

10.1. Special Rate Variation - Notice of Intent to Apply

Council is considering a special rate variation (SRV). The SRV application process requires that council provides notification of intent to apply to the Independent Pricing and Regulatory Tribunal (IPART) by 24 November 2022.

Director Business & Governance

Officer's Recommendation

That Council:

1. Request the Chief Executive Officer notify the Independent Pricing and Regulatory Tribunal (IPART) of its intent to apply under the *Local Government Act 1993* for a special variation to increase rates to be permanently retained within the rate base, for the purpose of enhancing financial sustainability, maintaining service levels and to fund the ongoing operation, maintenance and renewal of existing assets.
2. Confirm the quantum of the rate increase, should Council proceed with an SRV application, be determined after community engagement on the options modelled in the updated Long Term Financial Plan 2023-32 has been completed.
3. Endorse the updated Long Term Financial Plan 2023-32 provided to Councillors, noting the four options modelled, with the recommended option A of an increase in rates of 90% to maintain existing service levels.
4. Place the updated Long Term Financial Plan 2023-32 on public exhibition between 16 November and 16 January 2023.
5. Undertake further community engagement as required in the NSW Office of Local Government *Guidelines for the Preparation of an Application for a Special Variation to General Income 2020* and IPART's *Information Paper- Community Engagement and Awareness*.
6. Note the community engagement period will run from 16 November 2022 to 16 January 2023.
7. Receive a report at the 1 February 2023 Council meeting on the community engagement outcomes, and determine at this meeting the rate of increase, if any, that will be included in the SRV application for submission to IPART by 3 February 2023.

Executive Summary

Council is faced with the challenge of making sure we have enough money to continue to deliver the large range of services we provide and to look after the shire's infrastructure into the future such as roads, footpaths, bridges, stormwater drains, parks, libraries, community buildings and swimming pools. We know our community values the services we provide and places high priority on the maintenance and renewal of our infrastructure when it is needed, so the current trend of our service delivery and asset costs exceeding our income needs to change.

An increase in rates through a special rate variation (SRV) is one way Council can increase its income to meet community expectations and be financially responsible.

SRV application conditions require Council to lodge a *Notice of Intent to Apply* for a SRV with the Independent Pricing and Regulatory Tribunal by 24 November 2022. This report recommends that Council lodge a Notice of Intent for a SRV, with the quantum of the rate increase, if any, to be determined following a period of community engagement. The updated

Long-Term Financial Plan 2023-32 was provided to Councillors for consideration prior to it being placed on public exhibition should Council proceed with the Notice of Intent.

IPART have advised that a Notice of Intention is not binding on Council. This means that although we may lodge a submission of intent, it does not bind Council to apply. If we do not lodge a notice of intent, Council cannot apply for a SRV.

Background

Everyday Council's expenses are beyond its income and we need to either increase our revenue or significantly reduce the services we provide or the assets we manage to provide services. Just like everyone's cost of living is increasing so is our cost of delivery such as fuel used by our vehicles to repair roads, clean toilets, mow lawns and the costs involved in purchasing materials, employing staff, and paying suppliers is rapidly increasing.

As the cost to deliver services and maintain community assets increases above the income Council obtains each year, it places pressure on Council to continue to deliver the same services with less money. Increasing frequencies of natural disasters is also financially impacting Council and demands on budgets.

In addition to increases in costs for core services, there has been a gradual transfer of additional unfunded responsibilities to Council from both levels of government, commonly known as cost shifting. Similarly, over time there has been a real reduction in reliable external grant funding, the most notable being the Financial Assistance Grants. In the past, local government across the country received approximately 1% of Australian tax revenue to support provision of services to local communities. This figure is currently down to around 0.55% with no indication this declining trend will change.

In 2019 Council commenced community engagement around the need to increase rates to support the provision of the six pools across the shire which was abandoned because of the Black Summer Bushfires. Since that time the financial need has remained and continued to escalate in an increasingly volatile financial environment. At the time of considering and SRV for pools it was acknowledged that there would still be a further need to address Council's financial sustainability even if the pools SRV had occurred.

Applying for a SRV now is taking proactive steps to reduce significant issues occurring in the future and addressing issues of the past. The gap between the increasing costs and the fixed amount of income Council collects is widening and a correction now, whilst difficult, is fiscally responsible.

In recent years Council has undertaken significant work to improve its financial sustainability which included an independent financial performance review undertaken by Morrison Low in 2020 and reduction in expenditure in a number of areas to minimise any low impact operational spends. This means that any further expenditure reductions will lead to noticeable changes to services the community receives from Council.

If Council wishes to seek a SRV above the rate peg for the 2023-24 financial year, it is required to notify the Independent Pricing and Regulatory Tribunal (IPART) of this intention by 24 November 2022. Council staff have discussed the proposed submission of an application for a SRV with IPART.

