



## Special Variation Application Form Part B

Federation Council

# Application Form

2023-2024

Local Government »

---

Enquiries regarding this document should be directed to a staff member:

Edward Jenkins (02) 9113 7774

Sheridan Rapmund (02) 9290 8430

## **The Independent Pricing and Regulatory Tribunal (IPART)**

Further information on IPART can be obtained from [IPART's website](#).

### **Acknowledgment of Country**

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders, past, present and emerging.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

---

# Contents

Council information	4
<b>About this application form</b>	<b>5</b>
<b>Preparing your application</b>	<b>6</b>
How much information should a council provide?	6
Attaching supporting material	6
Confidential content in supporting material	6
Submitting the application online	6
Publishing the council's application	7
<b>Description and Context</b>	<b>8</b>
<b>Criterion 1 – Need for the Special Variation</b>	<b>17</b>
Case for special variation – How did the council establish the need for the special variation?	19
Financial sustainability of the council – What will be the impact of the proposed special variation?	22
Financial indicators – What will be the impact of the proposed special variation on key financial indicators over the 10-year planning period?	23
<b>Criterion 2 – Community awareness and engagement</b>	<b>25</b>
How did the council engage with the community about the proposed special variation?	27
<b>Criterion 3 – Impact on ratepayers</b>	<b>38</b>
Is the impact on rates of the proposed special variation reasonable?	39
How has the council considered affordability and the community's capacity and willingness to pay?	40
<b>Criterion 4 – Exhibition of IP&amp;R documents</b>	<b>44</b>
What IP&R processes did the council use in determining to apply for a special variation?	45
<b>Criterion 5 – Productivity improvements and cost containment strategies</b>	<b>50</b>
What is the council's strategic approach to improving productivity in its operations and asset management?	50
What outcomes has the council achieved from productivity improvements and cost containment strategies in past years?	51
What productivity improvements and cost containment strategies are planned for future years?	56
How have the council's levels of productivity and efficiency changed over time, and compare with those of similar councils?	59
<b>Criterion 6 – Other relevant matters</b>	<b>64</b>
Reporting requirements SV compliance	67
<b>Council certification and contact information</b>	<b>69</b>
Certification of application	69
Application for a Special Rate Variation	69
Council contact information	70
<b>List of attachments</b>	<b>71</b>

## Council information

<b>Council name</b>	Federation Council
<b>Date submitted to IPART</b>	3 March 2023

## About this application form

IPART has revised the Application Form to be completed by councils applying for a special variation (SV) to general income for 2023-24 under section 508(2) or 508A of the *Local Government Act 1993* (LG Act). The application form is in two parts:

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

The SV Application Form Part B consists of:

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

When completing this Application Form, councils should refer to the following:

- Apply for a SV or minimum rates (MR) increase page of IPART's [website](#)
  - Fact Sheet – Special Variations in 2023-24
  - Information paper – Special Variations in 2023-24
  - Information paper – Community awareness and engagement for special variations

The Office of Local Government (OLG) [SV Guidelines](#) issued in November 2020.

## Preparing your application

### How much information should a council provide?

While the criteria for all types of SVs are the same, the OLG Guidelines state that the extent of evidence required for assessment of the criteria can alter with the scale and permanence of the SV proposed.

The amount of information that a council provides will be a matter of judgement for the council, but it should be sufficient for us to make an evidence-based assessment of the application. Generally, the extent of the evidence should reflect the size and complexity of the variation sought.

### Attaching supporting material

We encourage councils when filling in this Application Form to present data in tables or summaries and include full versions of documents as attachments. Responses in the text boxes should clearly cross-reference where the information is located in the supporting documents attached to the council's application. Extracts included in the responses in this application from Integrated Planning & Reporting framework (IP&R) documents and consultation material should be succinct and selected for relevance and significance.

### Confidential content in supporting material

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

Councils should ensure supporting documents are redacted to remove confidential content where possible, or clearly marked as **CONFIDENTIAL**. To protect confidential details in submissions from ratepayers, either redact or submit as a confidential attachment (see List of attachments).

### Submitting the application online

Applications must be submitted through IPART's Council Portal by close of business on Friday, 3 February 2023.

- A file size limit of 10MB applies to the Application Form Part B.
- For supporting documents (Attachments) a file size limit of 400MB applies to public documents, and another 200MB to confidential documents.

Contact Arsh Suri on (02) 9113 7730 for assistance with using the Council Portal.

## Publishing the council's application

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

## Description and Context

These questions seek information not tied to a specific criterion in the OLG guidelines. Councils should provide a response where the Question is relevant to its application.

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

In the checkbox and Table 1, please indicate the type of the proposed SV - section 508(2) or 508A the council is requesting and:

- specify the percentage increases in each of the years in which the SV is to apply,
- the cumulative increase for a section 508A SV, and
- whether the SV is to be permanent or temporary.

A year is within the SV period if it is a year in which the council is proposing an increase of income that is not the rate peg. For example, if a proposal was for a permanent SV of 10% in each year of the next 2-years then 2023-24 and 2024-25 would be within the SV period. If the proposal was for a temporary SV of 8% for 2023-24 to be retained in the rate base for 5 years, the SV period would be 2023-24 only.

Provide select the proposed SV type using the checkbox and complete Table 1.

#### Special variation type

#### Permanent or Temporary

☐

Section 508(2)

☒

Section 508A

☒

Permanent

☐

Temporary

Table 1 The council's proposed special variation

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Is this year in the SV period?	yes	yes	yes	yes	no	no	no
Percentage increase (including the rate peg)	19%	17%	14%	10%			
Cumulative percentage increase over the SV period for s 508A (including the rate peg)	74.59%						

**Note:** Please leave the percentage increase value blank for years that are outside of the SV period.

**Note 2:** The cumulative percentage increase is the total increase in rates over the SV period. For example, a permanent multi-year SV of 10% in 2023-24 and 15% in 2024-25 would be a cumulative increase of 26.5% over the SV period.

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

In the **text box** indicate at the highest level (that is, the shortest possible summary) the key purpose(s) of the proposed SV. The purposes could include one, or a combination of:

- improving financial sustainability
- maintaining existing services and service levels generally
- providing new or enhanced services or service levels for specific council operations



- implementing new projects or activities, e.g. environmental works
- reducing infrastructure backlogs for asset maintenance and/or renewals
- investing in new assets
- contributing to projects of regional significance
- meeting special cost pressures faced by the council
- meeting the shortfall where contributions for local infrastructure are capped.

This section should also include an outline of the key steps undertaken in reaching a decision to make an application.

The additional income being sought for Council to fund asset renewal and improve financial sustainability. Council proposes to use the income from the Special Variation as follows:

	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>	<u>2028-29</u>	<u>2029-30</u>	<u>2030-31</u>	<u>2031-32</u>
<b>Operating expenses</b>									
Develop masterplans for town main street revitalisation	40,000	40,000							
Develop a Stormwater Drainage Strategy for urban areas	50,000	50,000							
Facilitate training opportunities to support industry development in line with priorities identified in the Economic Development Strategy	20,000	20,000	20,000	20,000					
Continue implementation of the North of the Murray 5 Year Destination Marketing Strategy 2020-2024	60,000	60,000	60,000	60,000					
Develop a tree management strategy to respond to changing climate	20,000	20,000							
Develop a tree register for priority recreation reserves	20,000	20,000							
Update masterplan for the Mulwala foreshore			40,000						
Develop an Annual program of events and exhibitions for ArtSpace at Corowa Civic Centre	10,000	10,000	10,000	10,000					
Continue to progress Council's Friendship Agreement with Miki City	15,000	15,000	15,000	15,000					
<b>Capital expenditure</b>									
Sealed local roads	618,000	1,197,000	1,893,000	2,472,000	2,549,000	2,510,000	2,549,000	2,780,000	2,761,000
Unsealed local roads	191,000	371,000	586,000	766,000	790,000	778,000	790,000	862,000	856,000
Urban stormwater drainage	151,000	292,000	461,000	602,000	621,000	612,000	621,000	678,000	673,000
Additional capital works based on asset management and financial sustainability needs	164,914	895,191	1,461,184	1,816,106	1,945,134	2,152,762	2,244,081	2,039,183	2,228,163
<b>Total use of proposed SV income</b>	<b>1,359,914</b>	<b>2,990,191</b>	<b>4,546,184</b>	<b>5,761,106</b>	<b>5,905,134</b>	<b>6,052,762</b>	<b>6,204,081</b>	<b>6,359,183</b>	<b>6,518,163</b>

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

Complete this question if the council proposes to increase minimum ordinary or special rates in conjunction with the SV for 2023-24.

Councils may have to submit a separate application for an increase to MR in addition to applying for the SV.

A separate MR increase application is needed in the following circumstances:

- The council is currently charging a minimum ordinary rate *at or below the statutory limit*, and intends, as part of implementing the SV, to apply a lower, higher or the same percentage increase as the requested SV percentage, which would result in a minimum rate in any rating category or sub-category *exceeding the statutory limit* for the first time.
- The council is already charging a minimum ordinary rate *above the statutory limit*, and the council is seeking to increase a MR by a percentage *higher than* the proposed SV percentage increase for any year.
- The council proposes to charge a special rate (other than a water supply or sewerage special rate) above \$2.
- The council already has approval from IPART to charge a special rate (other than a water supply or sewerage special rate) above \$2 and proposes to increase the amount of that rate.

In these situations, councils should complete Minimum Rate Application Form Part B 2023-24 (Word document) available on our website [here](#).

Councils **do not need** to submit a separate MR increase application if, in conjunction with the special variation, the proposed increase to minimum rates would result in minimum rates in all rating categories and/or sub-categories still being *at or below the statutory limits*.

To respond to this question, councils need only to provide the summary information required in the **question box**.

IPART will rely on data in the SV Application Form Part A and the MR Increase Application Form Part A for detailed information about how the proposed SV would increase minimum amounts of rates.

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

Does the council have an ordinary rate(s) subject to a minimum amount?

No

Does the council propose to increase the minimum amount of its ordinary rate(s) above the statutory limit for the first time?

Choose an item.

Which rates will the increases apply to?

Choose an item.

If the increase will apply to only some subcategories, specify	Click or tap here to enter text.
Does the council propose to increase the minimum amount of its ordinary rate(s)? if so, by what percentage?	Choose an item. X%
What will the minimum amount of the ordinary rate(s) be after the proposed increase?	\$Click to enter amount
Has the council submitted an application for a minimum rate increase?	Choose an item.

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

Does the council propose to increase the minimum amount of a special rate above the statutory limit?	No
What will the minimum amount of the ordinary rate(s) be after the proposed increase?	\$Click to enter amount
Has the council submitted an application for a minimum rate increase?	Choose an item.

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

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

If the council has an expiring SV, IPART requires additional information to ensure the Instrument approving a new SV accurately calculates the amount the council has to remove from its general income before applying any adjustment to the council's general income which may be approved.

OLG's SV Guidelines specify that councils must contact OLG to confirm the calculation of the amount to be deducted from the council's general income for the expiring SV.

