

## 10.1. Special Rate Variation- Decision to apply to IPART

Council to determine if a Special Rate Variation (SRV) is to be applied for and if so the rate of the increase.

Chief Executive Officer

### Officer's Recommendation

That Council:

1. Receive the SRV Community Engagement Summary report (Attachment 1) and associated appendices and attachments.
2. Proceed with an application for a permanent special rate variation of 43% as per Option C in the updated Long Term Financial Plan 2023-32, acknowledging the extensive feedback received during the community engagement period, along with recent successful grant funding and the independently assessed Capacity to Pay Report of the community.
3. Support the capital (\$134.5m) and operational (\$3.3m) reductions in levels of service across the 10 year forecast period included in this report as outlined which would be required in the updated Long Term Financial Plan 2023-32 if pursuing Option C.
4. Commit to further reviewing asset and service priorities in future years to ensure future financial sustainability
5. Delegate to the Chief Executive Officer to make an application by 3 February 2023 to the Independent Pricing and Regulatory Tribunal (IPART) under s508(2) of the *Local Government Act 1993* for an increase to the ordinary rate income of 43% in 2023-24 (including rate peg of 4.1%), to be permanently retained within the rate base.
6. Resolve that the feedback received from the community during the community engagement and public exhibition period along with the Capacity to Pay Report (Attachment 2) is provided to IPART as part of the special rate variation application.
7. Adopt the updated Long Term Financial Plan 2023-24 (Attachment 3) that has been revised following public exhibition in November, December 2022 and January 2023.
8. Adopt the updated Strategic Asset Management Plan including Asset Management Plan summaries (Attachment 4).
9. Consider the implementation of the special rate variation, if proceeding with an application, during the deliberations of Council's Delivery Program, Operational Plan and budget for 2023-24.

### Executive Summary

Council notified IPART of its intent to submit an SRV application in November 2022. Council is now required to decide if it will proceed with an SRV application, and if so, at what quantum.

In placing the updated Long Term Financial Plan 2023-32 on public exhibition in November 2022, Council officers had recommended Option A, an increase of 90%, to close the gap between current income and expenditure and allow for Council's current asset management and operational needs to be met as well as meet financial sustainability ratios without impacting on current service provision or asset standards. Given the extensive community feedback, the analysis in the Capacity to Pay report and recent grant funding that Council has received, Council officers are recommending that Option C- a 43% SRV be applied for. Option C

as modelled in the LTFP will also require significant reductions in levels of service totalling \$137.8m across the 10 years of the LTFP.

SRV applications are due 3 February 2023. Should Council apply to IPART, determinations on the application will be provided in May 2023. If an SRV is approved it would come into effect from 1 July 2023. Below are the key dates for the SRV process.

	Action
May- June 2022	Community engagement on 2022-25 Delivery Program and Resourcing Strategy, along with 2022-25 Operational Plan outlining need for future SRV
29 June 2022	2022-25 Delivery Program and Resourcing Strategy, along with 2022-25 Operational Plan adopted by Council
21 October 2022	Meeting with IPART
16 November 2022	Council meeting recommendation to advise IPART of intention to submit an SRV application
23 November 2022	Letter of Intent submitted to IPART and lodged on IPART Portal
16 November 2022- 16 January 2023	SRV Community Engagement period Revised Long Term Financial Plan 2023-32 placed on public exhibition including information on Council's proposed SRV options.
1 February 2023	Council meeting to consider community feedback and determine if SRV application to be submitted to IPART
3 February 2023	Application due to IPART
May 2023	IPART determination
1 July 2023	If approved, SRV commences

## Background

On 16 November 2022 Council resolved to notify IPART of its intent to apply under the *Local Government Act 1993* for an SRV 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. Council also resolved that 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 that was placed on public exhibition for 2 months from 16 November 2022 to 16 January 2023.

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.

It is an unenviable position to be seeking an increase in rates through an SRV, as strongly echoed in the extensive community feedback received, however 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.

The above is a reflection in the fundamental flaws of local government financing in NSW and although IPART are reviewing the rate peg methodology previous reviews have also occurred without any material change resulting. Similarly, ongoing advocacy to reinstate historical level of grant funding (particularly Federal Financial Assistance grants) has not resulted in any positive change to support funding of NSW Local Governments.

Whilst the individual sentiment towards increasing rates is one of resistance, Council makes a significant contribution to the local economy and the result of an increase in revenue through rates will provide a stimulatory effect as a local employer and buyer of local works and services.

This report presents for adoption an updated LTFP 2023-32, and an updated Strategic Asset Management Plan and associated Asset Management Plan summaries for each asset class. This report also includes outcomes of the community engagement process and a summary of the Capacity to Pay report provided by external consultants Morrison Low.

### **Long Term Financial Plan**

Council placed on public exhibition an updated Long Term Financial Plan 2023-32 that outlined 4 options, 3 of which outlined an SRV would be required. The updated LTFP outlines that Option A is the recommended pathway looking at Council's asset management and service provision needs over the next 10 years. Option A is recommended based on our current estimates and assumptions should Council wish to continue to deliver the services we currently provide and support the current assets we have as well as meet the NSW Government's financial sustainability ratios.