The Notice of Intent provides Council staff with approval to proceed with undertaking community engagement and the development of a draft SRV application should Council resolve to submit one. The decision to submit the SRV application will be required at the 1 February 2023 Ordinary Council meeting. Council will need to decide whether to proceed with the SRV application and at what quantum the rate increase will be, or not proceed with an SRV. Should Council decide to proceed, the SRV application is due 3 February 2023 to IPART.

Long Term Financial Plan (LTFP)

The IPART application requires the Long-Term Financial Plan 2023-32 to be updated and placed on public exhibition prior to any application being made. Council's LTFP is formulated using several estimates and assumptions to project the future revenue and expenditure required by Council to deliver the services, projects and programs expected by the community. In doing so, it considers the resources that are required to deliver services and capital works in a financially sustainable way.

Council has developed and adopted multiple LTFP's in the last 5 years that have all indicated the need for a special rate variation to increase revenue to close the widening gap between income and expenditure.

Council adopted its last suite of Integrated Planning & Reporting (IP&R) documents, including the Long-Term Financial Plan 2023-32, on 29 June 2022 with the recommended 'Scenario 2-Maintain' model indicating that a 35% increase in general rates would be required to maintain current levels of service. It was noted in that resolution that an updated Long Term Financial Plan would be prepared in the new financial year and this work has been undertaken.

For the LTFP adopted in June 2022, Council commenced work on modelling assumptions and estimates as early as March 2022. Since that time, we have experienced rapidly rising inflation, ongoing cost escalations, material and contractor supply issues and undertaken further revaluation of our assets. At the time of adopting the last LTFP it was also acknowledged that cost for renewing or rebuilding of assets had been based on unit rates that were backwards looking and were expected to be underestimates based on inflationary trends at that time. In addition, further detailed work was done on understanding what our asset replacements needs are over the next 10 years. In the next 10-year period, there is a need to replace a number of large value assets that are at the end of their lives and have not yet been replaced. Many of the large value assets Council manages are long lasting assets such as pools and bridges that have 50-70 year lives. Many of our assets were built in the 1940', 50' 60's and are now nearing the end of their service lives and if they are not replaced, risk failure and closure.

For Council's sustainability over the longer term, ongoing operating deficits must be addressed. To support our current levels of service and meet our ongoing asset management needs we need to increase our general rate income by 90%.

The recommended Option A 90% SRV (including the FY24, 4.1% rate peg) will raise additional general rates income of \$23.1 million in FY24.

LTFP Options

The updated LTFP 2023-32 contains 4 options. Option A is the recommended pathway so Council can continue to deliver the services we currently provide and support the current assets we have as well as meeting the NSW Governments financial sustainability ratios. Option A is a 90% permanent increase to general rates.

These scenarios all include the rate peg for 2023-24 of 4.1%. Option B includes a rate peg of 2.5% in 2024-25.

	Option A	Option B	Option C	Option D
	SRV with no service level changes- single year.	SRV with no service level changes- phased over 2 years.	SRV with service level changes- single year.	No SRV. Rate peg only with significant service level changes.
Special Rate	90% increase permanently	45% in 2024 and 37.2% in 2025	43% increase permanently	-

Variation	applied	permanently applied	applied	
Service Changes	This option will allow Council to meet current asset management and operational needs and financial sustainability ratios.	This option will allow Council to meet current asset management and operational needs, however the rate increase will be introduced over 2 years.	\$13.9 million average annually. Council will need to reduce current levels of service. This option prioritises catching up on our infrastructure backlog and reducing our capital program below recommended levels.	\$25.9 million average annually. Council will need to significantly reduce current levels of service. This option continues the unsustainable financial trajectory and will mean we are not able to manage core assets such as roads and bridges.

Option A- 90% SRV inclusive of 4.1% rate peg

This increase in revenue will allow for current levels of service in the updated Long Term Financial Plan 2023-32 to be maintained.

Council officers recommend introducing a SRV as per Option A to close the gap between current income and expenditure and allow for our current asset management and operational needs to be met as well as meet financial sustainability ratios. The SRV is recommended to be permanently included in Council’s revenue.

The SRV will enhance Council’s financial sustainability with the additional income used to:

- Maintain service levels as close as possible to current levels.
- Fund the ongoing operation, maintenance, and renewal of existing assets.
- Reduce the reliance on external grant funding for asset renewals.
- Manage a range of financial impacts including additional costs for maintenance and renewal of grant-funded new assets, impact of natural disasters, rising material costs and inflation.

If this rate increase is approved, it will provide future benefit and security for our community by ensuring ongoing funding needs for assets are planned. This is about intergenerational equity. This Council must make tough decisions now to ensure we don’t disadvantage future generations.