Complete this question if the council has a temporary SV which is due to expire:

- on 30 June 2023, or
- at the end of a later year in the period the requested SV would apply.

The council must calculate the amount to be removed from general income when the SV expires in accordance with the method explained in Attachment 1 to the SV Guidelines. It should also seek confirmation of this calculation from OLG and attach OLG's advice to the Application Form.

Provide the information as requested in the question boxes.

Does the council have an SV which is due to expire on 30 June 2023? No

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

If Yes to either question: Click or tap here to enter text.

a. When does the SV expire?

b. What is the percentage to be removed from the council's general income? Click or tap here to enter text.

c. What is the dollar amount to be removed from the council's general income? Click or tap here to enter text.

Has OLG confirmed the calculation of the amount to be removed? Choose an item.

### Attachments required:

- Instrument(s) approving any SV which expires at the end of the current financial year or during the period covered by the proposed SV.
- OLG advice confirming calculation of the dollar amount to be removed from general income as a result of the expiring SV.

### Question 5: Does the council have an existing (ongoing) section 508A special variation which applies in 2023-24?

Complete this question if the council has an existing section 508A multi-year SV instrument which approves an increase to general income above the rate peg for 2023-24 and future years within the period covered by the council's SV application.

If the council has an ongoing section 508A SV and is seeking additional changes to general income during the term of that existing SV, IPART will need to vary the original instrument if the additional SV is approved, rather than issuing an additional SV instrument to apply for 2023-24 (or later years).

The council should understand that by completing this application form and seeking a further change to the council's revenue path, it is, in effect, applying to IPART to vary the original instrument.

IPART will assess the application using the same criteria (see Criteria 1 to 6 in this SV Application Guide and the SV Guidelines), as for any application for a new SV.

While IPART's assessment will typically focus on the additional percentage increase sought, we may also consider whether it is appropriate to maintain the existing component of the section 508A SV, especially in light of any circumstances which are materially different from those in place when the original increase was approved.

OLG's SV Guidelines (Section 6) set out the list of factors which IPART may take into account when assessing an SV application, one of which is compliance with conditions in instruments approving previous SVs. When assessing applications for SVs in 2023-24, IPART will also take into consideration the council's compliance with conditions in instruments approving SVs in the previous five years.

The council's application should be clear about whether the information provided is in relation to the incremental increase being sought or the total cumulative increase that would be reflected in a varied instrument if the additional increase is approved.

Supporting documents could include extracts from annual reports or any other publications in which compliance with the terms of the SV has been reported to ratepayers.

Does the council have a section 508A multi-year SV instrument that applies in 2023-24?	No
--	----

If yes to the above question, in the text box:

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

[Click here to enter text.](#)

#### Attachments required:

- A copy of the SV instrument.
- A declaration by the General Manager as to the council's compliance with the conditions specified in the SV instrument.
- Supporting documents providing evidence of the council's actions to comply with the conditions in the instrument.

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

When assessing applications for SVs in 2023-24 IPART will take into consideration the council's compliance with conditions in SV instruments approved in the previous five years. OLG's SV Guidelines (Section 6) sets out additional factors which IPART may take into account when assessing an SV application, one of which is compliance with conditions in instruments approving previous SVs.

Complete this question only if IPART has approved an SV for the council in the past five years.

You **do not need** to complete the text box for this question if the relevant information has been provided in the council's response to Question 5.

Supporting documents could include extracts from annual reports or any other publications in which compliance with the terms of the SV has been reported to ratepayers.

Does the council have a section 508(2) or 508A SV which IPART has approved in the past five years?	Yes
--	-----

If yes to the above question, in the text box, for each SV approved in the past five years, briefly:

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

#### Type of SV and increase

Council was granted approval to increase general income for year 2021-22 by 8.0% including rate peg under section 508(2) on a permanent basis.

#### Complying the conditions of the SV instrument

Council have included in the Annual Report for Year 2021-22 satisfying the conditions of the SV instrument for the first year of operation with the Additional Income. The below report illustrates the actual expenditure for Corowa Aquatic Centre, provide a comparison with the proposed expenditure as per SV application and subsequently the outcome, i.e., increase in operating cost borne by general rates. More detail report on page 54 of the Annual Report.

	SRV Budget (10 years average)	FY2022 Actual
<b>Income</b>		
User fees and charges	\$ 578,092	\$ 401,896
Special variation income	\$ 554,805	\$ 497,385
	\$ 1,132,897	\$ 899,280
<b>Less: Expenses</b>	\$ 1,218,092	\$ 1,482,593
Excess to be borne by general rates	-\$ 85,195	-\$ 583,312
<i>Percentage of operating cost covered by:</i>		
Pool users	47%	27%
Ratepayer	53%	73%
Special variation	46%	34%
General rates	7%	39%
	100%	100%

#### Significant changes to the SV instrument

None.

### Attachments required:

- A copy of the relevant instrument(s) approving SVs issued by IPART in the past five years.
- A declaration by the General Manager as to the council's compliance with the conditions specified in the SV instrument(s).
- Supporting documents providing evidence of the council's actions to comply with the conditions in the instrument(s).

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

Complete **the question box** if the council intends to use any of the additional general income the council would receive if IPART approves the SV to undertake major capital project(s) which require a capital expenditure review.

OLG's [Capital Expenditure Guidelines](#) require a capital expenditure review for projects that are not exempt and cost in excess of 10% of council's annual ordinary rates revenue or \$1 million (GST exclusive), whichever is greater.

A capital expenditure review is a necessary part of a council's capital budgeting process and should have been undertaken as part of the IP&R requirements in the preparation of the Community Strategic Plan and Resourcing Strategy.

Is a capital expenditure review required for a project to be funded by the proposed SV r in accordance with OLG's Capital Expenditure Guidelines?	No
If Yes, has a review been done and submitted to OLG?	Choose an item.
If yes, has the review been included as an attachment to this application?	Choose an item.

### Question 8: Does the council have deferred general income increases available to it?

Complete **the question box** if council has decided not to apply the full percentage increases to general income available to it in one or more previous years under sections 506, 508(2) or 508A of the LG Act.

Section 511 of the LG Act was amended in 2020 to allow councils to catch-up any deferred general income increases over a period of 10 years.

In assessing this criterion, IPART will take into account whether a council has a large amount of revenue yet to be caught up over the next several years, and it should explain in its application how that impacts on its need for the SV.

Does the council have deferred general income increases available to it from one or more previous years under section 511 of the LG Act?	No
--	----

If Yes, has the collection of this additional income been included in the Council's Long Term Financial Plan (LTFP)?	Choose an item.
--	-----------------

In the text box explain:

a. The quantum, rationale and timing of any deferred increases in general income.

[Click here to enter text.](#)

b. When council plans to catch up on the deferred general income through the catch up provisions and whether this been included in the LTFP.

[Click here to enter text.](#)

c. How does this deferred income impact on the council's need for the SV and its cumulative impact on ratepayers' capacity to pay?

[Click here to enter text.](#)



## Criterion 1 – Need for the Special Variation

### Criterion 1 in the SV Guidelines is:

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

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

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

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

In assessing this criteria, IPART will also take into account whether and to what extent a council has decided not to apply the full percentage increases available to it in one or more previous years under section 511 of the Local Government Act. If a council has a large amount of revenue yet to be caught up over the next several years, it should explain in its application how that impacts on its need for the special variation.

The response to this criterion should summarise the council's case for the proposed SV. It is necessary to show how the council has identified and considered its community's needs, as well as alternative funding options (to a rates rise). You should include extracts from, or references to, the IP&R document(s) that demonstrate how the council meets this criterion.

Information and financial analysis contained in the council's IP&R documents and its application should demonstrate the financial need for the proposed SV. IPART will undertake its own analysis of the council's financial performance under scenarios with and without the SV, as explained in Box 1. The council's response to criterion 1 should use the terminology included in Box 1

### Box 1 IPART analysis of financial need using information in the council's application for a special variation

IPART uses information provided by the Council in its application to assess the impact of the proposed SV on the Council's financial performance and financial position in relation to its operating result and infrastructure spending.

Based on the Council's application and LTFP (where appropriate), we calculate financial forecasts under three scenarios:

1. **The Proposed SV Scenario** – which includes the Council's proposed SV revenue and expenditure.
2. **The Baseline Scenario** – which shows the impact on the Council's operating and infrastructure assets' performance without the proposed SV revenue and expenditure.
3. **The Baseline with SV expenditure Scenario** – which includes the Council's full expenses from its proposed SV, without the additional revenue from the proposed SV. This scenario is a guide to the Council's financial sustainability if it still went ahead with its full expenditure program included in its application but could only increase general income by the rate peg percentage.

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

In the table below, please provide a short summary of what the council published in its IP&R documents that show that the council meets each component of criterion 1. Please also provide a reference to where in the IP&R documents this evidence can be found. The answers to these questions should explain:

- How the council identified and considered the community's needs and desires in relation to matters such as levels of service delivery and asset maintenance and provision.
- How the decision to seek higher revenues above the rate peg was made.
- Which other options were examined, such as changing expenditure priorities or using alternative modes of service delivery.
- Why the proposed SV is the most appropriate option: for example, typically other options would include introducing new or higher user charges and/or an increase in loan borrowings, public private partnerships or joint ventures.
- How the proposed SV affects the LTFP forecasts for the General Fund, and how this relates to the need the council identified. Our assessment will also consider the assumptions which underpin the council's LTFP forecasts.
- If the need for the expenditure is not required to meet a financial need, the council should provide evidence of the community's desires for the services or assets to be funded by the proposed SV and its willingness to pay for them.

If the council has **an ongoing SV**, while the response should focus on the additional percentage increase to general income being sought, it should also specify:

- How the council has implemented the program of expenditure funded by the existing SV income.
- Whether any circumstances relating to the financial need for the additional revenue changed since it was approved, for example the council has received grant funding or income from other sources for the project.
- How changed circumstances have given rise to the need for an additional increase to general income.
- How closely revenue and expenditure in past years matched the projections made in the council's LTFP when applying for the original, and if relevant, the reasons for any significant differences.

Where the council **proposes to increase the minimum amount of rates** in conjunction with the SV, the responses to the questions should include information about the MR increases where relevant. However, the council should explain its rationale for increasing minimum rates above the statutory limit when completing the MR Increase Application Form Part B in relation to criterion 1: Rationale.

Table 2 Criterion 1 components

Criteria	Evidence of meeting this criterion from the council's IP&R documents	Reference to IP&R documents
The need for, and purpose of, a different revenue path for the council's General Fund (as requested through the SV) is clearly articulated and identified in the council's IP&R documents	<b>Community Strategic Plan 2022-2032</b> – outcome from the survey conducted from 3 February to 1 March 2022 identifies current community needs and priorities.	Our Community Priorities (page 21-26)
	<b>Delivery Program 2022-2026</b> – enables the continuation of Council's Community Strategic Plan with deliverables.	Future highlights (page 5-6)
	<b>Long Term Financial Plan 2022-2032</b> – stated that in 2021, the early analysis of the Roads Strategy Committee recommended a significant increase to the roads maintenance and asset renewal program that will requires additional rate increase.	Item 5 Financial sustainability (page 17) Item 6 Scenarios (page 20)
	<b>Asset Management Strategy 2023-2026</b> – strategic outlook of maintaining current service levels for next 10 years dependent on assumption of increase in community contribution to the maintenance and renewal of assets through general rates and fees and charges.	Executive Summary (page 3)
	<b>Strategic Asset Management Plan 2022-2032</b> – supplement the Asset Management Strategy 2023-2026 and LTFP by addressing the questions "Where are we now?", "How will we get there?", "How will we know we're on track?" and "Where do we want to be?" for asset related needs.	Item 2 Asset Class Summaries (page 6-13 for General Fund)
In establishing need for the SV, the relevant IP&R documents should canvass alternatives to the rate rise.	<b>Long Term Financial Plan 2022-2032</b> – outlines alternative scenarios including baseline scenario with service reductions in discretionary services and no increase in service levels for roads and other community infrastructure in the absence of additional general income.	Item 6 Scenario (page 20)
In demonstrating this need councils must indicate the financial impact in their LTFP	<b>Long Term Financial Plan 2022-2032</b> – performance indicators illustrating the improvement in ratios with the additional income from special variation	Appendix A – Financial Sustainability Indicators (Planned Scenario) (page 68)
	<b>Long Term Financial Plan 2022-2032 (addendum)</b> – comparison of assets related ratios between planned scenario (with SV) and baseline scenario (without SV)	Addendum (page 70-72)
The IP&R documents and the council's application should provide evidence to establish this criterion. This could include evidence of community need/desire for service levels/projects and limited council resourcing alternatives.	<b>Community Strategic Plan 2022-2032</b> – feedback from the community regarding service areas for more focus and less focus.	How have your priorities changed? (page 21-26)
	<b>Asset Management Strategy 2023-2026</b> is supported further by evidence in:  <b>State of Our Council Infrastructure Assets Report 2022</b> – identifies the current state of Council assets with associated risk and estimated cost	Item 3. State of Infrastructure Assets by asset class (page 7-11 for General Funds)
	<b>State of Our Council Infrastructure Assets Report 2022</b> – identifies cost implication for not doing smaller scope of work that resulted in full rehab of Council's assets.	Appendix 1 (page 16-18)

Evidence could also include the analysis of the council's financial sustainability conducted by Government agencies	N/A	N/A
IPART will also take into account whether and to what extent a council has decided not to apply the full percentage increases available to it in one or more previous years under section 511 of the Local Government Act. If a council has a large amount of revenue yet to be caught up over the next several years, it should explain in its application how that impacts on its need for the SV.	N/A	N/A

**Note:** Reference to IP&R documents should include Application attachment number, document Name, section reference, page reference. For example: Attachment 3, Council LTFP, section 3.2, pp 20-25.

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

The proposed SV may be intended to improve the council's underlying financial position for the General Fund, or to fund specific projects or programs of expenditure, or a combination of the two. We will consider evidence about the council's current and future financial sustainability and the assumptions it has made in coming to a view on its financial sustainability.

In the **table**, the council's response should explain:

- The council's understanding of its current state of financial sustainability, its long-term projections based on alternative scenarios and assumptions about revenue and expenditure.
- Any external assessment of the council's financial sustainability (e.g. by auditors, NSW Treasury Corporation), indicating how such assessments of the council's financial sustainability are relevant to supporting the decision to apply for an SV.
- The council's view of the impact of the proposed SV on its financial sustainability.

Table 3 Council's financial sustainability

Item	Description	Reference to IP&R documents
Improve the councils underlying financial position for the general fund	<p><b>Audited Financial Statements 2021/22</b> shown that Council have not been meeting the benchmark set by Office of Local Government for Operating Performance and Own Source Operating Revenue ratios for the last 3 financial years. These ratios indicates that Council operating revenue is not sufficient to fund services to the community and rely heavily on grants.</p> <p><b>Long Term Financial Plan 2022–2023 (LTFP)</b> tabled Council's approach in achieving financial sustainability by setting targets for key financial performance measures. To meet the target, income from Special Variation is essential in all scenarios as it impacts the degree of service Council can provides the community.</p>	<p>Auditor General NSW's Report on the Conduct of the Audit for the year ended 30 June 2022 (page 86)</p> <p>Item 5 Financial Sustainability (page 17-19) Item 6 Scenarios (page 20-22)</p>
<b>And / Or</b>		
Fund specific programs of expenditure	<b>Long Term Financial Plan 2022–2032 (addendum)</b> – outline the capital renewal programs to be carried out with the additional general income in addition to programs to improve Council's financial sustainability.	Item 2 Capital Works Statement Projections (page 73)
<i>Other [please overwrite cell to add other item]</i>		

**Note:** Reference to IP&R documents should include Application attachment number, document Name, section reference, page reference. For example: Attachment 3, Council LTFP, section 3.2, pp 20–25.

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

In the text box please give a brief explanation on how the proposed SV would affect the council's key financial indicators (for the general fund, over the 10-year planning period):

The special variation would provide capacity for Council to address the asset management demands of existing infrastructure over an extended period of time and maintain similar levels of service to those currently delivered and continue to improve its financial sustainability.

Year	Proposed SRV scenario	Baseline scenario	Benchmark
2023	-24.00%	-24.00%	0.00%
2024	-18.00%	-20.00%	0.00%
2025	-12.00%	-20.00%	0.00%
2026	-6.00%	-19.00%	0.00%
2027	-1.00%	-18.00%	0.00%
2028	0.00%	-17.00%	0.00%
2029	1.00%	-17.00%	0.00%
2030	2.00%	-16.00%	0.00%
2031	3.00%	-16.00%	0.00%

Over the 10-year period, the Operating Performance ratio would surpass the benchmark set by Office of Local Government (OLG) by 2029-30 from robust cost containment strategy to manage operating expenditure teamed with increased in operating revenue from special variation.

While Own Source Revenue ratio will surpass the above 60% benchmark earlier by 2025-26, this indicates the increase in financial independence from external funding source by the 2<sup>nd</sup> year of the 4-year Special Variation increase.

Year	Proposed SRV scenario	Baseline scenario	Benchmark
2023	45.00%	45.00%	60.00%
2024	58.00%	54.00%	60.00%
2025	60.00%	54.50%	60.00%
2026	62.00%	54.50%	60.00%
2027	63.00%	54.50%	60.00%
2028	63.50%	54.50%	60.00%
2029	63.50%	55.00%	60.00%
2030	63.50%	55.00%	60.00%
2031	64.00%	55.00%	60.00%

In the absence of additional income, Council is forecasted to be under the OLG benchmarks set for both Operating Performance and Own Source Operating Revenue ratios. Highlighted in Table 5 the years when Council is forecasted will achieve the minimum required benchmarks for each ratios (NB: Building and asset renewal ratio in 2030-31).

In Table 5 please provide the councils key financial indicators.

Table 5 Council financial indicators

Ratio	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Operating performance ratio excluding capital items	-13.66%	-23.28%	-17.87%	-11.74%	-4.91%	-0.68%	-0.14%	-0.14%	<b>0.52%</b>
Own source revenue ratio	50.43%	45.99%	57.15%	59.56%	<b>61.57%</b>	62.99%	63.20%	63.41%	63.33%
Building and asset renewal ratio	136.24%	83.10%	54.45%	66.66%	83.45%	95.55%	97.81%	97.78%	99.03%
Infrastructure backlog ratio	<b>6.14%</b>	5.87%	5.53%	5.30%	4.96%	4.72%	4.41%	4.20%	3.92%
Asset maintenance ratio	85.00%	95.00%	<b>100.00%</b>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Debt service ratio	<b>16.78%</b>	6.48%	7.75%	9.46%	11.74%	20.46%	20.97%	21.16%	21.80%
Unrestricted current ratio	<b>2.48</b>	2.91	2.95	3.00	3.06	3.11	3.13	3.15	3.36
Rates and annual charges ratio	<b>4.62%</b>	4.62%	4.62%	4.62%	4.62%	4.62%	4.62%	4.62%	4.62%

Where the financial indicator starts to meet the OLG benchmarks, the indicator is highlighted in bold.



## Criterion 2 – Community awareness and engagement

Criterion 2 in the SV Guidelines is:

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

To complete the questions for criterion 2 provide relevant extracts of the IP&R documents that set out the rate rises under the proposed SV and attach relevant samples of the council's consultation material.

The response should provide details and examples to demonstrate the clarity of information presented in the consultation materials, including information about:

- The need for the proposed SV.
- Specific programs or projects, levels and types of services, investment in assets and the options for funding them by rate increases.
- The proposed cumulative rate increases including the rate peg for each major rating category (in both percentage and dollar terms), particularly where the increase is to be applied differentially across ratepayer categories (i.e. rates will not increase uniformly by the SV percentage).
- The annual increase in average rates that will result if the proposed SV is approved in full (and not just the increase in daily or weekly terms).
- The size and impact on rates where an existing SV will continue, expire, be renewed or replaced at the end of the current financial year or during the period when the requested SV will apply.
- The rate levels that would apply without the proposed SV (clearly showing the impact of any expiring SV).
- Outlining evidence of residents and ratepayers being aware of the proposed SV.
- Outcomes could include the number of people reached by mail outs, the number of attendees at events and participants in online forums, the number of submissions made, surveys or feedback forms completed, as well as evidence of media reports and other indicators of public awareness of the council's SV intentions.
- Explaining how the community responded and the feedback the council received about its proposal.

The response should indicate how participants responded to any surveys, particularly the level of support for specific programs or projects, levels and types of services, investment in assets, as well as the options proposed for funding them by rate increases. Where the council has received submissions from the community relevant to the proposed SV, the application should set out the views expressed in those submissions.

Although this criterion does not require the council to demonstrate community support for the proposed SV, it is required to consider the results of the community consultation in preparing the application. The response should identify and document any action taken, or which will be taken, to address issues of common concern within the community about the proposed SV.

Some councils will need to provide additional information in their response to demonstrate how consultation material explained to the community details about the proposed SV and its impact on rates to reflect the specific circumstances of their application, for example:

- If the council is **renewing or replacing an expiring SV**, information was provided about the purpose, and duration of the expiring SV, the original and current percentage of general income the SV represents, whether the new SV is temporary or permanent, the amount of any *additional* increase above the rate peg being requested, and that if the proposed SV is not approved (i.e. only the rate peg applies), the year-on-year change in rates would be lower, or that rates may fall
- If the council **has an existing (ongoing) section 508A SV** and is applying for an *additional SV*, how the consultation material explained details about the existing SV, its size and duration, and the impact on rate levels when it does expire, as well as the impact on rate levels and annual increases with and without the additional SV.
- If the council proposes to **increase minimum rates**, the increase to minimum amounts, and any change to the proportion of ratepayers on the minimum rate for all relevant rating categories which would occur as a result of the SV.
- Where the council intends to **make any changes to the rating structure in 2023-24** in conjunction with the proposed SV, such as changes to subcategories and adjusting ad valorem rates following new land valuations, the need for or purpose of the change and its impact was explained to the community.

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

In the table below please provide evidence as to how the councils community engagement met criterion 2.

Table 4 Evidence of council's community engagement meeting criterion 2

Criteria	Evidence of meeting this criterion	Reference to application supporting documents
Evidence that the community is aware of the need for and extent of a rate rise.	<p>To ensure that the community were informed about the impact of the proposed rate proposal, Council consistently described the proposal in all the information materials, made these information materials widely available across a number of different communication platforms, extensively promoted the availability of all information and the opportunity to provide feedback on Council's website via survey, or written submission engagement process via a series of phases.</p> <p>To help the community understand what the proposal was seeking and the likely impacts, key messages were consistently used and then further explained through the provision of additional information. Please see examples of this in attachments.</p> <p>Council's community awareness and engagement strategy took the following approach:</p> <ul style="list-style-type: none"> <li>• Building general community awareness through an extensive information program including media releases, social media, advertising, newsletters, web content, FAQs, videos, allowing the community to Facebook live stream meetings, customer interaction via phone and emails and keeping staff informed through internal communication channels.</li> <li>• Seeking community guidance on information materials and exploring issues, in respect to the need for a Special Rate Variation was done so through interactions with residents, Council committees and public committees.</li> <li>• Providing multiple opportunities for the community to provide feedback through open online community surveys, and paper formats, face-to-face and virtual meetings with Council and the Mayor, and attendance at community ratepayer meetings, discussion with local business leaders, responding to customer queries via email, letter, phone and social media monitoring and submission opportunities during the public exhibition of the IP&amp;R documents. Council also informed the community on its website how they could provide feedback direct to IPART and established an entire web of content on the following: Federation Council's Financial Sustainability Journey, What is a Special Rate Variation? And a Frequently Asked Questions following the public exhibition of the IP&amp;R documents. This content was made available from May 2022, and is still available on Council's website.</li> </ul> <p>A summary of the level of community involvement and common themes of feedback in each of the consultation activities, as well as further evidence of community awareness is provided as attachments to this application.</p>	<p>Special Rate Variation Engagement Evidence 2020- 2023</p> <p>Community Engagement Strategy CSP 2022</p>

<p>The Delivery Program and LTFP should clearly set out the extent of the General Fund rate rise under the SV, for the average ratepayer, by rating category.</p>	<p>A Special Rate Variation from July 2023 is included in Council's Delivery Program and Operational Plans 2022/23 – 2025/26.</p> <p>Key messages arising from these plans and strategies include:</p> <ul style="list-style-type: none"> <li>• A Special Rate Variation from July 2023 will enable Council to address community concerns relating to deteriorating infrastructure, in particular the extensive road network;</li> <li>• Average residential rates in the Federation Council are the fifth lowest of all NSW large rural councils (42 councils in total);</li> <li>• Significant new community assets constructed since merger, including the Corowa Aquatic Centre, Urana Aquatic Leisure Centre, and All Abilities Playground in Mulwala, have been factored into the modelling;</li> <li>• Planning is underway to address water and sewer needs in serviced communities;</li> <li>• Improved asset management practices will ensure that funds invested in assets are used most effectively;</li> <li>• There are opportunities that Council can harness to address the challenges of an ageing workforce and skills gaps in key areas; and</li> <li>• Investment in Council staff capability will ensure they are better able to deliver on legislative responsibilities and the priorities contained in the Delivery Program There are alternate scenarios for a lesser Special Rate Variation. These would require a reduction in current service levels.</li> </ul> <p>In the LTFP, Council adopted the scenario that provides a \$48 million annual operating program and \$18.6m capital program for 2022/23 and a \$104m total capital program over the 10 years. It contains rate increases at 2.5% for 2022/23, followed by , if approved by IPART, the SRV for four years from 2023/24 and including the 2026/27 year, being 19%, 17%, 14% &amp; 10%, inclusive of any rate peg increase allowed by IPART for all Councils. For example, if IPART in 23/24 approve all NSW Councils to apply a 2% increase to rates, Council's SRV component would be 17% plus the allowable 2%, being then 19% in total. The Long-Term Financial Plan is attached for review.</p>	<p>Delivery Program &amp; Operational Plans 2022-2023 to 2025-2026</p> <p>Long Term Financial Plan 2022-2023</p> <p>Special Rate Variation Engagement Evidence 2020-2023</p>
<p>The council need to communicate the full cumulative increase of the proposed SV in percentage terms, and the total increase in dollar terms for the average ratepayer, by rating category.</p>	<p>In the LTFP, Council adopted the scenario that provides a \$48 million annual operating program and \$18.6m capital program for 2022/23 and a \$104m total capital program over the 10 years. It contains rate increases at 2.5% for 2022/23, followed by , if approved by IPART, the SRV for four years from 2023/24 and including the 2026/27 year, being 19%, 17%, 14% &amp; 10%, inclusive of any rate peg increase allowed by IPART for all Councils. For example, if IPART in 23/24 approve all NSW Councils to apply a 2% increase to rates, Council's SRV component would be 17% plus the allowable 2%, being then 19% in total. Example communication provided to the community during the various stages of community engagement of the full cumulative increase of the proposed Special Rate Variation is attached to this application.</p>	<p>Long Term Financial Plan 2022-2032</p> <p>Special Rate Variation Engagement Evidence 2020-2023. (Pages: 166 – 268)</p>

The council's community engagement strategy for the SV must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occur.

In May 2022, Council commenced its formal community awareness and engagement program on the current Special Rate Variation Proposal. Council embarked on its current and ongoing financial sustainability journey over three years ago when CT Management were engaged in mid-2019, to lead in the development of Federation Council's first new Long Term Financial Plan (LTFP). The first version of this plan was adopted in 2020/21 and has been updated each year with a draft exhibited, and also updated at other stages as required through each year, for example to reflect new major grant income being received, including for new or updated projects.

Prior to this, the LTFP was a combination of the two former Councils (Corowa and Urana's) LTFP's, since being formed in May 2016, as required in order to deliver services immediately on the creation of Federation Council.

Council through many engagement forums including community satisfaction surveys, have been encouraged to maintain existing services, and of course improve service levels of some of our services that most need it, such as the road network, where possible. Council has since its inception in May 2016, been on a continuous improvement journey, balancing the immediate running of an entirely new organisation delivering the day-to-day services of the two former Councils from day 1, with the demands of significant new funding, and ensuring a sound financial base into the future.

The prior Council elected in 2017 initiated the work that led to the Councils first entirely new LTFP, adopted in 20/21. The 2016/17, 18/19 and 19/20 LTFPs were basically combined versions of each former Council.

Federation like most forced mergers did not have the luxury of planning and preparing these plans, months or years earlier, like some of the city Councils who were already proposing and preparing for the merger.

The first entirely new LTFP flagged the need for SRV in future years in order to maintain financial sustainability if the current services, and their service levels, were to be maintained at similar levels.

This was primarily to ensure Council can manage its cash reserves to a suitable level and borrowing commitments, and also to be able to provide services and manage assets responsibly into the future for users.

Each new adoption of the LTFP, across 21/22, and now most recently the 22/23 plan, has further improved and refined the financial information, especially as new assets came on line, and road revaluations in particular placed a major increase in Councils non cash operating expense of depreciation.

Council engaged extensively throughout this process and at its June 2022 meeting, unanimously supported Scenario one within the LTFP, which contains a SRV that was publicly exhibited. The intent of this SRV is to provide capacity for Council to address the asset management demands of existing infrastructure over an extended period and support Council to deliver its 45 services including improving the levels of service in some key required areas such as roads.

Special Rate Variation Engagement Evidence 2020-2023.

Community Engagement Strategy CSP 2022

Whilst May 2022, marked the start of the formal community awareness and engagement program, residents were first made aware of the need for further Special Rate Variations during the 2021 – 2022 IP&R engagement process. Council, also through its Mayor, Cr Patrick Bourke had been raising preliminary awareness with the community in media interviews and communications prior to the 2021-2022 Budget and IP&R engagement period. This was consistently informed to the community as part of Council's ongoing updates about Council's financial sustainability journey and messaging about the focus of increasing Council's income to support the long term financial and service sustainability of Council. The community has had multiple opportunities to comment on this Special Rate Variation proposal (over the past 12 months especially) and Council has responded through answering direct customer queries, meeting with local residents/groups, frequently asked questions development, media enquiries and undertaking proactive communications.

Council has also delivered on its comprehensive community engagement strategy for the Special Rate Variation that is attached as part of this submission. In addition to social justice principles, IAP2 participation principles and Federation Council's Engagement Framework principles, we also considered IPART's Community Awareness and Engagement Guidelines when developing our overall community engagement strategy and associated Special Rate Variation communications plans.

The phased approach for engagement included both information for awareness and consultation on the council services and the SRV proposal. Consultation, awareness and exhibition of associated documents to support the SRV application was conducted from 2020 to 2022.

- **Community Awareness and Information:** This included issuing newsletters, media releases, setting up a dedicated website page, meeting with residents and community group members to detail the proposal and consultation process. This awareness was built up from June 2020, with formal commencement in May 2022 and continued through to February 2023.
- **Consultation:** This included an online survey, and open community written feedback opportunity to explore more focus/less focus and satisfaction in services. Consultation occurred first in 2020 on satisfaction of Council services and support for Special Rate Variations and then on the revised Community Strategic Plan, Council's Delivery Program and Operation Plan, Draft Fees and Charges, Draft Workforce Management Strategy, Special Rate Variation Scenarios and Long-Term Financial Plan between January 2022 and June 2022.
- **Public Exhibition:** This included consultation on the proposed Special Rate Variation financial scenarios and impacts/reduction of services and programs to Council's Delivery Program and Operational Plan. The draft documents that were placed on public exhibition were Draft Revised Community Strategic Plan, Draft Delivery Program and Operational Plan, Draft Fees and Charges, Draft Long Term Financial Plan, Draft Workforce Management Strategy, and Draft Revised Asset Management Strategy. Public Exhibition process occurred during May 2022.
- **Reports to Council:** Reports were provided regularly to Council on results of consultation and public exhibition feedback, and scenarios for consideration of Council on whether to formally apply to IPART for an SRV. Council resolved for staff to proceed with the Special Rate Variation Application at its October 2022 meeting.

Explain the action, if any, the council took in response to feedback from the community

Throughout the engagement process, resident feedback was consistent as to how Council needed to consider or communicate the potential reduction or loss of some services should the Special Rate Variation not be approved.

Special Rate Variation Engagement Evidence 2020-2023

Their comments ranged from "don't threaten / don't be all doom and gloom / what do we actually get now" to "you have to be serious, if we don't support this you will cut services" and "find a way that people don't think you are just leading us to the answers you want, and that this is 'tick-a-box' that you want consultation". However, by the end of the engagement process, residents began to express their appreciation for Council's honest and transparent communication style in answering their questions, they understood what work had been done and explained since Council first embarked on its financial sustainability journey in 2019, with some commenting on the Special Rate Variation "scenario one is the most common-sense approach" that Council should take.

Feedback also noted Council's large geographical size, issues with the road network and acknowledging new assets that have come online since merger in 2016.

Throughout the course of the various engagement phases, it was evident through data collated that residents wished to see sustained service levels, with some indicating they would like to see a growth in service levels which Council regularly communicated would come at an additional cost.

Examples of community feedback on the proposed SRV is attached for review.

Throughout the course of the community consultation, Council also provided feedback on specific matters. Responses were provided to each community member who requested a response on the online submission form or submitted a written submission during the 2022-2023 IP&R Engagement process where the Special Rate Variation was a focused piece.

The following provides a brief response to each of the key themes raised, as well as Council's direct response to feedback.

#### **Ability of ratepayers, particularly pensioners, to afford increased rates**

It is acknowledged that the proposed plans and the associated SRV will impact all ratepayers, including pensioners. As discussed in the community sessions and reported in the plans, general rates in the Federation Council area are currently among the lowest in the NSW. The increased rates proposed from July 2023, if the application is endorsed by Council as proposed, (the planned scenario in the draft Long Term

Financial Plan (LTFP)), will move Federation Council's general rates to be more consistent with average rates for a similar sized council over the 4 year planned increase, if each increase is applied by Council at the % rate approved. This is also assuming none of the other Councils apply and are successful during this period. It is known that many Councils have already applied and some are implementing SRV's, whilst others may do so also in the next 5 years of course.

Council commissioned an independent Capacity to Pay report from Morrison Low. This report provided an analysis and evaluation of relative wealth and financial capacity and looks at the financial vulnerability and exposure of different community groups within the Federation Local Government Area (LGA).

In summary it finds that whilst the communities of Corowa and Urana and Surrounds have the highest proportion of 'at risk' households, the SRV is predicted to have a lesser impact on these ratepayers.

This assumption is based on the fact that:

- 1) Those property values are not as high to other areas in the Federation LGA; and
- 2) an assumption that Council will leave the rate in the dollar at the same or a similar amount for those rate categories.

It also found that the ratepayers most impacted by the general rates increase are those in Mulwala (due to high residential land values relative to other residential land in the Federation LGA) and Corowa Rural Districts (due to the higher value of farmland properties in that area relative to other farmland in the Federation LGA). The report provides the following commentary "overall we observe the lowest level of disadvantage is in the Corowa Rural Districts, compared with the highest level of disadvantage in Urana and Surrounds and the large population centre of Corowa." The report in its entirety was included in the June 2022 Business Paper for residents to view.

Council also undertook a review of its Hardship Policy to better align with guidance provided by the NSW Ombudsman's office. The purpose of the policy is to provide a support mechanism for those that are more financially vulnerable in the community. A draft of this policy was presented at the August 2022 Council meeting for consideration by Council for public exhibition and the final policy was adopted at the September meeting of Council once all submissions had been considered.

Condition of rural roads and need for service reviews of all Council services

Significant feedback referenced the deteriorating condition of rural roads in the Federation Council area. The need for further investment in rural and urban roads is acknowledged and has been a regular issue discussed in Council meetings and Councillor workshops over recent years.

In response to this, Council established a Rural Roads Advisory Committee to provide guidance as it implements improvements to the way it manages roads and associated infrastructure. This had been in place under the former Council and was instrumental in assisting with the preparation of road improvement strategy work. The original Committee only consisted of Councillors and staff, and included operational staff, to allow the information to be worked on. The intent was always to include community representation once base level information was available.

Under the Terms of Reference for the Committee, its objectives are to:

- Develop and review the principles underlying the provision of the road network within the Council area – Road Hierarchy network;
- Monitor and provide information/advice to Council in relation to the issues arising out of Council's Road network;
- Review strategies and provide advice to Council and staff regarding the management, maintenance, service levels, renewal and upgrading of roads within the council area; and
- Review and provide advice on the downgrading or closing of roads within the Council Area.

A revised Terms of Reference was presented to the June Council meeting to seek endorsement to include community representatives and advertise for members.

The work of the Committee was also noted to assist in determining the priority areas for investment of additional rates received under a Special Rate Variation. Service reviews are undertaken by Council periodically however Council does not have a program of ensuring all 45 services are reviewed in a regular timeframe. Council will receive further reports on this in the near future with a framework and recommended program, including community engagement.



### **Certainty that increased rural rates will be committed to increased investment in rural roads**

Many of the rural ratepayer submissions wished to seek certainty that increased funds received through an SRV will be committed to increased investment in rural roads. This can be achieved through the SRV application to the Independent Pricing and Regulatory Tribunal (IPART), whereby Council must nominate the purpose of the SRV, being to

- a. Improve the council's underlying financial position for the General Fund;
- b. Fund specific projects or programs of expenditure; or
- c. Achieve both outcomes

Through the engagement strategy development, it was intended that the work of the Rates Advisory Committee and the Roads Advisory Committee would provide guidance for Council, on a program of expenditure on roads that can be committed to for the duration of the SRV.

Council also utilized the opportunity to engage with these groups on the purpose of the SRV and Council's ongoing financial sustainability journey, as well as its Asset Management Strategic work completed in November 2022 which further highlights the need for an SRV to assist Council in financially supporting its asset renewal backlog.

### **Accountability and transparency, including in service reviews and any planned productivity and efficiency measures**

Regular standard format reports are provided monthly, quarterly and annually to Council, through the monthly business reports that form the basis of the Council meetings. Feedback has been received that ratepayers are having difficulty easily accessing information in an easy to understand form.

Several suggestions have been made to improve access to information. In response, Council introduced a Council Monthly Meeting Update which is included in all outgoing newsletter publications, paid advertising and is available on Council's website, as well as being emailed internally for the benefit of staff and Councillors to be informed of Council business.

The Annual Budget now includes annual budgeted operating revenue and expenditure by service. This will make clearer the expected investment in specific areas. A Financial Policy has also been developed to support this new approach.

### **Productivity improvements and cost containment strategies**

Community feedback indicates that there could be improved communication of productivity improvements and cost containment strategies that have been implemented. In addition, ratepayers are seeking Council to drive additional productivity improvements and cost containment strategies across its services. Numerous suggestions have been made through the community engagement process. Whilst some well-intentioned suggestions were not possible under existing legislative and contractual requirements, there were some suggestions of substance that will be further explored. Further productivity improvements and cost containment strategies will be pursued as part of service reviews that will be undertaken over the coming period. These service reviews will also have community engagement factored into the process. This work is ongoing but it is accepted Council can always do more to improve its communication and engagement on these matters. The framework for Service Reviews to come to Council in the coming months will outline a recommended approach for community engagement through the service reviews processes.

#### **Lack of responsiveness to communications**

Feedback has been received that some ratepayers have not received replies to communications or requests that have been made. It is acknowledged that there is opportunity for improvement in this area.

#### **Clear plan for future infrastructure renewal and investment**

Feedback has been received that an SRV would be more acceptable if there was a clear plan for the expenditure of additional rate funds.

The Long-Term Financial Plan presents the majority of the increased funds being invested in the capital works program. The specific priority of the works will be worked through with the Roads Advisory Committee and the Rates Advisory Committee. This information will be communicated as priorities are determined and this will be also continually informed by Councils ongoing Asset Management work. Specific programs or projects, levels and types of services, investment in assets and the options for funding them by rate increases.

#### **Quantum of general rate increase**

It is noted that when IPART approves a Special Rate Variation, Council has discretion each year on the how much of any approved SRV is applied. It is therefore possible that that in future years Council may agree to implement a rate increase that is less than the approved increase.

It may do this where Council has:

- Realised sufficient productivity improvements and cost containment strategies;
- Reduced service levels or reduced services provided; and/or
- Secured additional funding from other sources to improve infrastructure.

This would require Council to reassess its current financial position and the external environment to ensure that it continues to improve its financial sustainability. Further community engagement would occur if Council wished to do this.

#### **Focus on core services such as roads, waste, water and sewerage**

Council has specific legislative responsibilities that must be prioritised over discretionary activities. The Delivery Program distinguishes between these activities and provides an increased focus on services that are mandatory for council to deliver. In particular there is a focus on the investment required in roads, water and sewerage.

#### **Better planning for new projects including whole of life costing**

Feedback has been received that Council should ensure it has full ongoing costs, including maintenance and depreciation, factored into planning prior to applying for grant funding to deliver projects. Council has undertaken significant work in this area across the last 3 to 4 years especially, with Capital Expenditure Reviews developed for major projects where required.

**An expectation that service reviews and efficiency and productivity measures should have all been done prior to any proposed rate increases being quantified/sought**

Council has since its inception in May 2016, been on a continuous improvement journey, balancing the immediate running of an entirely new organisation delivering the day-to-day services of the two former Councils from day 1, with the demands of significant new funding, and ensuring a sound financial base into the future.

The prior Council elected in 2017 initiated the work that led to the Councils first entirely new LTFP, adopted in 19/20. The 2016/17, 18/19 LTFPs were basically combined versions of each former Council. Federation like most forced mergers did not have the luxury of planning and preparing these plans, months or years earlier, like some of the city Councils who were already proposing and preparing for the merger. The first entirely new LTFP flagged the need for SRV in future years in order to maintain financial sustainability if the current services, and their service levels, were to be maintained at similar levels. This was primarily to ensure Council can manage its cash reserves to a suitable level and borrowing commitments, and also to be able to manage assets responsibly into the future for users. Each new adoption of the LTFP, across 20/21, 21/22 and in the 22/23 plan, has further improved and refined the financial information, especially as new assets came on line, and road revaluations in particular, placed a major increase in Councils operating expense of Depreciation.

**Clearer communication and a stronger engagement prior to this stage of the Special Rate Variation (SRV) proposal**

Council whilst noting that the SRV has been planned and previously highlighted including in the 21/22 draft IP&R engagement processes via the LTFP draft also, accepts that people do not always become engaged that far out, and particularly when the main focus of the 21/22 budget preparations was the planned Corowa Aquatic Centre SRV, and the bringing into one rate system, the rate systems of the former Corowa and Urana Councils. Council continued to provide clearer communication in response to this via the introduction or enhancing the following initiatives:

- Council Meeting Monthly Update.
- Works Program Update.
- Launch of a Frequently Asked Questions Document to explain the SRV further and Council's Financial Sustainability journey.
- Promotion and growth of Council's Electronic Newsletters and Database to ensure the community is engaged and aware of Council initiatives and opportunities for feedback.
- Creation of website content to grow awareness of Council's Financial Sustainability journey, and specifically the Special Rate Variation.

Opportunities to seek further information and provide input into the draft IP&R documents were advertised in local media, hard copy print and through social media. Information was available on Council's website and a number of community information sessions were conducted throughout the Council area.

These public community meetings were held to provide residents with the opportunity to discuss the SRV and IP&R draft documents during the exhibition period. Public meetings were held in Corowa, Mulwala, Howlong and Urana during May 2022 prior to the public exhibition period closing. In June 2022 drop-in sessions were also conducted in Corowa, Mulwala, Howlong and Urana.

Over 150 people attended either the public meetings and drop-in sessions which based on previous years, is a significant increase in engagement, and Council remains grateful for this.

Detail on the digital and media engagement statistics, as well as example content is contained in attachment to this application.

Following this engagement process, Council adopted the IP&R plans at its June 2022 meeting. Community awareness of the plans being presented to Council was well known, with a rally being held at the Civic Centre building with close to 300 residents in attendance. Media coverage of this is also attached for further reference.

**Note:** Reference to application supporting documents should include Application attachment number, document Name, section reference, page reference. For example: Attachment 7, Community mailout leaflet, section 1, pp 1-3.

In the text box below, provide any other details about the councils: consultation strategy, timing or materials that are not captured in Table 4.

A summary detailing Council's consultation strategy, timing, and materials is provided as attachments to this application.

In the text box below, please provide any other details about the community's involvement in, engagement with or support of the proposed SV not captured in Table 4.

A summary of the level of community involvement and common themes of feedback in each of the consultation activities, as well as further evidence of community awareness and engagement statistics is provided as attachments to this application.

In Table 5 please list out any other attachments that the council has relied on to respond to criterion 2 not otherwise detailed in Table 4.

Table 5 Other criterion 2 attachments

Attachment number	Name of document	Page references <sup>a</sup>

a. If document is only relevant in part.

## Criterion 3 – Impact on ratepayers

### Criterion 3 in the SV Guidelines is:

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

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

In assessing the impact, IPART may also consider:

- Socio-Economic Indexes for Areas (SEIFA) data for the council area; and
- Whether and to what extent a council has decided not to apply the full percentage increases available to it in one or more previous years under section 511 of the Local Government Act.

This Application Form asks four questions for criterion 3. Councils should provide evidence to demonstrate:

1. the **impact on rates** of the proposed SV, including the **impact on minimum amounts** of any ordinary or special rate
2. how the council considered that the proposed rate rises were **affordable, having regard to ratepayers' capacity and willingness to pay**
3. how the council **addressed concerns about affordability** in determining the special variation is applied for, and
4. the council's plans for **addressing hardship** ratepayers may experience in meeting their obligations to pay rates in the future.

As well as considering the evidence provided by the council to demonstrate that the proposed rate increase is affordable for its community, IPART will undertake its own analysis of affordability by considering a range of data, including:

- the average growth in the council's rates in recent years, including previous SV increases
- how the council's average rates, current and under the proposed SV, compare with those in similar councils, and
- socio-economic indicators such as median household income, average rates to income ratio, outstanding rates ratio and SEIFA ranking.

The council's response to criterion 3 should also indicate how the required information is reflected in the Delivery Program and Long Term Financial Plan.

## Is the impact on rates of the proposed special variation reasonable?

Although much of the quantitative information we need on the impact of the proposed SV on rate levels will already be contained in Worksheets 5a and 5b of SV Application Form Part A, the response to this question should clearly set out:

- the impact on rates across the council's rating structure should the SV be approved, compared with
- the rate levels which would apply if the SV is not approved.

This information should be provided in a table indicating average rates in 2023-24, and then both the dollar and percentage increase for each rating category and subcategory for each year of the proposed SV, and the cumulative increases for the whole period.

A simple table is sufficient where the council intends to apply the proposed SV percentage increase in general income to all rating categories and subcategories.

The approach is likely to be more complex where the council is applying an increase differentially across ratepayer categories or making any changes to the rating structure in 2023-24. In this case, the council's response should explain the basis for allocating the increase to general income among the ratepayers and how the rating structure would be different from that which would apply if the SV is not approved, and why. This information will be relevant to our assessment of the reasonableness of the impact on ratepayers.

If relevant, the council's response should also indicate the impact of any other anticipated changes (e.g. receipt of new valuations) in the rating structure, or any changes to other annual ratepayer charges such as for domestic waste management services. Please provide the councils response in the text box below.

Council have analysed the impact on ratepayer across all rating categories in the **Long Term Financial Plan 2022-32** (page 24-29) by comparing to NSW rural councils with similar population bracket and nearby councils on both sides of the Murray River. Summarising the impact by presenting the average increase per annum and per week in dollar for each rating categories with the increase over the term of the Special Rate Variation from 2023/24 to 2026/27 by 19%, 17%, 14% and 10% inclusive of rate peg.

		2.5%	19.0%	17.0%	14.0%	10.0%
<b>Average (SRV scenario )</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>
<b>Residential rates</b>	\$701	\$719	\$856	\$1,001	\$1,141	\$1,255
<i>Yearly increase</i>		\$17.86	\$136.63	\$145.47	\$140.17	\$114.13
<i>Weekly increase</i>		\$0.34	\$2.63	\$2.80	\$2.70	\$2.19
<b>Farmland rates</b>	\$3,501	\$3,589	\$4,270	\$4,996	\$5,696	\$6,265
<i>Yearly increase</i>		\$87.67	\$681.82	\$725.95	\$699.48	\$569.57
<i>Weekly increase</i>		\$1.69	\$13.11	\$13.96	\$13.45	\$10.95
<b>Business rates</b>	\$1,244	\$1,275	\$1,517	\$1,775	\$2,024	\$2,226
<i>Yearly increase</i>		\$31.40	\$242.24	\$257.92	\$248.51	\$202.36
<i>Weekly increase</i>		\$0.60	\$4.66	\$4.96	\$4.78	\$3.89

Based on the impact detailed in the **Long Term Financial Plan 2022-32** (page 24-29), in the absence of additional income from special variation and assuming that rate peg is 2.5% per annum, the average increase by rating categories would be:

		2.5%	2.5%	2.5%	2.5%	2.5%
<b>Average (Baseline scenario)</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>
Residential rates	\$701	\$719	\$737	\$755	\$774	\$794
Yearly increase		\$17.86	\$18.31	\$18.76	\$19.23	\$19.71
Weekly increase		\$0.34	\$0.35	\$0.36	\$0.37	\$0.38
Farmland rates	\$3,501	\$3,589	\$3,679	\$3,771	\$3,865	\$3,962
Yearly increase		\$87.67	\$89.86	\$92.11	\$94.41	\$96.77
Weekly increase		\$1.69	\$1.73	\$1.78	\$1.82	\$1.87
Business rates	\$1,244	\$1,275	\$1,307	\$1,340	\$1,373	\$1,407
Yearly increase		\$31.40	\$32.19	\$32.99	\$33.81	\$34.66
Weekly increase		\$0.60	\$0.62	\$0.63	\$0.65	\$0.66

Which translates to that \$2.28 (residential), \$11.38 (farmland) and \$4.05 (business) average weekly increase in 2022/23 will be contributed by additional income from special variation.

		0.0%	16.5%	14.5%	11.5%	7.5%
<b>Average (difference)</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>
Residential rates	\$701	\$719	\$119	\$246	\$367	\$461
Yearly increase		\$17.86	\$118.32	\$126.71	\$120.94	\$94.42
Weekly increase		\$0.34	\$2.28	\$2.44	\$2.33	\$1.81
Farmland rates	\$3,501	\$3,589	\$591	\$1,225	\$1,831	\$2,303
Yearly increase		\$87.67	\$591.96	\$633.84	\$605.07	\$472.80
Weekly increase		\$1.69	\$11.38	\$12.18	\$11.63	\$9.08
Business rates	\$1,244	\$1,275	\$210	\$435	\$651	\$819
Yearly increase		\$31.40	\$210.06	\$224.93	\$214.70	\$167.70
Weekly increase		\$0.60	\$4.05	\$4.33	\$4.13	\$3.23

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

The council's response in the text box below should provide evidence to establish:

- That the proposed SV is reasonable in the context of the current rate levels, ratepayer base and its purpose.
- How the council considered the community's capacity and willingness to pay, and that the rate increases would be affordable for the community.

Evidence about capacity to pay could include a discussion of such indicators as SEIFA rankings, land values, average rates, disposable incomes, the outstanding rates ratio and rates as a proportion of household/business/farmland income and expenditure, and how these measures relate to those in comparable or neighbouring council areas.

As many of these measures are highly aggregated, it may also be useful to discuss other factors that could better explain the impact on ratepayers affected by the proposed rate increases.



While councils should consider the affordability of the proposed rate increases for **all** affected ratepayers, in some circumstances, particularly where the increase will not be uniform for all ratepayers, councils should explain how the **affected** ratepayer capacity to pay was considered. This could apply, for example, where:

- The council intends to **apply the increase differentially across ratepayer categories**.
- The council intends to **make changes to the rating structure in 2023-24** in conjunction with the proposed SV.
- The proposal would **increase minimum rates** by a significantly high percentage.

Please provide the councils response in the text box below.

Council commissioned an independent **Capacity to Pay Analysis** report from Morrison Low. This report provides an analysis and evaluation of relative wealth and financial capacity and looks at the financial vulnerability and exposure of different community groups with the local government area.

In summary it finds that the communities of Corowa and Urana and Surrounds have the highest proportion of 'at risk' households, and that the SRV will have a lesser impact on these ratepayers. It also finds that the ratepayers most impacted by the general rates increase are those in Mulwala (due to high residential land values) and Corowa Rural Districts (due to the value of farmland properties) and provides the following commentary "overall we observe the lowest level of disadvantage is in the Corowa Rural Districts, compared with the highest level of disadvantage in Urana and Surrounds and the large population centre of Corowa."

### How does the council intend to address hardship?

Does the council have a hardship policy? Yes

If yes, is an interest charge applied to late rate payments? Yes

The response in the text boxes below should explain any measures the council has in place, or intends to introduce, measure for dealing with cases where ratepayers experience hardship in meeting their obligation to pay rates.

Evidence can relate to a formal hardship policy which the council has adopted, and/or processes the council has in place, or intends to implement. The response should explain who the potential beneficiaries are and how they are or will be assisted. Alternatively, the response should explain why no such measures are proposed.

The council should also indicate whether the hardship policy or other measures are referenced in the council's IP&R documents (with relevant page reference or extract provided). Please provide the councils response in the text boxes below.

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

Council's **Debt Management and Hardship Policy** have a dedicated section to address any hardship arising from this Special Variation application (item 4.7 on page 8) for ratepayer that suffer substantial financial hardship.

It outlines the eligibility criteria, available assistance and the mechanism put in place.

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

Reference to hardship policy was made on page 26 of the **Long Term Financial Plan 2022-2032** on the impact on ratepayers.

Table 6 Criterion 3 attachments

Council-assigned number	Name of document	Page references <sup>a</sup>
22/22248	Federation Council Capacity to Pay Analysis	23
22/38388	Debt Management and Hardship Policy	8

a. If document only relevant in part.

Has the council considered the impact of the SV in its IP&R documents?

In the table below provide evidence that the council met the reporting requirements of criterion 3 in its delivery program and LTFP.

Table 7 Consideration of the proposed SV impact in IP&R documents

Criteria	Evidence of meeting this criterion from the council's IP&R documents	Reference to IP&R documents
<b>The Delivery program and LTFP should:</b>		
Clearly show the impact of any rises upon the community	<b>Long Term Financial Plan 2022-2032</b> – illustrate average increase per annum and weekly on all rating categories, i.e. Residential, Farmland and Business	Item 7.2 Future Special Rate Variation from 2023/24 (page 24-29)
Include the council's consideration of the community's capacity and willingness to pay rates	<b>Long Term Financial Plan 2022-2032</b> – compare Council with other NSW rural councils with similar population bracket and nearby councils on both sides of the Murray River.	Item 7.2 Future Special Rate Variation from 2023/24 (page 24-29)
Establish that the proposed rate increases are affordable, having regard to the community's capacity to pay	<b>Long Term Financial Plan 2022-2032</b> – Council engage external party to analyse the capacity to pay of the community	Item 7.2 Future Special Rate Variation from 2023/24 - Impact on residential ratepayers (page 26)

**Note:** Reference to IP&R documents should include Application attachment number, document Name, section reference, page reference. For example: Attachment 3, Council LTFP, section 3.2, pp 20-25.

## Criterion 4 – Exhibition of IP&R documents

### Criterion 4 in the SV Guidelines is:

The relevant IP&R documents must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation to its general income. It is expected that councils will hold an extraordinary meeting if required to adopt the relevant IP&R documents before the deadline for special variation applications.

The formal requirements applying to IP&R documents are set out in the *Integrated Planning and Reporting Guidelines for Local Government in NSW* and the *Integrated Planning and Reporting Handbook for Local Councils in NSW*.

For the purposes of applying for an SV, councils should note:

- If amendments to an adopted **Delivery Program** or **Community Strategic Plan** are needed to incorporate or update information about the proposed SV, the draft documents should be re-exhibited for a period of 28 days, and adopted before the council submits its Application Form to IPART.
- The exhibition period should be scheduled so that there is an opportunity for the council to formally consider and resolve to adopt the revised documents. It will be expected that a council will hold an extraordinary general meeting, if necessary, to meet this requirement.
- The council should adopt a version of the **LTFP** which incorporates modelling of the proposed SV before the council submitting the application to IPART.
- When applying for a SV for 2023-24 councils do not need to prepare, exhibit or adopt the **Operational Plan for 2023-24**.
- If council has used supporting evidence from the **Operational Plan for 2023-24** to demonstrate how it satisfies other criteria, the council should also provide information about this document in its response to criterion 4.

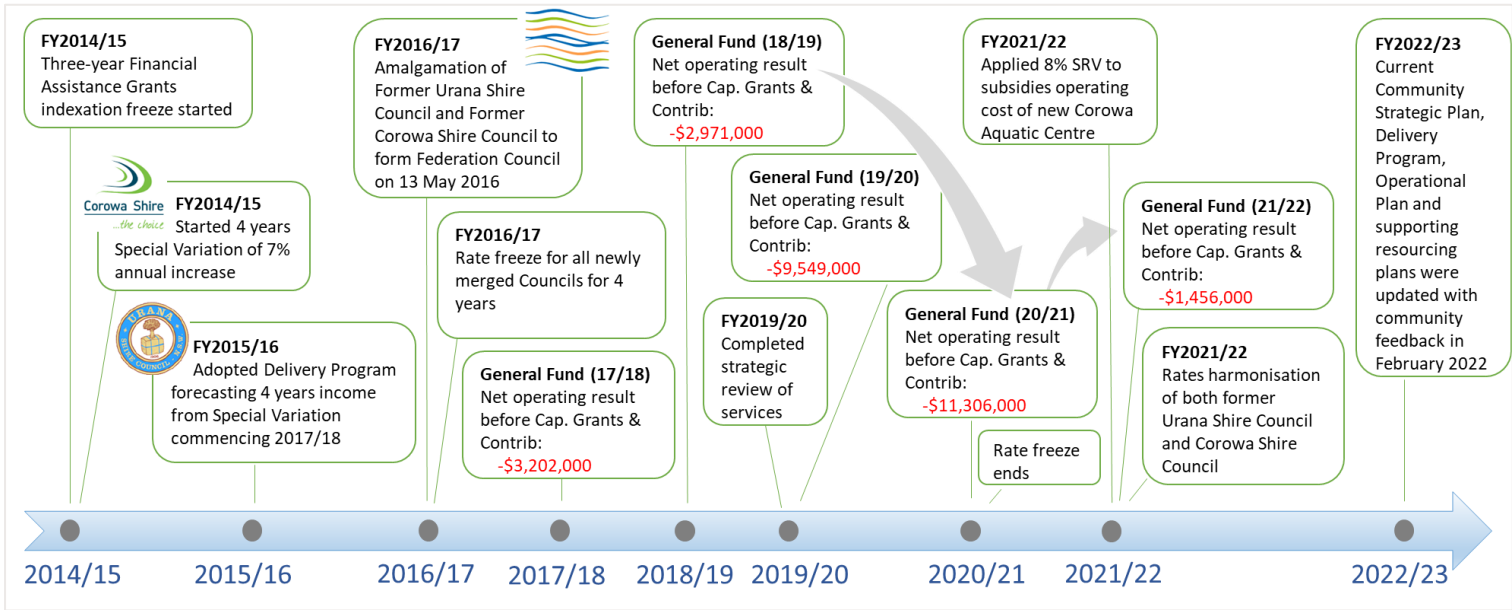
Where the proposed SV is to fund asset management, the council's **Asset Management Strategy and Plan(s)** should be adopted before submitting the application to IPART.

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

In the text box indicate the progress of identifying the need for the SV being incorporated into the IP&R documents by providing information about community engagement and when key revisions were made to the IP&R documents.

## Background

Prior to the amalgamation, additional general income from Special Variation were in the strategy with former Corowa Shire Council that started its 4-year 7% Special Variation in 2014/15 while Former Urana Shire Council have it in their Delivery Program that was adopted in 2015/16 with a forecast of 4-year Special Variation to commence in 2017/18. At the same time, councils across Australia were experiencing 3-year indexation freeze on Financial Assistance Grants.



Before former Urana Shire Council could progress with their plan with Special Variation, both Councils were amalgamated to form Federation Council. With the merger, 4-year rate freeze were enforced for all newly formed councils and during that period the Net Operating Result before Capital Grants and Contributions were deteriorating with factors that were beyond Council's control.

2019	CT Management were engaged in mid-2019 to assist Council on its current and ongoing financial sustainability.
2020	Conduct Community Satisfaction Survey to measure ratepayer support for a SRV. Gained 2.69 out of 5 average support rating.
2021	Flagged during 2021 – 2022 IP&R Engagement Process the need for future SRV to maintain current service level
2022	<p><b>February</b> Extensive community engagement through various channels were conducted to develop a revised CSP</p> <p><b>May</b> CSP was updated Engaged in IP&amp;R process reflecting the updated CSP</p> <ul style="list-style-type: none"> <li>• Draft Combined DP 2023-2026 and Annual OP 2022/23</li> <li>• Draft Revenue Policy for the financial year</li> <li>• Draft LTFP 2022-2032</li> <li>• Draft Asset Management Strategy 2022/23 – 2025/26</li> <li>• Draft Workforce Management Strategy 2022/23 – 2025/26</li> </ul> <p><b>June</b> Revised IP&amp;R documents were adopted</p> <p><b>August to October</b> Conduct comprehensive assessment of Council's asset</p> <p><b>November</b> Produced State of our Council Infrastructure Assets Report (SOCIA) 2022 Developed Strategic Asset Management Plan (SAMP) 2022-2032</p> <p><b>December</b> Issue addendum to LTFP 2022-2032 with the development of SAMP and included baseline scenario (no income from SRV)</p>

A year before the rate freeze ended, Council engaged CT Management to assist Council to better understand the services it provides, the associated revenues, expenditures, future demands and levels of service. At this time the asset registers of the two former Councils were also merged and a revaluation of road assets undertaken. This found that roads were not lasting as long as they had in the past due to changed usage practices and that they were becoming more costly to renew. This has a flow on effect to depreciation and Council's asset renewal needs. As this work progressed it became more evident of the significance of the funding shortfall facing Federation Council. In performing service review and have recommended the need for additional general income through a Special Variation application. Council first Special Variation as a merged Council started in 2021/22 for the newly constructed Corowa Aquatic Centre. The additional income together with cost containment strategies and productivity improvements have resulted in a better Net Operating Result before Capital Grants and Contributions from prior year.

#### IP&R process

With the newly appointed Councillors, Council conducted community feedback sessions in February 2022 to review the Community Strategic Plan using a range of engagement techniques detailed in Criteria 2 - Community awareness and engagement under heading '2022 Review of Community Strategic Plan' in working with the community to identify priorities.

Subsequently, the updated Community Strategic Plan was adopted in June 2022 alongside with revised Delivery Program, Operational Plan and supporting resourcing strategy plans, which went through another intensive community engagement sessions. Those sessions include community meetings throughout Council area and drop-in sessions at Corowa, Mulwala, Howlong and Urana with impressive number of attendees.

Long Term Financial Plan as one of the supporting strategy plans stress the dire need for Special Variation in any of its scenarios to achieve financial sustainability. This is backed by the Asset Management Strategy with the outlook of maintaining the current service levels for the next 10 years, Council will require increase in community contribution through general rates and fees and charges (page 3 of Asset Management Strategy 2022/23-2025/26). The Strategy is further strengthened with a study conducted in first quarter of 2022/23 producing the State of Our Council Infrastructure Assets report with Strategic Asset Management Plan to address the issue.

The need for Special Variation was identified before the formation of Federation Council and intensified by the restriction to increase general income to cover the growing cost and aging infrastructure. Council went beyond the required IP&R process by producing additional report and plan to make a more informative decision to determine the need to apply for a special variation.

---

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

The table seeks information which demonstrates that the council has met the formal requirements for the preparation, exhibition, adoption and publication of the current IP&R documents. Please complete Table 8 for all IP&R documents relevant to the council's application.

Table 8 IP&R documents

Document	Exhibition dates	Adoption date	Placed on council's website	Web link
Community strategic plan (22/1831)	16 May 2022 to 13 June 2022	28 June 2022	Yes (6 July 2022)	<a href="https://www.federationcouncil.nsw.gov.au/Council/Corporate-Planning/Plans-Strategies">https://www.federationcouncil.nsw.gov.au/Council/Corporate-Planning/Plans-Strategies</a>
Delivery Program & Operational Plans (22/8085)	16 May 2022 to 15 June 2022	28 June 2022	Yes (6 July 2022)	<a href="https://www.federationcouncil.nsw.gov.au/Council/Corporate-Planning/Plans-Strategies">https://www.federationcouncil.nsw.gov.au/Council/Corporate-Planning/Plans-Strategies</a>
Long Term Financial Plan (22/15906)	16 May 2022 to 15 June 2022	28 June 2022	Yes (6 July 2022)	<a href="https://www.federationcouncil.nsw.gov.au/Council/Corporate-Planning/Plans-Strategies">https://www.federationcouncil.nsw.gov.au/Council/Corporate-Planning/Plans-Strategies</a>
<i>Addendum to Long Term Financial Plan 2022/23 – 2031/32</i>	<i>20 December 2022 to 18 January 2023</i>	<i>31 January 2023</i>	<i>Upload updated LTFP on 2 February 2023</i>	
Asset Management Strategy (22/15733)	16 May 2022 to 15 June 2022	28 June 2022	Yes (6 July 2022)	<a href="https://www.federationcouncil.nsw.gov.au/Council/Corporate-Planning/Plans-Strategies">https://www.federationcouncil.nsw.gov.au/Council/Corporate-Planning/Plans-Strategies</a>
Revenue Policy (22/16458)	16 May 2022 to 15 June 2022	28 June 2022	Yes (6 July 2022)	<a href="https://www.federationcouncil.nsw.gov.au/Council/Corporate-Planning/Plans-Strategies">https://www.federationcouncil.nsw.gov.au/Council/Corporate-Planning/Plans-Strategies</a>
Workforce Management Strategy (22/10398)	16 May 2022 to 15 June 2022	28 June 2022	Yes (6 July 2022)	<a href="https://www.federationcouncil.nsw.gov.au/Council/Corporate-Planning/Plans-Strategies">https://www.federationcouncil.nsw.gov.au/Council/Corporate-Planning/Plans-Strategies</a>
Community Engagement Strategy (18/1802)	2018 (initial strategy)	15 February 2022 (with minor revision)	Yes (February 2022)	<a href="https://www.federationcouncil.nsw.gov.au/Council/Corporate-Planning/Plans-Strategies">https://www.federationcouncil.nsw.gov.au/Council/Corporate-Planning/Plans-Strategies</a>
Annual Report 2021-2022	Not applicable	15 November 2022	Yes (29 November 2022)	<a href="https://www.federationcouncil.nsw.gov.au/Council/Corporate-Planning/Reporting">https://www.federationcouncil.nsw.gov.au/Council/Corporate-Planning/Reporting</a>
Other				



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

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

This question seeks information about issues that arose in the council's undertaking of its IP&R processes with the community by publicly exhibiting the IP&R documents, which could be relevant for IPART's assessment of the council's application.

---

Community engagement is a big part in preparing the IP&R documents and public community meetings were held to provide residents with the opportunity to discuss the draft documents during the exhibition period. Public meetings were held in Corowa, Mulwala, Howlong and Urana during May 2022 prior to the public exhibition period closing. In June 2022 drop in sessions were also conducted in Corowa, Mulwala, Howlong and Urana. Over 150 people attended either the public meetings and drop in sessions which based on previous years, is a significant increase in engagement.

During the public exhibition, Council received several submissions for the currently adopted Community Strategic Plan. The submission is presented in the **June 2022 Council meeting packet** (page 264-270) along with Council responses to the issue raised. Subsequently, changes were proposed in response to the feedback received (page 262 to 263) for recommendation to Council to adopt the final Community Strategic Plan 2023-2032.

Same process was done for the Delivery Program, Annual Operating Plan and Long Term Financial Plan, with higher volume of submission received and tables in the June 2022 Council meeting (page 320-451). In response to the feedback received, changes were made to the documents as summarised on page 313 to 315 of the meeting packet.

---

## Criterion 5 – Productivity improvements and cost containment strategies

### Criterion 5 in the SV Guidelines is:

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

Councils should present their productivity improvements and cost containment strategies in the context of ongoing efficiency measures, and indicate if the estimated financial impact of the ongoing efficiency measures has been incorporated in the council's Long Term Financial Plan

This Application Form asks four questions relating to:

1. The approach to improving productivity in operations and asset management.
2. Outcomes realised from productivity improvements and cost containment strategies in past years.
3. Productivity improvements and cost containment strategies planned for future years.
4. Evidence of productivity and efficiency.

Councils can adopt a very broad range of strategies, initiatives or activities to improve the efficiency of their operations and the productivity of their workforce, and to contain costs and increase revenue. They may arise from reviewing service priorities, levels of service, labour and capital inputs, and organisational structures or services to be delivered.

Drawing on our experience in past years, we will be placing an emphasis on councils' applications demonstrating how they satisfy criterion 5. To demonstrate that a council has met this criterion, it is not sufficient to list a series of cost-saving or revenue-raising initiatives. Councils should provide evidence of strategies and activities and robust data quantifying the efficiency gains.

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

The council's response should identify how, as an organisation, it has approached improving productivity in its operations and asset management. It could refer to approaches such as:

- comprehensive strategic-level review of council operations including service priorities, levels of service, labour and capital inputs
- targeted reviews of discrete areas of council operations encompassing all aspects of processes, procedures, procurement, scheduling and equipment use
- reviewing service standards so that the more closely align with community expectations
- organisational restructure
- redesigning processes such as financial reporting, people/performance/project management to achieve efficiencies

- reviewing procurement strategies
- pursuing opportunities for commercialisation and business improvement
- review of assets in order to rationalise and divest property.

Please provide the council's response in the text box below.

Council's strategic approach to improving productivity in its operations and asset management has been managed at a leadership Group level and has focused on the following key elements:

- Increase productivity of employees through training, use of technology and implementing different ways of operating
- Reduce cost of energy across Council operations
- Dispose underutilised asset
- Review and implement measures to reduce revenue escape
- Increase revenue streams
- Improve financial management practices
- Other initiatives to reduce expenditures
- Implement initiatives to reduce risk
- Reduced service levels
- Improve asset management practices

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

In responding to the questions that address this point, wherever possible the council should:

- provide information about productivity improvements and cost containment strategies implemented during at least the past two years
- quantify in dollar terms the gains past initiatives have realised
- present these gains as a percentage of operating expenditure.

You may in this question provide evidence of overall improvements in the council's financial situation from productivity and operational improvements and provide specific examples of initiatives or activities such as:

- introducing environmental and energy efficiency initiatives
- adopting more efficient information and communications technology for a range of activities such as communications, document processing, financial transactions, outdoor staff operations, e-recruitment
- shared purchasing through joint organisations of councils
- improved management of workers compensation insurance claims and safety audit
- seeking private contract works for road maintenance
- contracting to provide services to other councils

- reviewing community venue management to increase the utilisation of venues and associated revenues
- reviewing charges to ensure greater cost-recovery for council-provided services
- review of and refinancing loan borrowings
- adopting waste management strategies to reduce landfill waste and associated costs.

Please provide the council's responses to the questions in in the text boxes below.

---

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

### **Increase productivity of employees through training, the use of technology and implementation of different methods of working**

Increased training supports employees to undertake their roles more efficiently and effectively. This results in tasks being completed in less time, reduces rework and thereby provides more time to progress other Council requirements and improve the level of service provided to the community.

Examples of training initiatives implemented include:

- Implemented training and apprentice program to develop skills of local employees
- Introduced online training platform which made it widely accessible and reduced the need for travel
- Trained a number of staff to become Aerodrome Reporting Officer (ARO) back up for the Corowa Aerodrome and save cost on outsourcing this function

Utilising technology to automate processes or reduce manual activities undertaken by employees, freeing their time available for other Council requirements or improving the level of service provided to the community. Initiatives implemented include:

- Introduced fully automated patching and developed disaster recovery plan to assist in the event of a cyber security incidents
- Implemented new Customer Request Management (CRM) system providing more in-depth information and providing the user with the ability to record additional types of requests from customers. This has enabled Council to provide an improved service to the community, where Council had a separate system with some requests being double handled. This resulted in better management and respond to matters raised; moving where possible to residents being able to submit online (increase from 6%-9%)
- Installed new phone reporting software providing greater insights into workloads and performance
- Implemented software to download applications from the Planning Portal directly to Council's Application Management System Programming

Implementing alternative ways of operating can increase the productivity of employees by improving their efficiency and/or effectiveness, Relevant initiatives implemented include:

- Applied regulator to reduce turf growth in parks and garden resulting in less frequent mowing and slashing requirements
  - Digitised access to operations management plans to reduce printing hard copies
-

- 
- Digitised hardcopy forms to electronic forms to reduce administrative time
  - Sprayed the Corowa Aerodrome fields with growth retardant which has significantly reduced the requirements for larger amounts of slashing
  - Reorganised depot workshop and stores to improve efficiencies for a more effective layout for tool/part availability
  - Set up the ability to have video conferencing from 3 meetings room to cut down the cost and time spent on travelling between offices
  - Migrated phones to VOIP from obsolete ISDN systems saving communication costs. Upgraded the PABX units to allow them to act as a single unified system, and deployed IP phones to all remote offices and sites over the Microwave network.
  - Trialled an SMS pilot to test a more effective way of communicating with staff
  - Developed QR Codes to reduce printing quantity and direct customers/residents to digital platform to access information
  - Implemented Hootsuite Social Media Management Software to reduce duplication of effort across communication platforms and provide better monitoring of usage
  - Altered Community & Economic Development scheduling practices to ensure a more complete representation of workload on calendars
  - Introduced Clearing House for all Portal uploaded development applications saving staff time later in the assessment process

### **Reduce cost of energy across Council operations**

Council incurs approximately \$1.9 million in energy (electricity, gas and fuel) costs across its operations each year. Reducing the cost of energy can be achieved through ensuring the pricing achieved is best value and by reducing energy consumption. Both of these approaches will result in cost savings to Council. Reducing energy usage also has environmental benefits to the broader community. Initiatives implemented in recent years include:

- Upgraded street lighting to LED, saving electricity costs
- Entered into Local Government Procurement state-wide purchasing contract for electricity

### **Dispose underutilised assets**

Disposing underutilised assets results in two key outcomes: proceeds from the sale are achieved, and holding costs of the asset are removed from operating expenditure. Holding costs can include general rates payable on a property, or more direct operating expenditure such as electricity, water usage and maintenance. Initiatives implemented in recent years include:

- Sales of vacant land in the Corowa Industrial Estate
- Sale of other underutilised property

### **Protect and increase revenue streams**

A number of revenue streams have been introduced or reviewed including:

- Introduced fees for civil works at 1.2% of cost of works
  - Introduced fees for reinspection
  - Introduced Section 7.12 Development Contributions Plan
  - Updated Section 64 Water and Sewer headworks charges
  - Secured smart and skilled training funding to support Council's training and apprentice program
-

## Improve financial management practices

Council has had a focus on improving its financial management practices. This results in a range of improved outcomes such as, decision making being informed by the long term financial impact, increased capability of managers responsible for providing services, reduced expenditure overruns, and reduced expenditure.

Relevant initiatives implemented include:

- Increased financial reporting to Council and to management to drive increased accountability across the organisation
- Increased rigour around expenditure management (e.g., system controls to limit expenditure to budgets)
- