils should also post their application on their own website for the community to read.

# Focus on Integrated Planning and Reporting

How a council considers and consults and engages on a special variation as part of its Integrated Planning and Reporting (IP&R) processes is fundamental to our assessment of the application for a special rate variation. Such a focus is clear from DLG’s September 2013 *Guidelines*.

The key relevant IP&R documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and, where applicable, Asset Management Plan.

A council’s suite of IP&R documents may also include supplementary and/or background publications used within its IP&R processes. As appropriate, you should refer to these documents to support your application for a special variation.

Briefly outline how the council has incorporated the special variation into its IP&R processes. Include details of and dates for community consultation, key document revisions, exhibition period(s) and the date(s) that the council adopted the relevant IP&R documents.

**Response:**

Blayney Shire Council was a Group 3 Council in the implementation of the Integrated Planning and Reporting and as such, first completed the suite of IP&R documents for adoption by June 2012. In late 2011 when consultations for the IP&R began, Council undertook community workshops seeking views of the community on future priorities as part of the development of the Blayney 2025 Community Strategic Plan. During these consultations it was evident that Council would be unable to fund the community’s priorities and realistic expectations had to be set. During the development of the IP&R plans, Council commenced discussions with the community that we could not afford to continue to provide all services and that a Special Rate Variation (SRV) was needed to address sustainability issues and the infrastructure maintenance gap. General awareness of Council’s financial situation was increased in the community and community acceptance of a rate rise started to become evident.

**Development of the Delivery Program**

During the development of the 2012/13 – 2016/17 Delivery Program it was recognised that Council did not have sufficient funding to sustain operations long term. Council approved and was successful in obtaining a S.508(A) permanent SRV of $1.7m or 40.7% to be applied to the mining category commencing 2012/13. A further SRV increase of 10.3% over 7 years across all categories was also proposed for commencement in 2012/13 however was not supported by Council and did not proceed. This proposal was debated in the local media and awareness of Council’s need for more funding was highlighted throughout the community.

The development of the 2013/14 – 2017/18 Delivery Program proposed a SRV increase of 15% over 6 years across all categories excluding special rate variations in place commencing 2014/15.

To ensure that the Community was aware of the proposed special rate variations being considered, Council held 9 community meetings between 15 and 24 October 2013 and was able to involve over 100 people in face-to-face sessions. In all of the meetings, a presentation was given to residents outlining Council’s financial situation, the range of services and facilities that Council provides and a discussion was had with participants on the need for a SRV. One requested meeting was also held with the NSW Farmers on 31 October 2013.

In these meetings Council referenced 3 options being:

* **Option 1:** Reduced Services Model - 3.3% being the proposed rate cap each year (current situation) for all rating categories. This is subject to variation by IPART annually as the rate cap percentage may vary from 3.3%.
* **Option 2:** Maintain Model – 10.0% per annum over 4 years (cumulative and permanent) for all rating categories which includes the rate cap proposed by IPART annually.
* **Option 3:** Road to Infrastructure Improvement Model -15% per annum over 6 years (cumulative and permanent) for all rating categories which includes the rate cap proposed by IPART annually.

**Consultation with the Community**

The proposed models have been discussed with the community and the information has been made available to inform the residents of the limitations to future budgets around each service model. The community has expressed an expectation that the elected Councillors will ensure that assets are maintained to a reasonable standard and that improvements are made to reduce long term deterioration. A special rate variation is required to ensure that we do not down grade assets and those services will be available to future generations.

Council has provided information on its website, Facebook and Twitter accounts and has included the special rate variation in the community newsletter posted to all ratepayers. The special rate variation has also been reported in the local media. Further, Council placed a rates calculator on its website to assist ratepayers to assess its impact.

A community survey was undertaken in September 2013 on the Future Funding of Services in the Blayney Shire. The survey analytics are attached and key outcomes of the survey are shown below:

*Most Important Service Activities*

*The top 5 service delivery items, as identified by the community, were ranked as follows (highest to lowest):*

*1. Local Roads*

*2. Helpful (Council) Staff*

*3. Clean Food Shops and Restaurants*

*4. Order and Cleanliness*

*5. (Standard) of Public Toilets*

*Greatest Satisfaction with Council’s Service provision
Those services achieving the highest level of satisfaction were:*

*1. Parks and Gardens*

*2. Rubbish Tips and Recycling*

*3. Helpful Staff*

*4. Sewer Services*

*5. Library*

*Greatest Level of Dissatisfaction with the provision of Council Services
In contrast, the greatest level of ‘Dissatisfaction’ with the provision of Council Services was ranked as follows (from most dissatisfied to less dissatisfied):*

*1. Local Roads*

*2. Development and Building Approvals*

*3. Footpaths*

*4. Animal and Pest Control*

*5. Bridges*

(Source: 11 November 2013 Council Business Paper).

The community was provided with an overview of the special rate variations and Council’s reasoning for consideration of the need for these. A handout was provided to all community members in attendance at meetings held and the community was encouraged to ask questions on the special rate variation.

Council provided attendees with the simple survey results from the village community meetings held up to 24th October and a secret ballot of attendees was held that indicated:

* 45% were in favour of the 15% variation over 6 years
* 35% were in favour of the 10% variation over 4 years
* 22% were in favour of the 3.3% variation (current rate peg)
* 3% were informal

The meeting with NSW Farmers, with approximately 100 in attendance, received the similar presentation with a ballot held by show of hands that saw an overwhelming majority of attendees in favour of the Reduced Services Model of 3.3% variation (rate-peg). Council took into account the information provided by rural landowners as to their ability to pay higher rates, a low commodity price, a potential that drought was returning to the Shire, that time was required to reinvest after the last drought, that a review of base rates should occur and Council should reassess asset renewal types.

From these meetings there was recognition by the community that rates and other income sources needed to increase, along with cost savings measures being implemented by Council. It was also recognised from concerns raised by the community, particularly Farmers, that a review of the rates structure would be required.

Council considered the discussion held at the community meetings and the advice from the survey taken at a workshop on Monday 4th November 2013. This workshop was to consider the level of special rate variation and the report submitted by Western Research Institute as to the affordability of the rates for all people living in Blayney Shire. This was further compared to the survey results from the community as to what they want to see for the shire and how they believe the current situation exists.

At its Ordinary meeting held 11 November 2013 Council resolved the following:

1. *That Council apply to IPART for a Special Rate Variation of 6% across all rating categories for 2 years starting 2014/2015 financial year excluding existing Special Rate Variations in place;*
2. *That Council modifies its Long Term Financial Plan to project rate increases of 6% for Farmland rate category and 10% for all other categories, excluding existing Special Rate Variations in place, for 4 years starting financial year 2016/2017;*
3. *That Council undertake a review of the rating structure to combine rate groups and review the base rate for the new rate descriptions;*
4. *That Council provide advice through the local media and councils newsletters as to the decision of Council on the special rate variation; and*
5. *That Council work with Village committees and NSW Farmers to consider, review and develop the future special rate variation from 2016/2017.*

Council also sought to provide an overview to its community, in a succinct format, of how it has arrived to the need for a special rate variation and an outline of its financial situation through the inclusion in the preliminary section of its Delivery Program reference to the following:

* Community Engagement for future funding (Special Rate Variations) and service delivery (2 pages)
* The Path to Financial Sustainability (6 pages)

The Long Term Financial Plan includes in its preface reference to The Path to Financial Sustainability and the Community Strategic Plan includes reference to Community Engagement for future funding..

This application for a Special Rate Variation of 6% across all rating categories for 2 years starting 2014/2015 financial year excluding existing Special Rate Variations in place has been labelled the *Community Informed Services Model*. The increases sought included in this special rate variation application have been before the community and have been included in Council’s 2014/15 – 2017/18 Delivery Plan and Resourcing Strategy.

# Assessment criterion 1: Need for the variation

In the DLG Guidelines, criterion 1 is:

*The need for and purpose of a different revenue path (as requested through the special variation) is clearly articulated and identified through the council’s IP&R documents, including its Delivery Program and Long Term Financial Plan. Evidence for this criterion could include evidence of community need/desire for service levels/project and limited council resourcing alternatives and the Council’s financial sustainability conducted by the NSW Treasury Corporation. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan applying the following two scenarios:*

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

The response in this section should summarise the council’s case for the proposed special variation. It is necessary to show how the council has identified and considered its community’s needs, alternative funding options and the state of its financial sustainability.

The criterion states that all these aspects must be identified and articulated in the council’s IP&R documents.

At the highest level, please indicate the key purpose(s) of the special variation by marking one or more of the boxes below with an “x”.