It is noted that should Council add additional assets or increase services and service levels in the future, planned service and asset investment will need to be reduced to avoid reverting to an operating deficit.

It is important to note this model includes assumptions for securing grant income. The model also assumes that future cost increases will be in line with future income increases. Based on

past history, unless funding models for local government change there is still a risk that this model cannot be realised due to costs increasing more rapidly than income.

Option B- 45% SRV in 2024 and 37.2% SRV in 2025 permanently applied, inclusive of 4.1% rate peg (FY24) and 2.5% rate peg (FY25)

This increase in revenue will allow for current levels of service to be maintained, however the increase in rates will be introduced over 2 years. There is a cumulative impact that occurs when introducing the increase over the two years.

Option B models the needed increase in income across two years to allow for current asset management and operational needs to be met. The SRV is recommended to be permanently included in Council's revenue.

The SRV will enhance Council's financial sustainability with the additional income used to:

- Maintain service levels as close as possible to current levels.
- Fund the ongoing operation, maintenance, and renewal of existing assets.
- Reduce the reliance on external grant funding for asset renewals.
- Manage a range of financial impacts including additional costs for maintenance and renewal of grant-funded new assets, impact of natural disasters, rising material costs and inflation.

If this rate increase is approved, it will provide future benefit and security for our community by ensuring ongoing funding needs for assets are planned. This is about intergenerational equity. This Council must make tough decisions now to ensure we don't disadvantage future generations.

It is noted that should Council add additional assets or increase services and service levels in the future, planned service and asset investment will need to be reduced to avoid reverting to an operating deficit.

Option C- 43% SRV inclusive of 4.1% rate peg

This option will close the gap between revenue and expenditure; however, it will not be adequate to maintain current levels of service. This option prioritises catching up on our infrastructure backlog in 2023-24 and 2024-25 and then reducing our capital program below recommended levels.

- Service levels: Council will be required to reduce services by average of \$13.9 million per year. This will need to come from a range of areas including employment costs, asset maintenance and renewal and facility operation.
- Asset management: this option will mean that Council will not have sufficient income for the required renewals of our assets after the first two years where we focus on catching up on our infrastructure backlog. As a result we can expect a decline in the standard of key assets such as roads and bridges.

Option D- No SRV, 4.1% rate peg only

This means Council will need to significantly reduce its level of service to remain solvent. If Council does not implement a SRV, the LTFP predicts cost reductions averaging \$25.9 million annually will be required. Of immediate concern is the financial projection of implementing this option is that unrestricted cash for the General Fund will be exhausted by 2025.

This option shows our expenses continuing to exceed income and lower than required investment in maintaining and upgrading our assets to the point where we cannot fund any asset rebuilds. There will need to be a significant reduction in the levels of service and quality of assets, including extending the operating life of assets beyond their estimated useful life.

This would mean that over time bridges would start to fail, roads would become unsafe, pools would close and buildings would collapse as examples of longer term consequences.

- Service level reduction: Council will be required to reduce services by \$25.9 million per year. This will need to come from employment costs, asset maintenance and renewal and facility operation.
- Asset management: this option means Council will not have sufficient income to fund operating costs or required renewals of our assets. When an asset reaches the end of its useful life we won't have the funds to replace it. This will occur more frequently as this option is based on a reduction in maintenance and assets getting to end-of-life quicker.

Fees and Charges Modelling

Council could consider increasing its fees and charges above current levels to generate additional revenue and reduce the level of the SRV required. We have modelled a range of percentage increases on fees and charges to show the additional revenue that could be obtained through these increases, noting these increases assume that usage levels would be maintained. There are a range of fees that are determined through legislation and we have excluded those from the below modelling.

FY22 Fees and Charges Income (General Fund Only)	Percentage Increase	Additional Revenue
\$3,925,000	10%	\$392,500
	30%	\$1,177,500
	50%	\$1,962,500

IPART Guidelines

The Office of Local Government releases a set of guidelines each year for the preparation of an application for a special variation to general income. A copy of the most recent 2020 guidelines is Attachment 1 to this report. IPART will assess each application against the criteria listed in the guidelines. These criteria are:

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

Comment: Council's updated LTFP includes the proposed SRV of 90% as the recommended option and clearly demonstrates the financial need for the SRV. The updated LTFP will be placed on public exhibition for 28 days as part of wider community engagement on the SRV application.

The following issues continue to challenge Council's ability to remain financially sustainable:

- Receiving significant grant funding for new and upgraded assets which increases the cost per year to maintain and renew these assets over their lifetime (maintenance and depreciation costs).
- Cost shifting of NSW Government to deliver services to the community without appropriate resourcing.
- Delivering on community expectations to provide consistent assets and service levels across the towns and villages across the Bega Valley.
- Our Shire is vast in relation to our low population and as a result we have high infrastructure costs, relative to a small rate base.
- Increasing frequency and severity of weather events impacting infrastructure.