Given the extensive community feedback received, the analysis in the Capacity to Pay report and recent grant funding that Council has received, it is recommended on balance that Option C- a 43% SRV be applied for. Option C will generate an additional \$11.4m of general rates income (FY24) bringing the total yield to \$37.9m (FY24). Based on the average residential land value (based on 2019 valuations data) that will equate to an increase of \$9.80 per week or \$510 annually for residential rate payers.

The proposed SRV- Option C- 43%- will allow Council to:

- prioritise catching up on our infrastructure backlog in 2023-24 and 2024-25, noting a planned reduction in the capital program below recommended levels to meet our current asset management needs after this time.
- partially fund to required levels the ongoing operation, maintenance and renewal of existing assets, noting the below proposed capital reductions that will need to be factored into Council's Strategic Asset Management Plan (SAMP) and associated AMP's
- Improve, although not resolve Council's financial sustainability and provide a more reliable income source that could potentially fund future borrowings for larger value capital projects if required in the LTFP.

Given Option C does not fully fund the current needs articulated in our updated LTFP and SAMP it is reasonable to assume that future SRV's will need to be considered in 4-5 years' time, based on current modelling unless assets are disposed of and services are reduced at a large scale. The current trajectory of Local Government financing under a rate peg model is simply not sustainable. In 2021 the Australia Institute reported that rate capping (or rate peg) established with the intent to protect residents and businesses from municipal fiscal recklessness, has instead worked to diminish local living standards. Negative impacts of rate capping include lower levels of service delivery, decreased employment and/or wages within

local government, higher user fees for services and lower expenditures flowing back into local private sector businesses.

It is important to note that should Council add additional assets or increase services and service levels in the future, this will impact the current financial modelling. The updated LTFP 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.

The updated LTFP 2023-32 outlines that if pursuing Option C then Council will be required to reduce services by average of \$13.9 million per year or \$139m across the 10 years of the LTFP. As with all financial plans they are a point-in-time estimate and since the updated LTFP was placed on exhibition Council has been successful in obtaining a range of grant funding (\$29.3m). These include Merimbula Boardwalk (\$8m), various bridges funding (\$18m) and Pambula Sporting Complex (\$3.3m). These projects had been modelled to come from cash or reserves. Now that these items are grant funded the reserve funds can be redirected to projects that are continuing which have been included in the revised LTFP model.

The reductions to Council services under Option C will largely come from the capital program which will see a decline in the standard of key assets such as roads and bridges. Below is a summary of the capital reductions across the 10 year span of the LTFP compared to the 90% model.

Cost Centre Allocation	\$ reduction
ADMINISTRATION BUILDINGS	\$12,315,699
BRIDGES ON SEALED RURAL ROADS - LOCAL	\$3,048,073
BRIDGES ON SEALED RURAL ROADS - REGIONAL	\$41,245,637
BRIDGES ON UNSEALED RURAL ROADS - LOCAL	\$12,057,731
DRAINAGE	\$1,896,311
FOOTPATHS	\$5,576,372
PARKS AND GARDENS	\$2,983,944
PUBLIC AMENITIES	\$1,041,195
ROADS RURAL SEALED LOCAL	\$1,011,137
ROADS RURAL SEALED REGIONAL	\$13,207,766
ROADS RURAL UNSEALED LOCAL	\$28,994,920
ROADS URBAN SEALED LOCAL	\$144,985
ROADS URBAN SEALED REGIONAL	\$152,229
ROADS URBAN UNSEALED LOCAL	\$62,204
SPORTING GROUNDS AND FACILITIES	\$7,486,766
TOWN CENTRE CARPARKS	\$56,053
WHARVES, JETTIES & BOATRAMPs	\$3,204,488
<b>TOTAL</b>	<b>\$134,485,510</b>

The above table provides a summary at the cost centre level. In addition to the significant and concerning budget reductions in both roads capital works (\$43.5m) and bridges (\$56.3m) other key projects of note within these cost centres that have been removed from the LTFP model and therefore have no forward financial allocation towards them include Cuttagee bride, Six Mile Bridge, Wapengo Creek bridge, the Zingel Place Building upgrade, a range of parklands and sportsgrounds renewals, Barclay Street netball and tennis court upgrade and Merimbula boat ramp carpark upgrade. In addition to the capital program reductions over \$3.3m of operational reductions have also been removed including delivery of floodplain management plan actions, bridge structural assessments, road safety planning, stormwater pipe cleaning, community grant funding along with cultural, strategic planning and economic development projects.

Option C assumes that for some of the larger capital projects to be delivered they will require partial or full grant funding through competitive grants and should this grant funding not be received the project may not be delivered unless internal funds can be reallocated. Some of these projects include renewal and upgrade of the Bega War Memorial Swimming Pool, asset renewal at Sapphire Aquatic Centre and a range of coastal accessibility projects.

A range of changes have been made to the updated LTFP 2023-32 since it was placed on public exhibition in November including representation of the consolidated scenarios and inclusion of recently advised grant income. The remainder of the changes are largely administrative in nature and have not changed the essence of the plan but is important should Council proceed with an SRV application to IPART.

### **Capacity to Pay Report**

Council engaged Morrison Low to assess the community's capacity to pay, refer Attachment 2. This provided Council with an objective and independent assessment to assist with the decision on the level of the SRV.

The report provides an analysis and evaluation of relative wealth and financial capacity; it looks at the financial vulnerability and exposure of different community groups within the Bega Valley. Key considerations include:

- regions of social disadvantage
- particularly vulnerable groups of individuals
- patterns of household expenditure

Overall, Morrison Low concluded that there is capacity to absorb the additional rates payable under the proposed option C, particularly if this is supported by an appropriate hardship policy.

### **Strategic Asset Management Plan**

The Strategic Asset Management Plan (SAMP) 2022-25 was adopted in June 2022 as part of the adoption of the Resourcing Strategy. Several updates have been made to the SAMP to reflect recent asset revaluation work undertaken. Current replacement costs have been updated to reflect the draft FY22 Audited Financials and extracts from the updated LTFP have been included. Asset Management Plan summaries for each asset class have also been included as an Appendix to the SAMP.

### **IPART Application**

When preparing an application for an 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. As part of the application, Councils need to show IPART that there is:

- community awareness of their plans

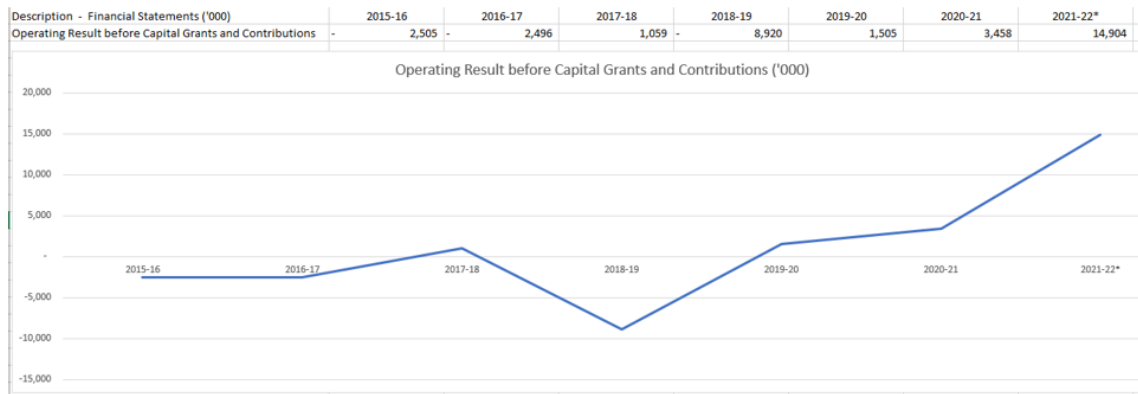
- a demonstrated need for higher increases to charges
- a reasonable impact on ratepayers
- a sustainable financing strategy
- a history of well-documented council productivity improvements

Following the submission of an application to IPART, IPART will also assess other relevant information, including communication from ratepayers received during a public exhibition process. IPART can wholly or partially approve or reject a council’s application.

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. Copies of the most recent IPART fact sheet and SRV guidelines are available on the [IPART website](#). IPART will assess each application against a number of criteria.

(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 2023-32 includes the proposed special rate variation options, including the now recommended Option C and clearly articulates the reason for the SRV. The updated LTFP was put on public exhibition from 16 November 2022 to 16 January 2023 as part of wider community engagement on the SRV application.



**Figure 1: Operating result before capital grants and contributions, 2015-16 to 2021-22**

This 2021-22 result reflects a significant level of yet to be fully expended grant funding that Council has received early, including the disaster recovery funding agreement (DRFA) and Federal Government Financial Assistance grant prepayment of \$6,141,913 evident by the level of own source revenue decreasing to 46.62% (OLG benchmark is 60.00%). This indicator demonstrates that Council cannot continue to rely on grant funding to deliver operational and capital projects and therefore from a financial sustainability perspective, Council must plan, as it has done so in the updated LTFP 2023-32, to deliver services and maintain our community assets in a way that does not rely so heavily on funding from the NSW and Federal Governments.

While the data above in Figure 1 shows that Council has a positive operating result in the three years from 2019-20, the expenditure that relates to grants received in those years can be related to multi-year projects where funding is received at the acceptance of the deed – either partly or wholly – in advance of the related expenditure. Council regularly has to carry such funding across years.

(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: Council developed an SRV Community Engagement Plan (See SRV Community Engagement Summary Appendix 3 - Community Engagement Plan) that encouraged ratepayers and residents to join the conversation and provide feedback on the proposal. The feedback received was extensive and a summary is provided at (Attachment 1- SRV 2023\_Community Engagement Summary). The online survey received 2,763 responses, there were more than 230 written submissions including 3 petitions, the SRV webpage had 6,624 views and over 50 attendees connected with staff and Councillors at markets and presentations. This volume of feedback is in addition to the submissions received in May and June 2022 on a proposed SRV as part of the adoption of the IP&R documents. The ongoing financial sustainability challenges for Council is well known to the community as articulated in numerous written submissions.