Maintain existing services [ ]

Enhance financial sustainability [x]

Environmental works [ ]

Infrastructure maintenance / renewal [x]

Reduce infrastructure backlogs [ ]

New infrastructure investment [ ]

Other (specify) [ ]

Summarise below the council’s need for the special variation. Comment on how the need is captured in the IP&R documents, especially the Long Term Financial Plan (LTFP) and the Delivery Program, and, where appropriate, the Asset Management Plan (AMP). Note that the LTFP is to include both a ‘baseline scenario’ and an ‘SV scenario’ as defined in the *Guidelines*.

If the special variation seeks funding for contributions plan costs above the development contributions cap, refer to Box 3.1.[[1]](#footnote-1)

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| Box 3.1 Special variations for development contributions plan costs above the developer cap |
| For costs above the cap in contributions plans, a council mustprovide:a copy of the council’s section 94 contributions plan a copy of the Minister for Planning and Infrastructure’s response to IPART’s review and details of how the council has subsequently amended the contributions plandetails of any other funding sources that the council is proposing to seek to useany reference to the proposed contributions (which were previously to be funded by developers) in the council’s planning documents (eg, LTFP and Asset Management Plans (AMP)any necessary revisions to financial projections contained in the LTFP and AMP to reflect the special variation. |
|  |

If the special variation seeks funding for contributions plan costs above the development contributions cap, set out below:

* details explaining how the council has established the need for a special variation to meet the shortfall in development contributions, and
* how this is reflected in the council’s IP&R documents.

## Community needs

Indicate how the council has identified and considered the community’s needs and desires in relation to matters such as levels of service delivery and asset maintenance and provision in deciding to apply for a special variation. The application should include extracts from, or references to, the IP&R document(s) that demonstrate how the council meets this criterion.

**Response:**

Council has a rate base of $6.1m and includes $1.9m in special variations providing a net base of $4.2m for which this application is proposed to apply to. As outlined in Council’s adopted LTFP 2014/15 – 2023/24 the following model is proposed:

* 2013/14 - Permanent 6% increase excluding application to existing special rate variations in place (including rate-peg) for village enhancement and asset renewal purposes. This variation will raise the general rate yield by an estimated $147,000 in year 1 and 433,000 in 2014/15 and then be indexed by rate-pegging on an ongoing basis.

In the preparation of IP&R plans in the past Council identified the challenge of funding services. Council’s Asset Management Plans articulated the funding levels required to sustain assets long term. The Long Term Financial Plan has incorporated these forecasts to identify the future revenue stream requirements.

Council has reviewed its services and alternative revenue sources. Services for delivery have been scaled back where feasible whilst remaining within community expectations however the impacts of this are negligible. An analysis of alternative sources of revenue was also undertaken however as a small Council with in excess of 80% of its revenue sourced from Rates and Grants alternate improvements to revenue sources are of little significance in the big picture.

Integrated Planning and Reporting documentation had been prepared for the 2013/14 year proposing a permanent 6 year 15%p.a. rate rise and on this basis sought to consult the community. It also included an alternate option of a four year 10%p.a. rate rise in addition to the option of the Reduced Services Model of an assumed 3.3% (rate-peg).

Council undertook a survey on the future funding of services in September 2013. The survey outcomes as shown in the attachments reinforces that the community consider infrastructure as a priority and are seeking improved services.

The community meetings conducted reinforced the community expectations on service levels and preparedness to pay, with the exception of the NSW Farmers lobby. Council then sought to amend its Asset Management Plan expenditure programs to adjust services.

In light of the community feedback and significance of rate increases proposed, Council sought to reconsider the way forward. Changes were then effected in Council’s Long Term Financial Plan. The two scenarios shown in the LTFP are:

* Reduced Services Model – Assumed rate peg of 3%p.a.
* Community Informed Services Model – Assumed at a 2 year 6%p.a. permanent increase, excluding application to existing Special Rate Variations. (This equates in real terms to 4.69% in year 1 and 5.11% in year 2.)

Councils’ need for funding arises as part of a medium to long term strategy to financial sustainability to deliver community assets and services in the long term. Similar to many NSW Councils we have a significant asset backlog and they will continue to deteriorate without additional funding. Undertaking a Special Rate Variation is a priority in Council’s Community Strategic Plan, Delivery Program and Long Term Financial Plan. Council needs the funding to maintain assets as part of its service provision at acceptable levels across a broad range of services. To this end further assumptions have been made in the Long Term Financial Plan for 2 four year special rate variations from 2016/17 onwards of 6%p.a. Farmland and 10% other categories, excluding the Mining special rate variation.

Without this increased funding and that proposed in the Long Term Financial Plan a decrease in service levels would result in the medium to long term.

A number of financial assessments have been undertaken by TCorp and are outlined in section 3.3 below. Again these assessments have reinforced Council’s need to address its long term financial sustainability.

The need for the Special Rate Variation is also captured in Integrated Planning & Reporting documentation:

*Community Strategic Plan – Blayney 2025:*

**Future Direction 6: Leadership**

**STRATEGIC OUTCOME CSP6.3: A WELL RUN COUNCIL ORGANISATION**

*Delivery Program 2014/15 to 2017/18:*

**DP6.3.1: Maintain a stable and secure financial structure for Council.**

*Community Strategic Plan – Blayney 2025:*

**Future Direction 4: Develop and maintain Shire infrastructure**

**STRATEGIC OUTCOME CSP4.1: ADEQUATE PROVISION OF TRANSPORT, ROADS, RAIL, INFORMATION AND COMMUNICATION TECHNOLOGIES AND COMMUNITY SOCIAL ASSETS.**

The Long Term Financial Plan articulates the way forward for Council to achieve long term financial sustainability. *(It should be noted that in the Long Term Financial Plan an assumption has been included for further rate variations outside the period of this application i.e. 2016/17 to 2023/24.)*

Council’s Asset Management Plans, whilst prepared on the basis of a 6 year 15% special rate variation and now pared back, provide Council with an overview to go forward and demonstrate need for more adequate funding into the future. It should also be noted that these documents are constantly under review in line with community accepted service levels, alternate solutions and changing priorities. This has also been the case with Council’s determination for a 2 year 6% p.a. special variation.

DOCUMENTATION

The following documents have been attached in support of this application:

Community Strategic Plan – Blayney Shire 2025

Delivery Plan 2014/15 - 2017/18

Community Engagement Strategy

Long Term Financial Plan 2014/15 - 2023/24

Asset Management Strategy

Asset Management Plans for Transport, Sewer, Parks & Gardens, Buildings & Other Structures

Workforce Management Strategy 2013/14 – 2017/18

NSW Treasury (TCorp) Financial Assessment and Benchmarking Report (March 2013)

NSW Treasury (TCorp) Financial Assessment LIRS (April 2013)

NSW Treasury (TCorp) Financial Assessment and Sustainability Report (November 2013)

Council Report on Community Survey

Community Survey Results

## Alternative funding options

Explain how the decision to seek higher revenues was made after other options such as changing expenditure priorities or using alternative modes of service delivery were examined. Also explain the range of alternative revenue/financing options you considered and why the special variation is the most appropriate option. For example, typically these options would include introducing new or higher user charges and increase council borrowing, but may include private public partnerships or joint ventures.

Provide extracts from, or references to, the IP&R document(s) which show how the council considered the alternatives.

**Response:**

As a small rural Shire options for alternative sources of funding are restricted. The following information provides an overview of Council’s approach:

OTHER FUNDING OPTIONS

Council has considered other funding options in its preparation of its planning documents. The basis for these has had emphasis on evidence, awareness of future programs, opportunities and likely occurrences.

Council has included in its long term financial plan disclosures regarding Grants and Contributions. Council explored options and opportunities however where no knowledge or evidence of programs exists it has adopted a prudent approach in its forecasts. Other User Fees and Other Revenues were also given consideration and a review of these will be ongoing in the future however the impact is considered immaterial to deliver the funding levels required to assist Council to sustain service delivery long term.

Council has sought to incorporate borrowings into its future funding of services planning, consistent with the principles of inter-generational equity, however a prudent approach has been taken ensuring such commitments can be serviced. Council’s plans include reference to *“where possible the term of the loan will be matched against the future economic benefit of the asset. This means that the asset/borrowing will be paid for by residents who will consume the services provided by the asset over its useful life”.*

Council has also taken the opportunity to discuss loan practices with TCorp to identify a repayment base that would suit councils long term asset and service needs. Changes have been made to the long term financial plan and asset plans based on this advice. Council will continue to review both these plans and continue discussion with TCorp.

CHANGING EXPENDITURE PRIORITIES

Council has considered changing expenditure priorities and minor changes have been made in accord with community expectation and need. Overall the impact has been minor and has not materially affected the Long Term Financial Plan.