- Council's reliance on volunteers for a range of service provision is going to change as volunteerism declines nationally.
 - Limited asset and service consolidation opportunities due to the geography and size of the Bega Valley Shire.
 - Breadth of services provided by Council places increased pressure on Council finances.
 - Maintaining the current level of spending on asset renewal to ensure continuing good condition of Council's asset base.
 - Restricted opportunity for revenue generation.
 - Gradual reduction in Federal Government funding to Local Government. In the past, local Council's received close to 1% of federal taxation revenue through the Financial Assistance Grants and over time, this has reduced to 0.55%.
 - Government spending contraction and shift of focus impacting asset renewal.
 - High inflation, rising costs and material and labour shortages impacting project delivery.
- (2) Evidence that the community is aware of the need for and extent of a rate rise. Council must undertake a comprehensive community engagement strategy using a variety of methods available.

Comment: There was significant media coverage in June and July 2022 on the proposed SRV of 35% as part of the adoption of the IP&R documents. Majority of the feedback received from the community was related to the proposed rates increase. The prior two iterations of Council's LTFP have also flagged the need for a SRV and Council notified IPART of the intent to apply for an asset related SRV in 2019, however withdrew its application as a result of the Black Summer Bushfires.

The ongoing financial sustainability challenges for Council is well known to the community. The next phase of community engagement planned for November, December 2022 and January 2023 will provide the community an opportunity to obtain further detailed information about the updated options modelled in the LTFP, the rationale for a SRV and the opportunity to provide feedback.

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

Comment: Decisions regarding SRV's are complex and difficult. The decision to apply for a SRV is not taken lightly. Unless our financial position significantly improves over the longer term, the value of our cash and investments will continue to decline, services will continue to be reduced and assets will not be renewed in the timeframes the community expects. We can no longer push the issue aside. Council understands that rate rises of any kind are never welcome but believes that a SRV is a necessary course of action to maintain our current levels of service. As part of the SRV process Council will prepare a Capacity to Pay Report.

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

Comment: Council adopted its latest suite of IP&R documents in June 2022 which outlined the need for a SRV. Further work has been undertaken to review and update the LTFP which has resulted in 4 revised options being modelled. These options will form the basis for further community engagement. The updated LTFP 2023-32 will be placed on public exhibition until 16 January 2023 with the intent for it to be adopted by Council prior to lodging an application to IPART, should Council resolve to do so.

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

Comment: Council has been working hard to ensure we are as efficient as possible and are continually reviewing ways to reduce expenditure including staff restructures, improvements in our asset management processes, zero-based budgeting, divestment of land and joint regionalization of services and planning.

Council has continued to deliver grant funded assets to increase liveability and amenity in our community and this, over time, combined with external influences such as rising costs, material shortages and unexpected expenditure associated with multiple disasters and the pandemic have gradually led to the problem which Council is now seeking to address.

Council has been working through a financial improvement program for many years now and while we have made significant improvements, the reality is that escalating costs – such as materials and contractors, are fast outstripping any cost reductions and efficiencies we can achieve.

Through zero-based budgeting for the last 3 years, Council has achieved cost reductions which are included in the current financial year and future budgets.

Council is preparing a Financial Sustainability Report that provides further detail on why Council is pursuing a SRV. The report complements the updated LTFP and will support the community engagement process.

Following the submission of an application to IPART, IPART will also assess other relevant information, including communication directly from ratepayers received during a public exhibition process that IPART facilitate. IPART can wholly or partially approve or reject a council's application. If an SRV is approved it would come into effect from 1 July 2023.

Options

No decision has been made to increase rates, however as a business required to remain financially viable, Council has modelled a range of options to have a conversation with the community about balancing an increase in rates with reducing our levels of service. Council has a range of range of options to consider with this report.

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

Community and Stakeholder Engagement

Significant internal consultation has been undertaken to develop the updated Long-Term Financial Plan 2023-32 and the options modelled. Essential in revising the LTFP has been getting the first financial year of the plan finalised. Budget managers across the business have developed and refined their 2023-24 budgets, some 8 months prior to the FY commencing to provide the best known data for the plan.

Extensive external engagement is planned for November and December 2022 and January 2023 on the options modelled in the updated LTFP. Community feedback will be considered by Council before an application to IPART is submitted.

Engagement undertaken

From May to June 2022 as part of the community engagement process for the latest suite of IP&R documents, Council undertook extensive community engagement and received feedback from the community regarding the potential introduction of a SRV. A detailed report outlining the community engagement and feedback received was included in the 29 June 2022 report to

Council for adoption of the IP&R documents. At that time, Council committed to further investigation and community engagement to be undertaken later in 2022 about the requirement for an SRV.

Engagement planned

When preparing an application for a SRV, IPART requires councils to actively engage residents in discussions about any proposed increase above the rate peg and will consider how effective each council's community engagement has been before determining an application to increase rates above the set peg.

Council has developed a detailed community engagement plan with key events listed in the table below.

Council will use a range of methods including media releases, fact sheets, flyers- direct mail and online, a dedicated SRV webpage, a Have Your Say webpage, online survey, CEO correspondence, newsletters, information sessions- online and in-person, social media, advertising, media briefings and information videos.

DATE	ACTIVITY
Friday 11 November	Project page and Have Your Say Page is live and survey is open and promoted
Friday 11 November	Media briefing
16 November 2022- 16 January 2023 Community Engagement	
Saturday 19 November	Eden Community Market – 20 Chandos Street, Eden. 9am-1pm
Sunday 20 November	Merimbula seaside market – Ford Park, Ocean Drive. 8am-12pm
Saturday 26 November	Cobargo Markets – Main Street Cobargo. 8am-1pm
Monday 28 November	SRV Presentation- Bega Valley Commemorative Civic Centre 3pm-7pm. Hourly sessions- 30 min presentation, 30 min Q+A with panel. 3pm-4pm, 4pm-5pm, 5pm-6pm, 6pm-7pm (Registration required)
Wednesday 30 November	SRV Presentation- Pambula Hall 3pm-7pm. Hourly sessions- 30 min presentation, 30 min Q+A with panel. 3pm-4pm, 4pm-5pm, 5pm-6pm, 6pm-7pm (Registration required)
Thursday 1 December	Bermagui Growers and Makers Market – Bermagui Country Club – Corner Lamont and Tuross Streets. 3:30pm – 5:30pm
Sunday 4 December	Candelo markets – Candelo Oval and Town Hall, William Street, Candelo. 830am-1230pm
Monday 5 December	Online meeting via Zoom 6pm-8pm (No registration required)
16 January 2023	Exhibition and consultation period closes
25 January 2023	Councillor Workshop on SRV engagement feedback
1 February 2023	Council meeting- Council resolution to determine if SRV application is being submitted to IPART

Financial and Resource Considerations

The Local Government Act requires Council to sustainably manage its assets, resources, and finances. As such, Council has little option but to increase its revenue or significantly reduce costs through service reductions to close the financial gap of continuing operational deficits and under-investment in assets. However, community engagement through the June and July IP&R process has shown strong opposition to both service reductions and an SRV. In combination, these diametrically opposing opinions result in a financially unsustainable Council.

Council has continued to make significant reductions in annual budgets across recent years despite increasing community expectations in delivery of services. There are no further reductions that can be made without impacting service levels. Council needs to secure additional income or implement significant service reductions to bring Council's operating position to a surplus level. With Council's current income, Council is unable to self-fund the same level of capital renewal and maintenance projects.

The exhibition and subsequent adoption of the Long-Term Financial Plan will commit Council to its implementation noting that the LTFP is reviewed and updated each year when developing the annual budget.

Project Budget

Council has allocated a project budget for the delivery of the community engagement related to the proposed SRV. This project will be managed internally with existing resources, with some external consultants support likely to be sought throughout the project.

Item	\$ Excl GST
Expenditure Detail	
SRV Project Delivery	50,000
Total Expenditure	\$50,000
Source of Funds	
General Fund- FY23 Adopted Budget	
Total income available	\$50,000

Legal /Policy

Council is bound by the principles of sound financial management in the NSW *Local Government Act 1993*, namely responsible and sustainable spending and responsible and sustainable infrastructure investment.

If Council resolves to proceed with a SRV application it will need to remain compliant with S508(2) or S508A of the *Local Government Act 1993* and associated guidelines and regulations.

Formal public exhibition of the Long-Term Financial Plan will be conducted in accordance with the requirements of the *Local Government Act 1993*.

Section 403 of the *Local Government Act 1993* (the Act) requires Council to have a long-term strategy (called its Resourcing Strategy which includes its Long Term Financial Plan) for the provision of the resources required to perform its functions (including implementing the strategies set out in the Community Strategic Plan).

Impacts on Strategic/Operational/Asset Management Plan/Risk

Strategic Alignment

Council has a responsibility to ensure that adequate services are provided to the community, and that financial planning is transparent to provide confidence in Council’s ability to deliver on the community’s priorities.

CSP 2042 Theme: Our civic leadership – Local leadership is strong, consultative and responsive to our community’s needs

CSP 2042 Strategy: E.1 Lead, govern and regulate in an ethical, equitable, transparent and accountable way

Delivery Program 2022-25 Action: E3.1 - Support implementation of Council’s strategies and plans and report on progress

Operational Plan 2022-23 Activity: E3.1.2- Support the development of a rate variation application and community engagement.

Environment and Climate Change

The updated LTFP 2023-32 models our ongoing financial need to maintain our current levels of service. Council’s ongoing financial sustainability is impacted by numerous factors including the increasing frequency and severity of weather events on Council’s infrastructure. Our assets team continue to consider the implications of maintaining and renewing our existing assets within a changing climate.

The LTFP continues to support the provision of Council’s environmental services team that lead our initiatives to improve environmental outcomes within Council’s area of influence as outlined in Council’s adopted Climate Resilience Strategy and Clean Energy Plan.

Economic

Every Council is required to develop a LTFP that looks that looks at the financial sustainability of Council over the next 10 years and forms part of Council’s Resourcing Strategy. The LTFP assists in improving community and investor confidence in the region through demonstration of gradual improvements and sound financial management.

As one of the Bega Valley Shire’s largest employers and consumers of a range of services, Council has a significant role to play in the local economy. It is acknowledged that adjustments in Council’s annual operating budgets and long-term financial planning have flow on effects to the local economy and this is considered as part of the LTFP and annual budget development process. The LTFP continues to see investment in our assets and services that support our local economy as an employer, service provider and buyer of local works and services.

Risk

There is a risk that the updated Long-Term Financial Plan 2023-32 and other information provided to the community is not well understood by the community. There is also a risk that the LTFP and engagement doesn’t meet IPART assessment criteria and that the potential rate increase is at a time when rate payers are also faced with inflationary cost of living pressures.

“Doing nothing” is an unacceptable risk to Council and a failure by Council to deliver on its financial governance. Council will eventually run out of cash reserves and will have failed to keep its assets in acceptable condition.

A detailed communications and engagement approach has been developed that includes the below risk considerations.

Risk	Mitigation Strategies
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Risk	Mitigation Strategies
Failure to meet requirements of OLG / IPART within SRV application	<p>Utilise resources provided by OLG and IPART to ensure all requirements are met.</p> <p>Ensure clear communication across Council project team to ensure the development of the SRV application is in alignment of assessment criteria</p>
Failure to deliver SRV Project (in its entirety) within timeframes.	<p>Ensure staff resourcing and correct skills sourcing for the delivery of the project is maintained.</p> <p>Finance team to notify project team of any delays / problem areas in delivering the updated LTFP and draft FY24 budget.</p> <p>Develop review / communication milestone points between Corporate Planning team and LEG to identify any potential delays early within project</p>
Lack of clear communication internally on the project leading to an internal lack of certainty	<p>Project team to identify milestone points for review of materials.</p> <p>Timeframes clearly articulated and accessible to staff.</p>
Lack of clear communication externally on the project leading to a reputational and lack of trust	<p>External communications and engagement plan developed and clearly articulated and accessible for staff and Councillors</p> <p>Elected members briefed and engaged during development of key messaging.</p> <p>Consultation material to be developed and clearly understood by Council, Corporate Planning team and community</p> <p>Early engagement with media</p> <p>Project timeline including all engagement stages clearly articulated</p>
Elected members	<p>Ensure Council is aware of process and requirements</p> <p>Ensure Council is aware of impact to Ratepayers</p> <p>Ensure Council is aware of community engagement materials and process</p> <p>Ensure Council is aware of timeframes</p> <p>Ensure Council resolutions are made within timeframes</p>

Social / Cultural

Council has insight into what the community wants through our corporate planning and community engagement initiatives; and knows that our community places a high priority on maintaining our current levels of service. Council is also aware that a SRV may cause undue hardship for ratepayers who have been financially impacted by the bushfires and pandemic.

Council manages approximately \$1.7b worth of assets for the community including things like buildings, swimming pools, playgrounds, libraries, bridges, roads, waste facilities and a vast water and sewer network. We are a large shire (by area) and maintaining and renewing these assets is expensive. We also have a relatively small number of ratepayers compared to the size of our shire and vast areas of state and national parks and forests from which we are unable to generate income.

The funding of local government is complex and doesn't always adapt quickly to changing needs and conditions including the increasing cost of goods and services. Despite the recent inclusion of the population growth factor for many years the 'rate peg' has not kept pace with the financial needs of Councils in NSW and residents needs for appropriate services. This has been acknowledged by the Minister for Local Government who has requested that the existing rate peg methodology be reviewed.

Bega Valley Shire Council is one of many Councils across NSW facing financial sustainability challenges. For 2020-21, 74 NSW Councils (of 128) reported operating deficits in the General Fund. The average operating performance ratio of NSW Councils (measures a council's achievement in containing operating expenditure within operating income) has steadily declined from 9.8% in 2016-17 to -1.5% in 2020-21. Of the 128 Councils in NSW, 82 have applied for an increase to rates since 2011-12.

Attachments

1. Attachment 1 olg-guidelines-special-variation-2021-22_0

Ordinary Meeting Minutes

Held on Wednesday 16 November 2022

at Council Chambers, Biamanga Room Bega Valley Commemorative Civic Centre
Bega commencing at 2:00pm

PRESENT

Cr Russell Fitzpatrick, Mayor
Cr Liz Seckold, Deputy Mayor
Cr Tony Allen
Cr Cathy Griff
Cr Mitchell Nadin
Cr Helen O'Neil
Cr David Porter
Cr Joy Robin
Cr Karen Wright

IN ATTENDANCE

Chief Executive Officer, Mr Anthony McMahon
Director, Assets and Operations, Mr Ian Macfarlane
Director, Community, Environment and Planning, Mrs Emily Harrison
Director, Business and Governance, Mrs Iliada Bolton
Acting Manager Communications and Events, Ms Skye Owen
Executive Officer (Minute Secretary), Mrs Jackie Grant

Statement of Commencement of Live Streaming

The Mayor made an announcement about live streaming requirements:

Council meetings are recorded and live streamed to the Internet for public viewing.

The recording will be archived and made available on Council's website www.begavalley.nsw.gov.au.

Acknowledgement of Traditional Custodians of Bega Valley Shire

The Mayor commenced by acknowledging, on behalf of Bega Valley Shire Council, the Traditional Custodians of the lands and waters of the Shire, the people of Yuin nation, to show respect to elders past and present.

Statement of Ethical Obligations

The Mayor and Councillors are reminded that they remain bound by the Oath/Affirmation of Office made at the start of the council term to undertake their civic duties in the best interests of the people of Bega Valley Shire and to faithfully and impartially carry out the functions, powers, authorities and discretions vested in them under the Local Government Act or any other Act, to the best of their skill and judgement.

The Mayor and Councillors are also reminded of the requirement for disclosure of conflicts of interest in relation to items listed for consideration on the Agenda or which are considered at this meeting in accordance with the Code of Conduct and Code of Meeting Practice.

Complex Eden		
Lawrence Park Tathra	██████████	Cricket Club

IN FAVOUR: Crs Fitzpatrick, Nadin, Griff, Seckold, Allen, Porter, O'Neil, Robin and Wright

AGAINST: Nil

10. Staff Reports – Business and Governance

10.1 Special Rate Variation - Notice of Intent to Apply

A motion was moved by Crs Allen and Fitzpatrick

That Council:

1. Request the Chief Executive Officer notify the Independent Pricing and Regulatory Tribunal (IPART) of its intent to apply under the *Local Government Act 1993* for a special variation to increase rates to be permanently retained within the rate base, for the purpose of enhancing financial sustainability, maintaining service levels and to fund the ongoing operation, maintenance and renewal of existing assets.
2. Confirm the quantum of the rate increase, should Council proceed with an SRV application, be determined after community engagement on the options modelled in the updated Long Term Financial Plan 2023-32 has been completed.
3. Note the updated Long Term Financial Plan 2023-32 provided to Councillors, noting the four options modelled, which will be the subject of community consultation:
 - A. 90% increase;
 - B. 45% increase in 2024 and 37.2% increase in 2025;
 - C. 43% increase;
 - D. No increase above rate peg
4. Place the updated Long Term Financial Plan 2023-32 on public exhibition between 16 November and 16 January 2023.
5. Undertake further community engagement as required in the NSW Office of Local Government *Guidelines for the Preparation of an Application for a Special Variation to General Income 2020* and IPART's *Information Paper- Community Engagement and Awareness*.
6. Note the community engagement period will run from 16 November 2022 to 16 January 2023.
7. Receive a report at the 1 February 2023 Council meeting on the community engagement outcomes, and determine at this meeting the rate of increase, if any, that will be included in the SRV application for submission to IPART by 3 February 2023.

A Point of order was called by Cr Nadin against Cr Fitzpatrick comments.

The Mayor ruled that there was no point of order.

The motion was put to the vote and it was CARRIED

IN FAVOUR: Crs Fitzpatrick, Nadin, Griff, Seckold, Allen, Porter, O'Neil, Robin and Wright

AGAINST: Nil

230/22 **RESOLVED on the motion of Crs Allen and Fitzpatrick**

That Council:

1. Request the Chief Executive Officer notify the Independent Pricing and Regulatory Tribunal (IPART) of its intent to apply under the *Local Government Act 1993* for a special variation to increase rates to be permanently retained within the rate base, for the purpose of enhancing financial sustainability, maintaining service levels and to fund the ongoing operation, maintenance and renewal of existing assets.
2. Confirm the quantum of the rate increase, should Council proceed with an SRV application, be determined after community engagement on the options modelled in the updated Long Term Financial Plan 2023-32 has been completed.
3. Note the updated Long Term Financial Plan 2023-32 provided to Councillors, noting the four options modelled, which will be the subject of community consultation:
 - A. 90% increase;
 - B. 45% increase in 2024 and 37.2% increase in 2025;
 - C. 43% increase;
 - D. No increase above rate peg
4. Place the updated Long Term Financial Plan 2023-32 on public exhibition between 16 November and 16 January 2023.
5. Undertake further community engagement as required in the NSW Office of Local Government *Guidelines for the Preparation of an Application for a Special Variation to General Income 2020* and IPART's *Information Paper- Community Engagement and Awareness*.
6. Note the community engagement period will run from 16 November 2022 to 16 January 2023.
7. Receive a report at the 1 February 2023 Council meeting on the community engagement outcomes, and determine at this meeting the rate of increase, if any, that will be included in the SRV application for submission to IPART by 3 February 2023.

IN FAVOUR: Crs Fitzpatrick, Nadin, Griff, Seckold, Allen, Porter, O'Neil, Robin and Wright

AGAINST: Nil

10.2 Annual Report 2021-22

Chief Executive Officer, Anthony McMahon advised of some minor errors in the Annual Report that will be amended prior to the document being published.

231/22 **RESOLVED on the motion of Crs Nadin and Seckold**

That Council:

1. Receive and note the 2021-22 Annual Report, including Council's Operational Plan Progress Report.
2. Provide a copy of the 2021-22 Annual Report to the NSW Office of Local Government by 30 November 2022.
3. Publish the 2021-22 Annual Report on Council's website by 30 November 2022.
4. Note that the 2021-22 audited financial statements will be attached to the annual report and

resubmitted to Office of Local Government when the audit has been finalised by the NSW Audit Office.

IN FAVOUR: Crs Fitzpatrick, Nadin, Griff, Seckold, Allen, Porter, O'Neil, Robin and Wright

AGAINST: Nil

10.3 Quarterly Budget Review Statement (QBRS) September 2022 - Q1

232/22 **RESOLVED on the motion of Crs Nadin and Seckold**

1. That Council receive and note the September 2022 Quarterly Budget Review Statement.
2. That the budget recommendations detailed in the attachment to this report be adopted.
3. That Council endorse an additional budget variation not included in the presented statements of an \$800,000 allocation towards road and drainage renewal and improvement in Storey Avenue, Eden with funds to be sourced from the Asset Renewal Reserve

IN FAVOUR: Crs Fitzpatrick, Nadin, Griff, Seckold, Allen, Porter, O'Neil, Robin and Wright

AGAINST: Nil

10.4 Certificate of Investment October 2022

233/22 **RESOLVED on the motion of Crs Allen and O'Neil**

1. That Council receive and note the report on Council's investment position at 31 October 2022.
2. That Council notes the certification of the Responsible Accounting Officer.

IN FAVOUR: Crs Fitzpatrick, Nadin, Griff, Seckold, Allen, Porter, O'Neil, Robin and Wright

AGAINST: Nil

10.5 Review of Council Policies - Submission Received on Exhibited Document

A motion was moved by Crs Porter and Nadin

That this item be deferred to 14 December 2022 meeting.

The motion was put to the vote and it was CARRIED

IN FAVOUR: Crs Fitzpatrick, Nadin, Griff, Seckold, Allen, Porter, O'Neil, Robin and Wright

AGAINST: Nil

234/22 **RESOLVED on the motion of Crs Porter and Nadin**

That this item be deferred to 14 December 2022 meeting.

IN FAVOUR: Crs Fitzpatrick, Nadin, Griff, Seckold, Allen, Porter, O'Neil, Robin and Wright

Council's implementation consistent with the requirements under the act?

Director Business and Governance, Mrs Iliada Bolton advised implementation is consistent with the requirements under the act:

Local Government Regulation 2021, section 134(a)

For the purposes of paragraph (a) of the definition of eligible pensioner in the Dictionary to the Act, the following classes of persons are prescribed—

(a) persons who receive a pension, benefit or allowance under Chapter 2 of the Social Security Act 1991 of the Commonwealth, or a service pension under Part III of the Veterans' Entitlements Act 1986 of the Commonwealth, and who are entitled to a pensioner concession card issued by or on behalf of the Commonwealth Government

16. Confidential Business

There was no confidential business.

17. Noting of Resolutions from Closed Session

There was no noting of resolutions from closed session.

18. Declassification of reports considered previously in closed session

There was no declassification of reports considered previously in closed session.

Closure

There being no further business, the Chairperson closed the meeting at 5:22pm.

Confirmed

Chairperson of the meeting of the Bega Valley Shire Council held on Wednesday, 16 November 2022.