(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: Council commissioned an independent Capacity to Pay Report which outlines the impact of the proposed SRV on ratepayers. This report doesn't speak to individual circumstances, many of which were outlined in the written submissions provided.

Decisions regarding SRV's are complex and difficult and are not taken lightly especially in such volatile economic conditions. Given the extensive feedback received on affordability and our community's capacity to pay, balanced with an acknowledgment that we can no longer push the issue aside and steps must be taken now to improve our immediate and longer term financial position, it is this balancing of competing priorities that has resulted in the CEO's recommendation to be proceed with an application for Option C.

(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: This report recommends the adoption of the updated Long Term Financial Plan 2023-32 and the updated SAMP 2022-25. The 2022-25 Resourcing Strategy, the 2022-25 Delivery Program and 2022-23 Operational Plan adopted on 29 June 2022 all outlined that Council is considering an increase in rates through a special variation.

(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 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.

## Options

Council has a 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.

Should Council not proceed with the SRV application at all or should Council be unsuccessful in its application then of immediate concern is that the updated LTFP 2023-32 predicts

unrestricted cash for the General Fund will be exhausted by 2025. Without an SRV a significant reduction in the levels of service and quality of assets would be required for Council to remain solvent. The updated LTFFP modelled (Option D) demonstrates that on average the reduction would need to be \$25.9m annually if Council only sought to increase rates by the 4.1% rate peg. This is comparable with our current rates income yield and speaks to the underinvestment this Council is making and has made for many years in its assets which is a reflection of limited income available. It is important to consider that this decision is not about funding a single project, or even a single year's budget it is about providing the additional income needed to improve Council's financial future for many years to come.

Whilst the impact of no SRV may not feel immediate, operationally numerous services would need to reduce or close completely along with staff positions. Council would need to extend the life of assets beyond their estimated useful life increasing the risk associated with their use. 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.

If Council proceeds with a reduced SRV application below the recommended Option C- 43%, this will only require a further reduction in levels of service. As it stands by recommending Option C- 43% SRV; it means that Council will not have sufficient income for the required renewals of our assets. As a result we can expect a decline in the standard of key assets such as roads and bridges where over \$99.8m of funding over the next 10 years has already been reduced.

Should Council be successful in its application for an SRV, Council must then deliberate the implementation of the SRV during the adoption of its Delivery Program, Operational Plan and budget for next financial year.

While Council must sustainably manage its finances, it is not obliged to implement any approved SRV or an SRV to the full amount approved. Council may implement additional cost savings initiatives during budget establishment as outlined above as an alternative and defer part of the SRV. Any deferral can be applied in a later financial year if that pathway is chosen.

### Community and Stakeholder Engagement

Council utilised numerous methods of communication during the SRV engagement period from 16 November 2022 to 16 January 2023 to raise awareness of Council's intention to apply for an SRV and the options modelled in the updated Long Term Financial Plan 2023-32. All SRV communication materials were branded to provide an effective, clear and consistent message to the public.

Majority of the feedback received was not in support of an SRV and often articulated the lack of service that Council is currently providing. The online survey received 2,763 responses with 28.6% of respondents indicating they were supportive of an SRV at some level, with 71.3% of respondents indicating a preference for no SRV. More than 230 written submissions were received including 3 petitions. The SRV webpage had 6,624 views, and over 50 attendees connected with staff and Councillors at markets and presentations. The key themes throughout both the survey responses and written submissions were as follows:

- Rising cost of living (including living expenses and other costs)
- Council should look for more efficiencies and improve financial management
- Requesting full transparency on Council's financial situation
- Rates are already higher than other councils
- Council is mismanaged and an administrator should be appointed to sort Council's financial issues
- Inadequate time and information provided during the SRV engagement process
- Council needs to operate within its budget/ work with current revenue



***Engagement undertaken***

As part of the SRV community engagement, Council sought feedback from residents on the proposed SRV options through an online survey, media releases, information on Council's website, social media channels, community markets, an online webinar and town hall meetings.

Attachment 1- SRV 2023\_Community Engagement Summary also includes the SRV survey results, copies of all written submissions and the community engagement plan that guided the SRV engagement process.

<b>Method</b>	<b>Outcomes</b>
Online survey	2,763 survey responses, approximately 15% of ratepayers. On average 42.2% of respondents indicated they were dissatisfied or very dissatisfied with the standard of Council services and the maintenance and upgrades of Council assets. 28.6% of respondents indicated they were supportive of an SRV at some level, with 71.3% of respondents indicating a preference for no SRV.
Written submissions	236 submissions including 3 petitions
Website	6,624 page views during the community engagement period
Letter to ratepayers	12,979 hard copy letters were mailed; 5,470 letters sent to e-notice customers via email
Mailing list	80 signed up to SRV mailing list
Media releases	2 media releases distributed to local media outlets and placed on website- 11 November and 16 November
Radio Advertising	60 x 30 sec placements across November and December 2022 with 2EC and PowerFM
Newspaper Advertising	3 x quarter page ads in Merimbula News, Bega District News and Eden Magnet
Social media	17 posts with over 23,648 views
Meetings and Markets	Council staff and Councillors attended 5 community markets, hosted one online meeting and two community information sessions. Over 50 ratepayers participated in the community meetings and online engagement event
CEO Correspondence	279 community directory listings received direct correspondence from the CEO
Have your say webpage	Council exhibited its revised Long Term Financial Plan 2023-32, on its website and at Customer Service and Libraries
Staff communication	SRV information was distributed through the fortnightly internal CEO Newsletter, an online all staff briefing and contact cards were provided for outdoor staff as well as regular CEO face to face updates with teams across Council
Council facilities	SRV flyer provided at Council libraries and Customer Service

***Engagement planned***

Those recipients who made written submissions and the community more broadly through the media will be notified of the outcome of this report and recommendations. Should an application be submitted to IPART then the community will also have an opportunity to provide feedback directly to IPART, typically in March once they have reviewed the SRV applications for that year. The community will also be provided a further opportunity to provide feedback on the proposed SRV during the public exhibition of the 2023-24 IP&R documents.

Council will retain the dedicated [Special Rate Variation project page](#) to provide ongoing SRV related information to the community.

### Financial and Resource Considerations

The *Local Government Act 1993* 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. The recommended Option C- is a combination of both service level reductions and an increase in revenue. Recent SRV community engagement and the May and June 2022 IP&R process has shown strong opposition to both service reductions and an SRV however there needs to be a balance of approaches to ensure Council can continue to deliver the services the community expects and remain financially viable.

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. With Council's current income, Council is unable to self-fund the required level of capital renewal and maintenance projects.

### Project Budget

Council has allocated a project budget for the delivery of the community engagement related to the proposed SRV. This project was managed internally with existing resources, with an external consultant, Morrison Low engaged to provide a Capacity to Pay Report.

Item	\$ Excl GST
<b>Expenditure Detail</b>	
SRV Flyers, Envelopes, Mailhouse, AusPost	(est) \$23,491.50
Morrison Low	(est) \$14,500.00
SRV Community Information Session	\$621.00
Advertising- Radio and Print	(est) \$3,155.00
<b>Total Expenditure</b>	<b>\$41,767.50</b>
<b>Source of Funds</b>	
General Fund- Budget	\$50,000

Considerable staff costs have been incurred to date in the delivery of community engagement and the preparation of a draft application for IPART, should Council proceed with applying. Allocation of staff resources to an SRV process means staff are then not working on other core projects and services. A repeat of this process in the future is likely to have similar project and resourcing costs plus relevant escalations and is not considered to be an efficient use of Council resources. [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 an SRV application it will need to remain compliant with S508(2) of the *Local Government Act 1993* and associated guidelines and regulations.

Formal public exhibition of the Long-Term Financial Plan was 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 recommendation to proceed with Option C will result in a reduction to the required capital program that will only serve to further exacerbate the impact of a changing climate on Council's assets. 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 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 recommended Option C sees further investment in our assets and services that support our local economy as an employer, service provider and buyer of local works and services.

In August 2022, the Australian Local Government Association compiled a report for submission to the Local Government Productivity Inquiry. The report noted that *'fiscal constraints for remote councils reverberate through the local economy through foregone output and employment. Additionally, the Australia Institute highlights the stimulatory effect of local government expenditure and employment in regional areas, where the work of local government investment contributes a much greater share of economic activity than in metropolitan areas – this contribution needs to be properly acknowledged as a serious risk if that source of activity then becomes constrained.'* (Source: <https://alga.com.au/app/uploads/Final-Report-SGS-Research-Aug-2022.pdf>)

**Risk**

Undertaking the SRV engagement process has presented a reputational risk to Council. As articulated in the feedback received from the community there is significant dissatisfaction with Council and the services it provides from those that made submissions. Part of the solution in changing that position is ensuring there is adequate funding now and into the future to be able to deliver the services the community expects.

In 2019 Council had sought to commence an SRV process connected with funding of pools which was discontinued because of the immediate impact of the Black Summer bushfires. Despite the impact of several natural disasters in our region since that time, along with the pandemic, it is an unacceptable financial risk to further delay undertaking SRV modelling in the LTFP and associated community engagement. Doing so would be Council failing to deliver on its financial governance and result in a depletion of cash reserves and a failure to keep its assets in acceptable condition.

**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. In the SRV survey responses received on average 42.2% of respondents indicated they were dissatisfied or very dissatisfied with the standard of Council services and the maintenance and upgrades of Council assets.

The community's capacity and willingness to pay, along with recommendations on the appropriate level of service provision were also strong themes in the feedback provided during the exhibition period. Feedback was divided on what service levels should be changed in what locations with no clear community wide position. Council is responsible for the socialisation and provision of services across the shire and the sentiment in feedback is often to close services or remove assets that are not within that person's immediate community or direct use, therefore they attach less value to it. An extensive range of saving alternatives were also proposed by the community, some of which will be explored in the 2023-24 Operational Plan and budget when it is placed on public exhibition.

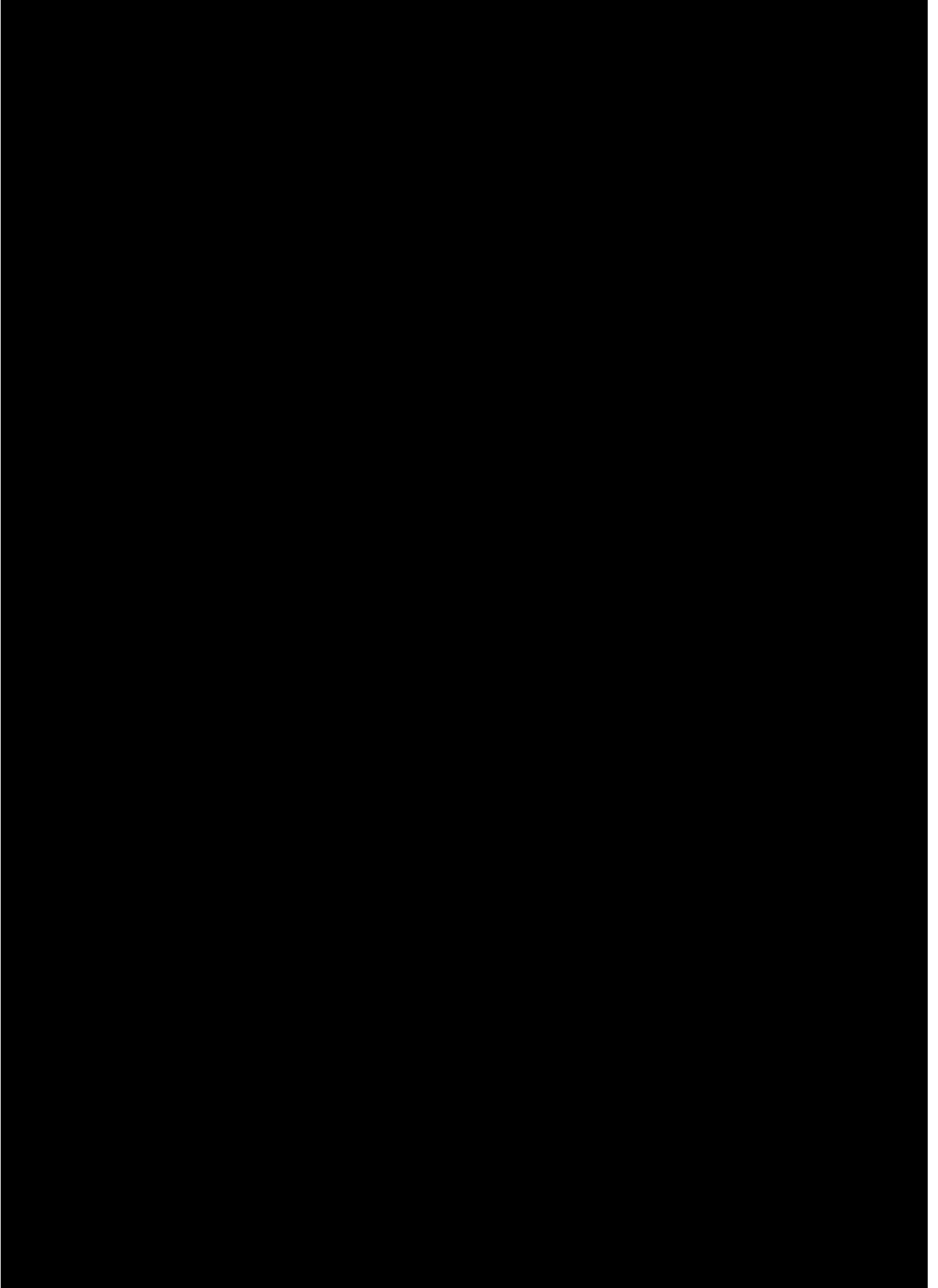
If the SRV is applied for and approved then all rating categories will be increased by the same percentage. If approved the SRV (including rate peg) will raise additional rates income of \$11.4 million (FY24). This equates to an annual increase of approximately \$510 on the average residential rate, \$1,257 on the average farmland rate and \$1,229 on the average business rate.

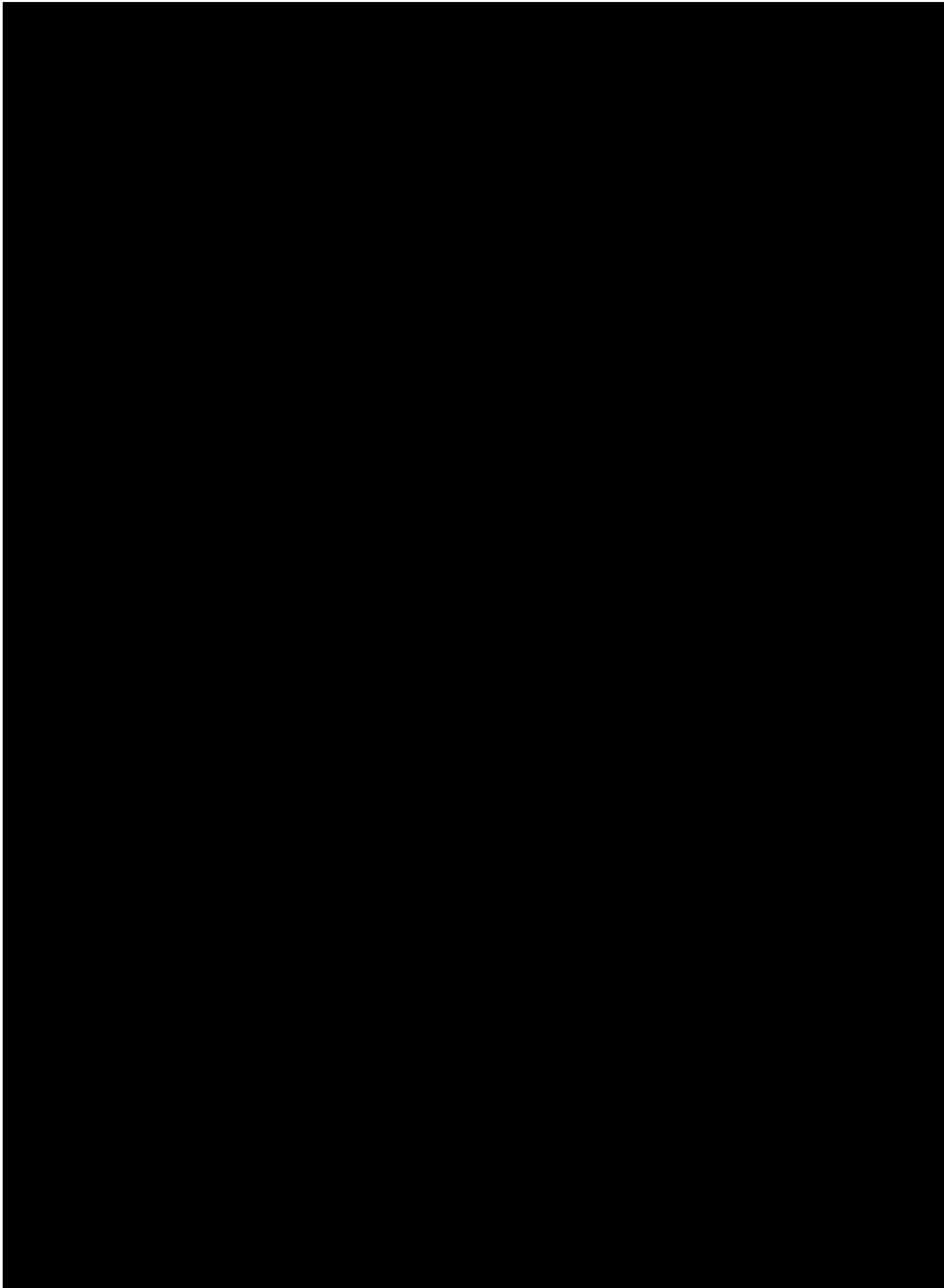
Council is aware that an SRV may cause undue hardship for ratepayers who have been financially impacted by the bushfires and pandemic. To that end Council has a Financial Hardship Procedure where rates relief, deferrals and payment arrangements can be applied for.

**Attachments**

1. Attachment 1- SRV 2023\_Community Engagement Summary
2. SRV Community Engagement Summary Appendix 1- Written Submissions
3. Attachment A- Petition Submitted by Josie Francki- Online
4. Attachment B- Petition Submitted by Josie Francki
5. Attachment C- Petition Submitted by Suzanne Lindhorst
6. SRV Community Engagement Summary Appendix 2- Survey Results
7. SRV Community Engagement Summary Appendix 3 - Community Engagement Plan
8. Attachment 2- Bega Valley Shire Council - SRV Capacity to Pay Report - Final

9. Attachment 3- Long Term Financial Plan 2023-32 January 2023 Update FOR ADOPTION
10. Attachment 4- Strategic Asset Management Plan January 2023 Update FOR ADOPTION





## 10.1 Special Rate Variation- Decision to apply to IPART

A motion was moved by Crs Fitzpatrick and O'Neil

That Council:

1. Receive the SRV Community Engagement Summary report (Attachment 1) and associated appendices and attachments.
2. Proceed with an application for a permanent special rate variation that would generate the same additional revenue as a one off 43% increase over the 10 year Long Term Financial Plan as per Option C but with the increase to be spread over two years in recognition of the financial challenges being faced by ratepayers.
3. Support the capital (\$134.5m) and operational (\$3.3m) reductions in levels of service across the 10 year forecast period included in this report as outlined which would be required in the updated Long Term Financial Plan 2023-32 if pursuing a scenario that generated the equivalent to a one off 43% increase spread over two years as outlined in part 2.
4. Commit to further reviewing asset and service priorities in future years to ensure future financial sustainability.
5. Delegate to the Chief Executive Officer to make an application by 3 February 2023 to the Independent Pricing and Regulatory Tribunal (IPART) under s508(A) of the *Local Government Act 1993* for an increase to the ordinary rate income equivalent to a one off 43% increase but with the amount to be raised over two years and to be permanently retained within the rate base.
6. Resolve that the feedback received from the community during the community engagement and public exhibition period along with the Capacity to Pay Report (Attachment 2) is provided to IPART as part of the special rate variation application.
7. Delegate the Chief Executive Officer to develop a new Long Term Financial Plan that aligns with option C in the General Fund Scenario as presented but with modifications to revenue modelling reflective of other parts of this resolution with the revised Long Term Financial Plan to be submitted to IPART
8. Note that the Long Term Financial Plan Consolidated Scenarios will be updated to correct anomalies prior to submission to IPART including incorporating necessary and previously identified borrowings in the Water Fund to balance cash flows.
9. Adopt the updated Strategic Asset Management Plan including Asset Management Plan summaries (Attachment 4).
10. Consider the implementation of the special rate variation, if proceeding with an application, during the deliberations of Council's Delivery Program, Operational Plan and budget for 2023-24.
11. Review the financial hardship assistance procedures in the Financial Management Policy 6.06



- 6.06.01 to ensure they are fit for purpose and support local residents with fairness and integrity particularly in the context of a special rate variation

12. Renew its call for the state government to fully fund pensioner rate rebates, and commit to persuading every candidate standing in the Bega electorate this year to pursue an immediate increase in NSW Pensioner Rate Concession, noting that the discount has not been increased since 1993.

**A motion was foreshadowed by Cr Nadin**

1. That council does not proceed with an SRV for the 2024 financial year;
2. That council commit to a Special Rate Variation application for the 2024-25 financial year, with a reviewed percentage based over two or more years.
3. The SRV be defined for Roads and Asset Renewal noting that at the rate indicated it will not be sufficient to maintain the current road and asset base meaning the asset base will need to be reduced;
4. That as part of the SRV application council review its three rating categories (commercial, farmland and residential);
5. That council consider engaging an external provider to facilitate the public consultation for the SRV with a report to be prepared on proposed scope and costs so a budget can be allocated.
6. That following the recent service review to councillors, council establish a net expenditure and service review committee of interested councillors with the directive to reduce net operational expenditure of at least \$1 million noting this may be linked to a reduction in the asset base that provides services.
7. Set a goal to reduce the Bega Valley Shire's asset backlog ratio, to be reported on annually noting that this would only be achievable through a significant reduction in the current asset base compared to current revenue.
8. Council note that the Independent Pricing and Regulatory Tribunal (IPART) is currently reviewing the rate peg methodology.

The motion was put to the vote and it was CARRIED

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

AGAINST: Crs Nadin, Griff and Porter

**10/23 RESOLVED on the motion of Crs Fitzpatrick and O'Neil**

That Council:

1. Receive the SRV Community Engagement Summary report (Attachment 1) and associated appendices and attachments.
2. Proceed with an application for a permanent special rate variation that would generate the same additional revenue as a one off 43% increase over the 10 year Long Term Financial Plan as per Option C but with the increase to be spread over two years in recognition of the financial challenges being faced by ratepayers.
3. Support the capital (\$134.5m) and operational (\$3.3m) reductions in levels of service across the 10 year forecast period included in this report as outlined which would be required in the updated Long Term Financial Plan 2023-32 if pursuing a scenario that generated the equivalent to a one off 43% increase spread over two years as outlined in part 2.
4. Commit to further reviewing asset and service priorities in future years to ensure future

financial sustainability.

5. Delegate to the Chief Executive Officer to make an application by 3 February 2023 to the Independent Pricing and Regulatory Tribunal (IPART) under s508(A) of the *Local Government Act 1993* for an increase to the ordinary rate income equivalent to a one off 43% increase but with the amount to be raised over two years and to be permanently retained within the rate base.
6. Resolve that the feedback received from the community during the community engagement and public exhibition period along with the Capacity to Pay Report (Attachment 2) is provided to IPART as part of the special rate variation application.
7. Delegate the Chief Executive Officer to develop a new Long Term Financial Plan that aligns with option C in the General Fund Scenario as presented but with modifications to revenue modelling reflective of other parts of this resolution with the revised Long Term Financial Plan to be submitted to IPART
8. Note that the Long Term Financial Plan Consolidated Scenarios will be updated to correct anomalies prior to submission to IPART including incorporating necessary and previously identified borrowings in the Water Fund to balance cash flows.
9. Adopt the updated Strategic Asset Management Plan including Asset Management Plan summaries (Attachment 4).
10. Consider the implementation of the special rate variation, if proceeding with an application, during the deliberations of Council's Delivery Program, Operational Plan and budget for 2023-24.
11. Review the financial hardship assistance procedures in the Financial Management Policy 6.06 - 6.06.01 to ensure they are fit for purpose and support local residents with fairness and integrity particularly in the context of a special rate variation
12. Renew its call for the state government to fully fund pensioner rate rebates, and commit to persuading every candidate standing in the Bega electorate this year to pursue an immediate increase in NSW Pensioner Rate Concession, noting that the discount has not been increased since 1993.

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

AGAINST: Crs Nadin, Griff and Porter