ALTERNATIVE MODES OF SERVICE DELIVERY

As part of the WBC Alliance, Council is committed to consideration of alternative modes of service delivery. Council currently participates in joint ventures in delivery of some services. No other assumptions or effects have been included into Council’s plans at this point due to no firm direction or determination being made. However Council is embarking in a Shared Services project with the WBC Alliance that is forecast to materially impact on the future delivery of services by Council.

## State of financial sustainability

The special variation may be intended to improve the council’s underlying financial position, or to fund specific projects or programs of expenditure, or a combination of the two. We will consider evidence about the council’s current and future financial sustainability.

The application should set out the council’s understanding of its current state of financial sustainability, as well as long-term projections based on alternative scenarios and assumptions about revenue and expenditure. Such evidence can be drawn from the LTFP and from any external assessment, eg by auditors or TCorp.

Explain the council’s view of its financial sustainability as it relates to the application for a special variation.

**Response:**

Council is of the view that to sustain assets and deliver services into the future to the expectations of the community it requires a special variation. To achieve this Council has embarked on a strategy to financial sustainability. This special variation is part of a long term strategy toward this outcome.

The strategy seeks to ensure that Council lives within its means while stating the need to develop actions in consultation with its community to move towards sufficient infrastructure works (maintenance and renewal) to ensure that service levels do not diminish and intergenerational equity is maintained. The strategy also seeks to ensure that Council has sufficient cash flows to remain financially sustainable over the life of the Long Term Financial Plan.

Financial Sustainability is a key focus for local government reform. Council has recognised the need to address our long term financial outlook through implementing a number of measures in the past, including a Financial Sustainability Strategy. Actions in addition to our savings program are needed to achieve long term financial sustainability and to ensure that the standard of Councils public assets are fit for purpose over the medium to long term.

Council has sought to address this challenge in the short term with an approach that balances community affordability with financial sustainability for service delivery and maintenance of community assets. The 2 year permanent Special Rate Variation of 6% across all rate categories, excluding existing special rate variations in place (or in real terms – Year 1: 4.69% and Year 2: 5.11%) will assist Council to ramp up its asset renewal programs with a view to addressing the funding gap and provide for village enhancement.

Council will also seek to commence work on the next phase of its path to financial sustainability with a community engagement program consulting the community on funding and services in the medium to long term.

Explain how TCorp’s recent Report on the council’s financial sustainability is relevant in supporting the decision to apply for a special variation.

**Response:**

TCorp undertook an assessment of Council in 2012/13 as part of the review of all NSW Councils instigated by the Division of Local Government to assist the Local Government Review Panel. The outcome from this resulted in Council being assessed as:

* Financial Sustainability Rating (FSR): Moderate
* Outlook: Negative

This assessment reinforces Council’s challenge in funding future services.

In its Financial and Benchmarking Report prepared as part of the Local Infrastructure Renewal Scheme (March 2013) TCorp states the following:

*The Council has been well managed over the review period based on the following observations:*

* *Council’s underlying operating performance, measured by EBITDA, shows consistent, albeit small positive results over the period*
* *Council has been able to maintain expenses at a similar level across the three years when depreciation is excluded*
* *Council has had sound liquidity indicated by a strong Unrestricted Current Ratio*
* *Council has a conservative debt management policy that has enabled them to manage their borrowing commitments sufficiently*

*Council’s reported Infrastructure Backlog of $24.3m in 2011 represents 15.2% of its infrastructure asset value of $159.6m. Other observations include:*

* *The Infrastructure Backlog total has increased by 110.0% compared to the 2010 figure of $11.6m following the Asset Revaluations, improvement of Council’s Asset Management Plan and analysis of their infrastructure asset condition status*
* *Council has been unable to reach the benchmark in all three years in relation to the Asset Maintenance, Building and Infrastructure Renewals and Capital Expenditure Ratios. If the current level of spending continues the Infrastructure Backlog is likely to increase further.*

*The key observations from our review of Council’s 10 year forecasts for its General Fund under the ‘Mining SRV model scenario’ are:*

* *Operating deficits are expected in all 10 years under the scenario despite the mining SRV permanently boosting rates revenue from 2013*
* *Overall, Council’s level of fiscal flexibility is satisfactory as Own Sourced Operating Revenue Ratio is maintained at levels above 60% for the majority of the forecast*

*In our view, the Council has the capacity to undertake the combined additional borrowings of $1.0m for the LIRS project. This is based on the following analysis:*

* *Council is aware that they need to apply for an SRV to increase ordinary rates revenue if they are to complete the scheduled capital expenditure program*
* *If Council is unsuccessful in their SRV application they will need to revise their LTFP as indicated in our alternative scenario (see section 4 for details) to improve their liquidity position. This will also involve amending the operating plan and delivery program so that the planned service delivery and capital expenditure is deferred or revised in order to reduce the budget so that Council is able to meet their liabilities*
* *This in turn would result in a reduction in depreciation expense and forecast employee costs as additional employees required to deliver the additional capital expenditure would not be required*
* *Council’s DSCR and Interest Cover Ratio remain above the benchmark in all 10 years highlighting that if the liquidity position is addressed then Council is in an adequate position to service the additional borrowings*

*In respect of our Benchmarking analysis we have compared the Council’s key ratios with other councils in DLG Group 10. Our key observations are:*

* *Council’s financial flexibility as indicated by the Operating Ratio and Own Source Operating Revenue Ratio is varied with a weaker than group average operating performance but a higher than group average ability to generate own source operating revenues*
* *Council has less relative capacity to utilise further borrowings than the group average as it has a weaker DSCR and Interest Cover Ratio*
* *Council was in a sufficient liquidity position and was above the group average liquidity level with Council holding the majority of their funds in cash and cash equivalents*
* *Council’s Capital Expenditure Ratio was below the group average but the level of Infrastructure Backlog decreased to benchmark in 2012, significantly below the group average. Asset maintenance and renewals funding has not been adequate, below the benchmark in each year although both have improved above the group average in 2012.*

A further review by TCorp of Council’s LTFP was sought in August 2013 based on the following models:

* **Option 1:** Reduced Services Model - 3.3% being the proposed rate cap each year (current situation) for all rating categories. This is subject to variation by IPART annually and the rate cap percentage may vary from 3.3%.
* **Option 2:** Maintained Services Model -15% per annum over 6 years (cumulative and permanent) for all rating categories which includes the rate cap proposed by IPART annually.

(These are slightly different from those that Council consulted the community with.)

This review was sought to reinforce that Council was “getting on track”. The outcome of this assessment, based on the Maintained Services Model, was as follows:

* Financial Sustainability Rating (FSR): Moderate
* Outlook: Neutral

In its Financial Assessment and Sustainability Report prepared (November 2013) TCorp states the following:

*In respect of the long term Sustainability of the Council our key observations for the Maintained Services scenario are:*

* *Council’s operating result, excluding capital grants and contributions, is on an upward trend and is forecasting a surplus position from 2019.*
* *Council has forecast sufficient liquidity levels for the entire forecast period.*
* *Council is forecasting capital spending sufficient to address their asset maintenance shortfall and commence addressing their Infrastructure Backlog as well as allow for spending on some new capital works.*
* *Council’s Interest Cover Ratio and DSCR are well above benchmark and suggest Council has the capacity to undertake additional borrowings in their financial forecast.*

*Based on the revised information provided to TCorp and the Reduced Services scenario, Council is currently assessed to have a FSR of Moderate with a Neutral Outlook for the next three years.*

*While the Outlook improves to Neutral in the short term as a result of the revised LTFP submitted, without additional revenue Council’s Outlook will deteriorate to Negative by the end of the financial forecast period as Council is unable to return to an operating surplus, fund the required maintenance and asset renewal or reduce its backlog.*

*In the event that Council is unsuccessful with its SRV application, the expected impact on the long term sustainability of Council is:*

* *Council is forecasting operating deficits for the entire forecast period.*
* *Council is forecasting insufficient capital spending which may lead to their Infrastructure Backlog increasing in the medium to long term with a possible reduction in services.*
* *Council’s Interest Cover Ratio and DSCR are well above benchmark and improving over the period as Council has not forecast any additional borrowing under the Reduced Services scenario. This indicates Council has the capacity to undertake additional borrowings in their financial forecast.*

*Through their integrated planning and reporting framework, Council has recognised the need to secure additional funding to properly service their infrastructure assets and achieve operating surpluses in the medium to long term.*

*The ‘Maintained Services’ scenario assumes a six year permanent SRV from 2015 to 2020 inclusive and would allow Council to return to a balanced budget and address some of the Infrastructure Backlog.*

*The ‘Reduced Services’ model illustrates the impacts on Council’s financial position if Council is unsuccessful in their SRV application which has forecast operating deficits each year of their financial forecast and insufficient funds to complete the required capital works to maintain their existing assets and services. Under this scenario if Council is unable to raise additional funds, services would need to be reduced such as the cessation of the timber bridge program leading to the possible closure of some bridges, reductions in the resealing and rehabilitation of roads and a reduction in the infrastructure renewals program.*

While an assessment has not been undertaken on this SRV application, the above assessments support the need for Council to seek more funding to sustain operations long term.

How will the special variation affect the council’s key financial indicators over the 10-year planning period? Key indicators may include:

* Operating balance ratio excluding capital items (ie, net operating result before capital as percentage of operating revenue before capital grants and contributions)
* Unrestricted current ratio (the unrestricted current assets divided by unrestricted current liabilities)
* Rates and annual charges ratio (rates and annual charges divided by operating revenue)
* Debt service ratio (net debt service cost divided by revenue from continuing operations)
* Broad liabilities ratio (total debt plus cost to clear infrastructure backlogs (Special Schedule 7) divided by operating revenue)
* Asset renewal ratio (asset renewals expenditure divided by depreciation, amortisation and impairment expenses).

**Response:**

This application for a special rate variation is part of long term strategy by Council to become financially sustainable. Council has included in its 10 year forecasts assumption of a Special Rate Variation of 6% on the Farmland rating category and 10% on all other rating categories for years 2016/17 to 2023/24 (excluding the mining category special rate variation).

The following financial indicators have been extracted from Council’s 2014-2024 Long Term Financial Plan. The indicators are also inclusive of an assumed Special Rate Variation of 6% on the Farmland rating category and 10% on all other rating categories for years 2016/17 to 2023/24.

From the charts below the special variation will assist Council in its long term strategy of financial sustainability and give Council certainty that it is heading in the right direction.

**Unrestricted Current Ratio**





### Operating Result





**Debt Service Ratio**





**Rates and Annual Charges Coverage Ratio**





**Building and Infrastructure Renewals Ratio**





## Capital expenditure review

Councils undertaking major capital projects are required to comply with the DLG’s Capital Expenditure Guidelines, as outlined in DLG Circular 10-34. A capital expenditure review is required for projects that are not exempt and cost in excess of 10% of council’s annual ordinary rates revenue or $1 million (GST exclusive), whichever is the greater. A capital expenditure review is a necessary part of a council’s capital budgeting process and as such should have been undertaken as part of the Integrated Planning and Reporting requirements in the preparation of the Community Strategic Plan and Resourcing Strategy.

|  |  |
| --- | --- |
| Does the proposed special variation require you to do a capital expenditure review in accordance with DLG Circular to Councils, Circular No 10-34 dated 20 December 2010? |  Yes [ ]  No [x]  |
| If *Yes*, has a review been done and submitted to DLG? | Yes [ ]  No [ ]  |

# Assessment criterion 2: Community awareness and engagement

In the DLG Guidelines, criterion 2 is:

*Evidence that the community is aware of the need for and extent of a rate rise. This must be clearly spelt out in IP&R documentation and the council must demonstrate an appropriate variety of engagement methods to ensure opportunity for community awareness/input. The IP&R documentation should canvas alternatives to a rate rise, the impact of any rises upon the community and the council’s consideration of the community’s capacity and willingness to pay rates. The relevant IP&R documents must be approved and adopted by the council before the council seeks IPART’s approval for a special variation to its general revenue.*

To meet this criterion, councils must provide evidence from the IP&R documents[[2]](#footnote-2) that the council has:

* Consulted and engaged the community about the special variation using a variety of engagement methods and that the community is aware of the need for, and extent of, the requested rate increases
* considered and canvassed alternatives to the special variation
* provided opportunities for input and gathered input/feedback from the community about the proposal
* considered the impact of rate rises on the community
* considered the community’s capacity and willingness to pay.

In assessing the evidence, we will consider how transparent the engagement with the community has been, especially in relation to explaining:

* the proposed cumulative rate increases including the rate peg (including in both percentage and dollar terms)
* the annual increase in rates that will result if the special variation is approved in full (and not just the increase in daily or weekly terms)
* the size of any expiring special variation (see Box 4.1 below)
* alternative rate levels that would apply without the special variation
* proposed increases in any other council charges (eg, waste management, water and sewer), especially if these are likely to exceed the increase in the CPI.

|  |
| --- |
| Box 4.1 Where a council is renewing or replacing an expiring special variation |
| The council should have explained to its community:that there is a special variation due to expire at the end of this financial year or during the period covered by the proposed special variationthat, if the special variation were not approved so that only the rate peg applied, the year-on-year change in rates would be lower, or that rates may fallif applicable, that the expiring special variation is being continued (in full or in part), in the sense that it is being replaced with another that may be either temporary or permanent, or that the value is included in the percentage increase being requested in the following year. |
|  |

More information about how community engagement might best be approached may be found in the DLG *Guidelines*, the IP&R manual, and our Fact Sheet *Community Awareness and Engagement*, September 2013.

## The consultation strategy

Provide details of the consultation strategy undertaken, including the range of methods used to inform the community about the proposed special variation and to engage with the community and obtain community input and feedback on it. The range of engagement activities could include media releases, mail outs, focus groups, random or opt-in surveys, online discussions, public meetings, newspaper advertisements and public exhibition of documents.

Please provide relevant extracts of the IP&R documents that explain the council’s engagement strategy and attach relevant samples of the council’s consultation material.

**Response:**

Council developed its consultation program under the framework of its adopted Community Engagement Strategy. This is also referenced in the Blayney Shire Community Strategic Plan. The following extract is from the Blayney Shire 2025 CSP:

|  |
| --- |
| ***Community Engagement for future financial funding (Special Rate Variations) and service delivery****As shown by the community engagement actions in this plan, council has determined that to meet the long term future delivery needs of the community that its current levels of funding are not adequate. This has been identified in the Long Term Financial Plan and is based round the shortfall in funds to renew, replace or maintain assets (roads, bridges, buildings, etc.) across the Shire.**Council has been working to reduce the infrastructure backlog and to determine the service levels that the community can accept as it worked through its asset, workforce and financial plans since 2011.**As shown on page 31 of this document, Council and its staff have made changes to how it engages with its community. It has restructured its committees to be predominantly of a community representative nature and to ensure that it is receiving the advice from village committees, sporting groups, business, and special interest groups and from a wide community cross section.**Council has been consulting with town and village committees to increase their knowledge of how and why council functions and to provide support to these committees and the residents to promote, enhance and comment on council’s future service and financial delivery. Council has also commenced the surveying of the community and its staff members to identify priorities and to become aware of how it may enhance its delivery of services both within the rural sector and to the villages. Council has extended this to develop focus groups such as through the Women’s Forum and to ask people to register as email participants on the council web site, face book and twitter.**Council has also undertaken research as to the community’s ability to meet long term financial commitments and to review how the rate payers across the shire are impacted currently and in the future.**To ensure that the community is informed, Council has utilised websites, Facebook and other social media sources, print media, radio and television. Council has also provided information for surveys, special rate variation and other communications in written form and web based. Council has posted community newsletters, surveys and information on special rate variations too ratepayers, households and made these available on its web sites.**Decisions made by Council for the Special Rate Variation have been made based on the principles of community engagement under this plan and reflect the levels of engagement of Involve, Consult and Inform.**Special Rate Variation decisions and outcomes are contained in the Integrated Planning and Reporting Documents placed on public display and are available on the Councils web site.*The following outlines all the aspects of the consultation particular to this application. Community consultation and engagement is identified as a key action in the Council’s adopted Delivery Plan (2013/14-2016/17) and Operational Plan (2013/14) under Strategic Outcome 5.4: *Capable, self sufficient communities engaged in decision making about issues that affect them*.*Source: Blayney Shire Community Strategic Plan (p.34)* |

BACKGROUND

In 2012 when Council first implemented the Integrated Planning and Reporting Framework (2012/13) as a Group 3 Council, it was recognised in its plans placed on exhibition that it was challenged to sustain provision of services and infrastructure in the long term. The increases proposed in these plans were the Mining Special Variation which equated to a 40.7% increase to the rate base, which was subsequently lodged and successful, and a permanent 10.3%p.a. increase over 7 years which did not proceed. The proposed increases were reported in the media at that point.

In 2013 Council exhibited and then adopted its Integrated Planning and Reporting Plans (2013/14). These plans proposed permanent 15%p.a. rates over six years. Again the media reported this and a number of submissions were received by Council largely concerning with hardship of such a rise.

PRESENT DAY

At the first Council meeting following the 2013 election of the new Council the suite of Integrated Planning and Reporting documents were endorsed and a consultation and engagement plan was developed. The program commenced with the engagement of a consultant to assist the delivery of an engagement program. A community survey on the Blayney Shire Services was distributed in September 2013 incorporating questions relating to the importance of services and satisfaction levels. The surveys were issued through Australia Post to every letter box in the Shire and mailed to non-resident ratepayers. This was supplemented by placement on Council’s website and “catalogue drop” to mailboxes in the Blayney and Millthorpe townships. The survey was promoted by a media release and electronic media i.e. Facebook and Twitter. The Mayor also spoke of the survey in an interview on ABC Radio. Responses were invited online or by placement into boxes promoting the survey located in post office agencies around the Shire and Council’s office.

Council also sought to build awareness through information to its Advisory Committees via its email distribution lists and meetings held, particularly focussing on its Towns & Villages Committee comprising representatives from each of the village committees in the localities of Blayney Shire.

Council held community meetings as outlined in the table below. Meetings were publicised in the Blayney Chronicle, Blayney Shire Council website and Facebook / Twitter sites. Copies of meeting schedules were also distributed to every letterbox across the Shire by Australia Post. At these meetings there was also information provided by staff, questions / discussion, posters and rates calculator demonstrations. In total there were approximately 110 community members in attendance excluding councillors and staff. The community was provided with an overview of the special rate variations and Councils reasoning for consideration of the need for these. A handout was provided to all community members and the community was encouraged to ask questions on the SRV. A secret ballot was held on community preference of options and results from the village community meetings held indicated:

* 45% were in favour of the 15% variation over 6 years
* 35% were in favour of the 10% variation over 4 years
* 22% were in favour of the 3.3% variation (current rate peg)
* 3% were informal

A copy of the presentation and posters at the community meetings are included as attachments.

A further meeting was also held with NSW Farmers on Thursday 31 October 2013 and there were 90 members in attendance. A vote was taken by a show of hands and the overwhelming majority were in favour of the 3.3% option.

The report from these surveys was considered by Council at its meeting on 11 November 2013 and in the same meeting they formally resolved to submit an intention to apply to IPART. Information and the survey report were placed on Council’s website. Council also provided full details on the special rate variation and the rates calculator on the Council website.

**VILLAGE MEETINGS TO DISCUSS FUTURE SERVICES AND FUNDING**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DAY & DATE** | **TIME** | **LOCATION** | **VENUE** | **No. in Attendance** |
| 15/10/2013 | 1.00pm | Blayney | **Blayney Shire Community Centre**  | 8 |
| 15/10/2013 | 5:30pm | Carcoar | **Carcoar School of Arts**  | 16 |
| 16/10/2013 | 3.30pm | Mandurama | **Mandurama Public Hall**  | 8 |
| 16/10/2013 | 6.30pm | Lyndhurst | **Lyndhurst Soldiers Memorial Hall**  | 12 |
| 21/10/2013 | 5.30pm | Barry | **Barry Community Hall**  | 13 |
| 22/10/2013 | 6.30pm | Millthorpe | **Millthorpe School of Arts** | 11 |
| 23/10/2013 | 3.30pm | Newbridge | **Newbridge Village Hall**  | 8 |
| 23/10/2013 | 5.30pm | Neville | **Neville Public Hall** | 13 |
| 24/10/2013 | 5.30pm | Blayney | **Blayney Shire Community Centre**  | 21 |
| *31/10/2013* | *7.30pm* | *Blayney* | *Blayney Shire Community Centre with NSW Farmers* | *90* |

COUNCIL EXHIBITION OF DRAFT DOCUMENTS AND ASSESSMENT OF SUBMISSIONS

Council placed the draft Delivery Plan, Operational Plan and amended Long Term Financial Plan on public exhibition at its meeting on 9 December 2013 with a closing date of 5 February 2014. This was promoted on Council’s website, Facebook / Twitter pages and local media. It was also exhibited at Council’s office, Blayney Library and postal agencies in the rural villages.

Submissions on the Integrated Planning and Reporting documentation were considered by Councillors at the Council meeting on 10 February 2014.

## Alternatives to the special variation

Indicate the range of alternatives to the requested special variation that the council considered and how you engaged your community about the various options.

**Response:**

The range of alternatives considered by Council included:

* reduction of services;
* review of asset management;
* staff structures, establishment levels and delivery methods;
* reviews of fees for services;
* asset rationalisation.

Through the survey Council assessed the community feedback on the importance and satisfaction levels of services.

Options were also discussed at community meetings articulating that the Reduced Services Model would result in Council reducing its services and effecting expenditure reduction programs in the medium to long term.

## Feedback from the community consultations

Summarise the outcomes of, and feedback from, your community engagement activities. Such outcomes could include the number of attendees at events and participants in online forums, as well as evidence of media reports and other indicators of public awareness of the council’s intentions. Where applicable, provide evidence of responses to surveys, particularly the level of support for specific programs or projects, levels and types of services, investment in assets, as well as the options proposed for funding them by rate increases.

Where the council has received submissions from the community relevant to the special variation during the engagement process, the application should set out the views expressed in those submissions. It should also identify and document any action the council has taken, or will take, to address issues of common concern.

**Response:**

There was a vast array of feedback particularly with media reports and Facebook commentary.

The community meetings in the villages were positive and provided support of Council’s approach to future funding of services and retention of a local government authority with local representation. As the consultation was based on the three proposed scenarios encompassing increases of 3%; 10% or 15% - the major concern was affordability.

Council considered the discussion held at the community meetings and the advice from the survey taken at a Councillor workshop on Monday 4th November 2013. This workshop was to consider the level of special rate variation and the report submitted by Western Research Institute as to the affordability of the rates for all people living in Blayney Shire. This was further compared to the survey results from the community as to what they want to see for the shire and how they believe the current situation exists.

The overwhelming concerns from the meetings conducted were as follows:

Issue 1: The impact of the any rate rise, particularly the proposed 15%p.a. over 6 years, on farmland rates.

Response: Council reconsidered its intention in this regard and resolved to proceed with a special variation of 6%p.a. over two years and incorporated a number of other strategies as a way forward. (Refer 8.3 of this application for details of Council resolution.) Councils’ consideration included the impact of drought, commodity pricing and future income potential for this sector.

The review undertaken by Western Research Institute into the long term impacts on the community provided advice that this group could afford proposed increases but the impact would be tough. It relied on commodity prices rising and no climatic setbacks. *(Note: The review by Western Research Institute was based on a permanent increase of 15%p.a. over 6 years.)*

Issue 2: Affordability and capacity to pay, particularly by people on fixed incomes and pensions.

Response: Council is aware of the impact of any increases to the community and has attempted to refine its asset management plans and financial forecasts to keep to a minimum any additional requirement to increase rates.

The review undertaken by Western Research Institute into the long term impacts on the community provided advice that whilst the increase was affordable; recipients of government benefits would struggle. Refer section 4.4 for more information. *(Note: The review by Western Research Institute was based on a permanent increase of 15%p.a. over 6 years.)*

Council has developed a strategy towards financial sustainability for the Shire and attempted to balance this need with community affordability.

Council has also undertaken to review its Hardship policy with a view to ensuring it is responsive to ratepayers with extenuating circumstances. At the Council meeting scheduled for 10 March 2014 a report is to be tabled proposing that the policy be amended to include the following clause:

*Any ratepayer who incurs a rate increase resulting from the implementation of a special rates variation can apply to Council for rate relief if the increase in the amount of rates payable would cause them substantial hardship.*

Copies of community feedback are provided as attachments by way of the following:

* Submissions on the exhibition of Council’s I&R documentation;
* Media reports;
* Facebook commentary on both Council’s Facebook site and Blayney Chronicle Facebook site;
* Survey results and feedback;
* letters to the editor (Blayney Chronicle).

## Considering the impact on ratepayers

Indicate how the council assessed the impact of the special variation on ratepayers, and where this was addressed within the community awareness and engagement processes. Where the impact will vary across different categories and/or sub-categories of ratepayers, the council should consider the circumstances of the various different groups.

**Response:**

In the preliminary work undertaken by Council an assessment of the impact of the proposed special variations was sought from the Western Research Institute. This assessment was based on the proposed preliminary models as follows:

* **Option 1:** Reduced Services Model - 3.3% being the proposed rate cap each year (current situation) for all rating categories. This is subject to variation by IPART annually and the rate cap percentage may vary from 3.3%.
* **Option 2:** Maintained Services Model -15% per annum over 6 years (cumulative and permanent) for all rating categories which includes the rate cap proposed by IPART annually.

The Western Research Institute assessment of the above Option 1 in its report was as follows:

*Under this plan the proposed rates increase:*

* *exceeds the past and anticipated price increases for households; and*
* *exceeds price changes in all input cost and wage cost categories for farm and non-farm businesses, except in the case of the upper range of the electricity price forecast.*

*Despite this, the proposed increases are not expected to impose a significant burden on households and non-farm businesses as they will:*

* *change household expenditure on rates by less than one percentage point (for all households), suggesting that overall household expenditure will not be unduly compromised; and*
* *leave rates as a proportion of non-farm business value added below 1%, indicating an insignificant impact on business viability.*

*For farm businesses, the proposed increases will see rates as a proportion of value added increase from 1.11% to 2.76% (under a scenario where climate variability and market conditions restrict growth in farm output).*

*An alternative increase in farmland rates of 9.95% per annum has been modelled by WRI. This level of increase will be serviceable by Blayney Shire farm businesses.*

*Under the maintained services plan:*

* *residential rates in Blayney Shire will be above residential rates in Group 10 LGAs and neighbouring LGAs (Bathurst, Cabonne, Cowra and Orange);*
* *farmland rates will be above farmland rates in peer LGAs; and*
* *business rates will be below or at the same level as business rates in peer LGAs.*

Whilst this application is below that assessed above the assessment remains relevant.

Whilst Council consulted the community on the preliminary models of Reduced Services (rate-peg of 3.3%); Maintain Model (10% p.a. over 4 years); and Road to Infrastructure Model (15% p.a. over 6 years), a variety of material was provided to members of the community including the following:

* handouts in community meetings that included impacts on average rates in each category;
* posters on display in community meetings summarising rating impacts on averages for each category over 6 years showing differences between the three models. The weekly and annual impacts were summarised;
* a rates calculator was also placed on Council’s website and was available for the community to view at meetings conducted;
* reference of impacts over ten (10) years including weekly and annual effects was also included in the Long Term Financial Plan placed on exhibition.

With adoption of the Community Informed Services Model reference of impacts over ten (10) years including weekly and annual effects is included in the adopted Long Term Financial Plan placed on exhibition.

The impact across all categories is on a consistent (percentage) basis when existing special rate variations are excluded.

In response to concerns expressed by farmers in community meetings Council will be undertaking a review of the base rates in each category, in addition to consolidation of some sub-categories, with a view to address the disparity i.e. highs and lows in each category.

## Considering the community’s capacity and willingness to pay

Indicate how the council has assessed the community’s capacity to pay for the rate increases being proposed, and also assessed its willingness to pay.

Evidence on capacity to pay could include a discussion of such indicators as SEIFA rankings, land values, average rates, disposable incomes, the outstanding rates ratio and rates as a proportion of household/business/farmland income and expenditure, and how these measures relate to those in comparable council areas. As many of these measures are highly aggregated, it may also be useful to discuss other factors that could better explain the impact on ratepayers affected by the proposed rate increases, particularly if the impact varies across different categories of ratepayers.

**Response:**

SEIFA ASSESSMENT

Using the SEIFA Index for disadvantage (2011 census data) Blayney Shire had a SEIFA index of 982. Blayney Shire ranks as being relatively well off, suggesting a capacity to pay for most residents. Given that a lower score indicates a higher level of disadvantage, within the Group 10 Councils there are 6 LGAs with a higher ranking i.e. less disadvantage. A table showing comparison of the SEIFA index for Group 10 Councils is shown below.



The following table is an excerpt from the Western Research Institute impact assessment. While based on other models it reflects rates as proportion of household expenditure currently. This increase is part of a longer term strategy that Council will consult with the community however the impact after seven years is not considered to be at the level of the Maintained Services model.

**Rates as a proportion of total household expenditure in Blayney Shire and peer LGAs**

|  |  |  |
| --- | --- | --- |
|  **LGA** | **Current (2013-14)** | **After 7 years** |
|   |   | (\*) |
| Bathurst Regional Council | 1.01 | 0.97 |
| Berrigan Shire Council | 1.13 | 1.08 |
| Bland Shire Council | 0.85 | 0.81 |
| **Blayney Shire Council** |  |  |
|  **Maintained services plan** | **0.76** | **1.04** |
|  **Reduced services plan** | **0.76** | **0.55** |
| Cabonne Shire Council | 0.72 | 0.69 |
| Cobar Shire Council | 0.48 | 0.46 |
| Cootamundra Shire Council | 0.86 | 0.83 |
| Cowra Shire Council | 0.69 | 0.66 |
| Dungog Shire Council | 0.99 | 0.95 |
| Forbes Shire Council | 1.08 | 1.04 |
| Glen Innes Severn Shire Council | 0.98 | 0.94 |
| Gloucester Shire Council | 0.90 | 0.86 |
| Gwydir Shire Council | 1.99 | 1.91 |
| Junee Shire Council | 0.69 | 0.66 |
| Kyogle Council | 1.17 | 1.13 |
| Lachlan Shire Council | 0.73 | 0.70 |
| Liverpool Plains Shire Council | 0.88 | 0.84 |
| Murray Shire Council | 0.93 | 0.89 |
| Narrandera Shire Council | 0.85 | 0.82 |
| Narromine Shire Council | 0.85 | 0.82 |
| Oberon Council | 0.55 | 0.53 |
| Orange City Council | 1.23 | 1.18 |
| Snowy River Shire Council | 0.78 | 0.75 |
| Temora Shire Council | 0.79 | 0.76 |
| Tenterfield Shire Council | 0.63 | 0.60 |
| Upper Lachlan Shire Council | 0.68 | 0.65 |
| Uralla Shire Council | 0.71 | 0.68 |
| Walgett Shire Council | 0.45 | 0.43 |
| Wellington Council | 0.96 | 0.92 |
| Wentworth Shire Council | 0.84 | 0.80 |
|   |   |   |
| Ranking of Blayney Shire Council |   |   |
|  Maintained services plan | 20th highest | 5th highest |
|  Reduced services plan | 20th highest | 27th highest |

(\*) Assuming other LGAs increase their rates by 8.3% p.a. (i.e. by average rate increase permitted by IPART over 2011-2013). Several peer LGAs (such as Cobar and Junee) proposed rates increases in excess of this average.

**Group 10 comparative data on incomes, mortgages and rent**



INCOME AND RENTS

Of Group 10 Councils Blayney Shire has 3rd highest median household income. This high income level can translate to capacity to pay. Blayney Shire has the 7th highest median mortgage repayments at $1,430 per month, however is low when compared to the state average, and are affordable when you factor the high income levels. Median weekly rents in Blayney Shire are the 7th highest of 26 LGAs in the group however given the rate rise is negligible it is not expected to have a material impact.

AVERAGE RATES

The table below shows the annual increase by rate category on the average rates over the two years. The increases to Residential and Business are considered reasonable. While the increase for Farmland is more than the other categories this is relative to the higher average rate and is not considered unreasonable. Council is cognisant of Farmland being above other categories when compared to group 10 averages and is seeking to address this disparity in its long term strategy. This table summarises that shown under Assessment criterion 3 (5.2).



# Assessment criterion 3: Impact on ratepayers

In the DLG Guidelines, criterion 3 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. Council’s IP&R process should also establish that the proposed rate increases are affordable having regard to the local community’s capacity to pay.*

We are required to assess whether the impact on ratepayers of the council’s proposed special variation is reasonable. To do this, we are required to take into account current rate levels, the existing ratepayer base and the purpose of the special variation. We must also assess whether the council’s IP&R process established that the community could afford the proposed rate rises.

## Impact on rates

Much of the quantitative information we need on the impact of the special variation on rate levels will already be contained in Worksheet 5 of Part A of the application.

To assist us further, the application should set out the rating structure under the proposed special variation, and how this differs from the current rating structure, which would apply if the special variation is not approved.

We recognise that a council may choose to apply an increase differentially among categories of ratepayers. However, you should explain the rationale for applying the increase differentially among different categories and/or subcategories of ratepayers, particularly in light of the purpose of the special variation. This will be relevant to our assessment of the reasonableness of the impact on ratepayers.

**Response:**

Council has sought to apply the proposed special variation across categories equally i.e. 6% p.a. over two years on all rate categories excluding existing special rate variations.

Special rate variations in place are as follows:

* Community Centre Special Variation $275,250. This value has remained fixed as Council has sought not to apply rate-peg increases to this figure in past years. This is apportioned equally across all assessments in all categories.
* Mining Category Special Variation $1,657,701

The special rate variation will see the net impact on the residential, farmland and business categories being slightly below the 6% proposed due to the impact of the Community Centre Special variation. The net impact on the Mining category will be significantly less due to the special variation in place upon this category.

At the meeting with NSW Farmers it was requested Council undertake a review of base rates. Council has undertaken a review however this has not been finalised at the time of application lodgement. The issues raised at this meeting related to this sector paying very high rural rates in comparison to adjoining councils.

Council is reviewing its rating structure to consolidate rating sub-categories and particularly focus on its base rates to address the disparities that exists with highs and lows within rating categories. This is particularly in response concerns raised by the community at meetings held as part of the consultation program.

### Minimum Rates

The special variation may affect ordinary rates, special rates and minimum rates.

Does the council have minimum rates? Yes [ ]  No [x]

If *Yes*, explain how the proposed special variation will apply to the minimum rate of any ordinary and special rate, and any change to the proportion of ratepayers on the minimum rate for all relevant categories that will occur as a result.

So that we can assess the reasonableness of the impact on minimum ratepayers, briefly explain the types of ratepayers that are on minimum rates, and the rationale for the proposed impact of the special variation on minimum rate levels.

## Affordability and community capacity to pay

Show how your IP&R processes have established that the proposed rate rises are affordable for your community, and that affected ratepayers have the capacity to pay the higher rate levels. (Indicators considered in this context may be similar to those cited under criterion 2.)

**Response:**

The following tables have been extracted from Council’s 2014-2024 Long Term Financial Plan. The below figures are also inclusive of an assumed Special Rate Variation of 6% on the Farmland rating category and 10% on all other rating categories for years 2016/17 to 2023/24.

The survey undertaken by Council prioiritised key services and supported continued delivery of these which in turn requires infrastructure and assets to be maintained to a serviceable level.

Councils’ consultation at village meetings provided support for rate increases. While farmers did not support any increase. Continued provision of key infrastructure such as the road network and bridges was considered essential.

As outlined in criterion 2, income levels and SEIFA scores support the reasonableness case for the proposed increases. Furthermore the Western Research Institute assessment on the impact upon ratepayers, based on a proposed larger increase, supports the reasonableness of the proposed the proposed two year 6%p.a. rate increase, excluding special variations in place.

### Average Increase for Individual Rating Categories



*\*Calculations above are based on a Blayney Residential Rate with an unimproved land value of $60,000. Figures exclude an increase to Special Rate Variation for the Blayney Shire Community Centre. Sewer charges have been based on the Strategic Business Plan for Sewerage Services (refer to 3.2.1 LTFP) prepared by NSW Public Works. Waste charges are based on reasonable cost recovery (refer to 3.2.2 LTFP).*



*\*Calculations above are based on a Blayney Residential Rate with an unimproved land value of $60,000. Figures exclude an increase to Special Rate Variation for the Blayney Shire Community Centre. Sewer charges have been based on the Strategic Business Plan for Sewerage Services (refer to 3.2.1 LTFP) prepared by NSW Public Works. Waste charges are based on reasonable cost recovery (refer to 3.2.2 LTFP).*



*\*Calculations above are based on a Blayney Business Rate with an unimproved land value of $60,000. Figures exclude an increase to Special Rate Variation for the Blayney Shire Community Centre. Sewer rate is based on 20mm water service and 100 Kilolitres per year usage with a sewerage discharge factor of 95%. Waste charges are based on reasonable cost recovery (refer to 3.2.2 (LTFP).*



*\*Calculations above are based on a Blayney Business Rate with an unimproved land value of $60,000. Figures exclude an increase to Special Rate Variation for the Blayney Shire Community Centre. Sewer rate is based on 20mm water service and 100 Kilolitres per year usage with a sewerage discharge factor of 95%. Waste charges are based on reasonable cost recovery (refer to 3.2.2 LTFP).*



*\*Calculations above are based on a Farmland Rate with an unimproved land value of $500,000. Figures exclude an increase to Special Rate Variation for the Blayney Shire Community Centre.*

## Other factors in considering reasonable impact

In assessing whether the overall impact of the rate increases is reasonable we may use some of the same indicators that you cite in section 5.2 above. In general, we will consider indicators such as the local government area’s SEIFA index rankings, average income, and current rate levels as they relate to those in comparable councils. We may also consider how the council’s hardship policy might reduce the impact on ratepayers.

### Addressing hardship

In addition to the statutory requirement for pensioner rebates, most councils have a policy, formal or otherwise.

|  |  |
| --- | --- |
| Doe the council have a Hardship Policy? | Yes [x]  No [ ]  |
| If Yes, is it identified in the council’s IP&R documents? |  Yes [ ]  No [x]  |
| Please attach a copy of the Policy and explain who the potential beneficiaries are and how they are addressed. |  |
| Does the council propose to introduce any measures to limit the impact of the proposed special variation on various groups?  |  Yes [ ]  No [x]  |

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

**Response:**

Council has requested a review of the Hardship Policy to ensure the proposed special rate variation does not have a negative impact on lower socio-economic groups.

An amendment to this policy is proposed for consideration by Council at its meeting 10 March 2014. The amendment encompasses the insertion of the following clause

*Any ratepayer who incurs a rate increase resulting from the implementation of a special rates variation can apply to Council for rate relief if the increase in the amount of rates payable would cause them substantial hardship.*

Council will include reference in its Operational Plan to this policy.

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

# Assessment criterion 4: Assumptions in Delivery Program and LTFP

The DLG Guidelines state this criterion as follows:

*The proposed Delivery Program and Long Term Financial Plan must show evidence of realistic assumptions.*

Summarise below the key assumptions adopted by the council and indicate where they are set out in your Delivery Plan and LTFP. We will need to assess whether the assumptions are realistic. For your information, we will consider such matters as:

* the proposed scope and level of service delivery given the council’s financial outlook and the community’s priorities
* estimates of specific program or project costs
* projections of the various revenue and cost components.

To also assist us, identify any in-house feasibility work, industry benchmarks or independent reviews that have been used to develop assumptions in the Delivery Program and LTFP if these are not stated in those documents.

**Response:**

ASSUMPTIONS IN DELIVERY PROGRAM AND LTFP

The following table have been extracted from Council’s 2014-2024 Long Term Financial Plan. The assumptions are based on both historical trends and industry forecasts.

|  |  |  |
| --- | --- | --- |
| **Assumption/Variable** | **Calculation Basis** | **LTFP %** |
| Consumer Price Index (CPI) | NSW Treasury Corporation Forecasts | **2.50%** |
| Salaries and Employee Oncosts | Award increase 2.75% and performance based increases 0.75% | **3.50%** |
| Interest Rate Income | 90 day BBSW + 0.5% | **3.75% - 5.25%** |
| Rate Pegging (General Rates Income) | Independent Pricing and Regulatory Tribunal (IPART) and Dept. Local Government Figures | **2.3% - 14/15 3.00% - (Years 2-10)** |
| Sewer Rates Income\* | NSW Public Works | **3.00% - 6.65%**  |
| Waste Charges Income | Based on reasonable cost estimates | **8.50% - 14/15 3.00% - (Years 2-10)** |
| Fees and Charges Income | As per wages above | **3.50%** |

*\*As referenced from Strategic Business Plan for Sewerage Service (Refer 3.2.1)*

Since the inception of IP&R process Council’s LTFP has been independently reviewed by TCorp on an annual basis. TCorp’s comments regarding the assumptions used in the plans are as follows:

*‘Council has used their own assumptions in developing their forecasts.*

*In order to evaluate the validity of the Council’s forecast model, TCorp has compared the model assumptions versus TCorp’s benchmarks for annual increases in the various revenue and expenditure items. Any material differences from these benchmarks should be explained through the LTFP.*

*TCorp’s benchmarks:*

* *Rates and annual charges: TCorp notes that the LGCI increased by 3.4% in the year to September 2011, 2.8% in 2012, and 3.6% in 2013. In November 2012 IPART announced that the rate peg to apply in the 2013/14 financial year will be 3.4%. Beyond 2014 TCorp has assessed a general benchmark for rates and annual charges to increase by mid-range LGCI annual increases of 3.0%*
* *Interest and investment revenue: annual return of 5%*
* *All other revenue items: the estimated annual CPI increase of 2.5%*
* *Employee costs: 3.5% (estimated CPI+1%)*
* *All other expenses: the estimated annual CPI increase of 2.5%*

***Key Observations and Risks***

* *The Reduced Services scenario is based on the assumption that without the assistance of an SRV services will need to be reduced.*
* *Rates and annual charges are forecast to increase by 8.4% in 2016 and decrease by 0.3% in 2017 as discussed previously. From 2018 they are forecast to increase by 3.4% p.a.*
* *User fees and charges have been forecast to decrease by 26.7% in 2014 as a result of a decrease in private works as well as a decrease in income generated from Council’s Inala Units complex due to a slowdown in mining activity. From 2015 user fees and charges increase by 4.0% p.a.*
* *Operating grants decrease in 2013 and are forecast to decrease again in 2014 as a result of the prepayments of the FAG in 2012 and 2013. From 2015 they are forecast to increase by 2.9% p.a.*
* *Employee expenses are forecast to decrease by 7.3% in 2014 based on the assumption that if Council were not to get SRV approval all positions currently vacant in their salary structure will be taken out permanently. From 2015 they are forecast increase by 4.0% p.a. which is in line with the historic average increase since 2009.*
* *Materials and contracts expenses are forecast to fluctuate until 2017 due to wage classification as discussed above as well as the timing of various projects. After this they are forecast to increase by 2.9% p.a.*
* *Depreciation expense is forecast to increase by only 0.5% in 2014 and 1.0% p.a. from 2015 for the remainder of the forecast period. Given that depreciation increased by 2.8% in 2013 and the Reduced Services scenario will result in a reduction in asset maintenance this may be understated.*
* ***With the exception of Council’s depreciation expense we find the assumptions reasonable’.***

*Source: TCorp Blayney Shire Council Financial Assessment and Sustainability report - 5 November 2013 (p.28)*

# Assessment criterion 5: Productivity improvements and cost containment strategies

The DLG Guidelines state this criterion as follows:

*An explanation of the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation period.*

In this section, provide details of any productivity improvements and cost containment strategies that you have implemented in the last 2 years (or longer) and any plans for productivity improvements and cost containment during the period of the special variation. These plans, capital or recurrent in nature, must be aimed at reducing costs. Please also indicate any initiatives to increase revenue eg, user charges. Identify how and where the proposed initiatives have been factored into the council’s resourcing strategy (eg, LTFP and AMP).

Where possible, quantify in dollar terms the past and future productivity improvements and savings.

You may also use indicators of efficiency, either over time or in comparison to other relevant councils. We will make similar comparisons using various indicators and the DLG Group data provided to us.

**Response:**

Blayney Shire Council, particularly since the Global Finance Crisis (GFC) has constantly reviewed its staffing levels to ensure that it continues to “live within its means”. Blayney is similar to many small councils, in that it does not have a surplus of staff and many administrative positions (particularly the majority of its senior management positions), require the occupants to cover multiple areas of expertise and responsibility. Recent reviews of staffing levels have indicated no room for rationalisation of staff but rather the need to have additional resources for specialist areas such as risk management, workplace health and safety, internal control and audit. The community consultation with the CSP process conducted in 2011 highlighted that the community has a strong desire for Council to increase its activities/resources in areas such as economic development and tourism.

Reviews of Council’s organisational structure are undertaken annually. Other areas are reviewed regularly such as utilisation rates of Council’s major plant and equipment, rate collections, level of debt etc.

Blayney is also a member of the WBC Alliance (Wellington, Blayney, Cabonne Councils and Central Tablelands Water) which has achieved savings of over $4.2m for its member councils. Blayney is also a member of the CENTROC Group of councils and other groups such as NetWaste and Central West Libraries. A number of efficiencies have been obtained through resource sharing initiatives with these organisations.

Productivity savings achieved during 2012/13 include:

* Integration of technology into work practices
* Activities undertaken through CENTROC such as lobbying; sourcing of grant funding; regional planning; joint initiatives and regional tenders for procurement of electricity; fuel; internal audit services; valuation services;
* Savings of $546,595 in WBC (Wellington, Blayney, Cabonne, Central Tablelands Councils) Alliance activities.

In the comparative information return for 2011/12 published by the Division of Local Government Council’s equivalent full time staff numbers were 70 as compared to the Group 10 Council average of 105.

To complement proposed increases to general income a program is currently being drafted internally to provide an approach and options to address Council’s financial sustainability. The program will include actions which see a continuation of efficiency gains, improving revenue streams where feasible and consideration of services and service levels. If rates increases are part of the picture it can be one measure amongst a range of other actions to improve the long term viability of the Council. Current and proposed additional actions include:

* review of Council controlled crown reserves,
* service and operational reviews and adjustments – such reviews would consider service levels, pricing and productivity measures,
* internal budget harvesting, centrally controlling some expenditure and setting revised revenue and expenditure parameters,
* staff structures, establishment levels and delivery methods,
* continued redistribution of capital funds into renewal rather than creation of new assets,
* reviews of fees for services,
* asset rationalisation,
* review of subsidisation, grants and donations,
* entrepreneurial and shared service options,
* WBC Alliance consultancy to extend shared services by KPMG.

# Other information

## Previous Instruments of Approval

If you have a special variation which is due to expire at the end of this financial year or during the period of the proposed special variation, when was it approved and what was its purpose?

Please attach a copy of the Instrument of Approval that has been signed by the Minister or IPART Chairman.

**Response:**

Council does not have a special variation due to expire in this special rate variation period (two years) however Council has made provision for the Blayney Community Centre Special Variation due to expire in 2017/18 to end on 30 June 2016. This will be subject to the finalisation of project costs.

A copy of this instrument is provided as an attachment for information.

## Reporting to your community

The *Guidelines* set out reporting mechanisms that show your accountability to your community. Please tell us how you will go about transparently reporting to the community on the proposed special variation, should it be approved. Also indicate the performance measures you will use to demonstrate how you have used the additional funds (above the rate peg) generated by the special variation.

**Response:**

Blayney Shire Council will continue to report against each approved special variation as is its current practice. It will also incorporate productivity offsets into Council’s annual reporting and end of term reporting into the future.

In the Long Term Financial Plan Special Rate Variation approvals are identified noting the project and activities funded from the variation. The annual report then also identifies financial activity against each of these items.

Council has previously reported on the productivity offsets and will continue to incorporate this into Council’s annual reporting and end of term reporting into the future.

## Council resolution to apply to IPART

The Guidelines require the council to have resolved to apply for a special variation. Please attach a copy of the council’s resolution to make a special variation application. Our assessment of the application cannot commence without it.

**Response:**

At its Ordinary meeting held 11 November 2013 Council resolved as follows:

*Minute number: 1311/003*

***Special Rate Variation***

***RESOLVED:***

*1. That Council apply to IPART for a Special Rate Variation of 6% across all rating categories for 2 years starting 2014/2015 financial year excluding existing Special Rate Variations in place;*

*2. That Council modifies its Long Term Financial Plan to project rate increases of 6% for Farmland rate category and 10% for all other categories, excluding existing Special Rate Variations in place, for 4 years starting financial year 2016/2017;*

*3. That Council undertake a review of the rating structure to combine rate groups and review the base rate for the new rate descriptions;*

*4. That Council provide advice through the local media and councils newsletters as to the decision of Council on the special rate variation; and*

*5. That Council work with Village committees and NSW Farmers to consider, review and develop the future special rate variation from 2016/2017*

# Checklist of contents

The following is a checklist of the supporting documents to include with your Part B application:

|  |  |
| --- | --- |
| **Item** | **Included?** |
| Community Strategic Plan | [x]  |
| Delivery Program | [x]  |
| Long Term Financial Plan | [x]  |
| Asset Management Plans  | [x]  |
| TCorp report on financial sustainability | [x]  |
| Contributions Plan documents (if applicable) | [ ]  |
| Media releases, public meeting notices, newspaper articles, fact sheets relating to the rate increase and special variation | [x]  |
| Community feedback (including surveys and results if applicable) | [x]  |
| Hardship Policy | [x]  |
| Past Instruments of Approval (if applicable) | [x]  |
| Resolution to apply for the special variation | [x]  |
| Resolution to adopt the Delivery Program | [x]  |

# Certification

**APPLICATION FOR A SPECIAL RATE VARIATION**

**To be completed by General Manager and Responsible Accounting Officer**

Name of council: Blayney Shire Council

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

General Manager (name): Glenn Wilcox

Signature and Date: 21/02/2014

Responsible Accounting Officer (name): Chris Hodge

Signature and Date: 21/02/2014

Once completed, please scan the signed certification and attach it to the Part B form before submitting your application online via the Council Portal on our website.

1. See Planning Circular 10-025 dated 24 November 2010 at [www.planning.nsw.gov.au](http://www.planning.nsw.gov.au) and for the most recent Direction issued under section 94E of the *Environmental Planning and Assessment Act 1979*. See also Planning Circular PS 10-022 dated 16 September 2010. [↑](#footnote-ref-1)
2. The relevant documents are the Community Strategic Plan, Delivery Program, Long Term Financial Plan and, where applicable, Asset Management Plan [↑](#footnote-ref-2)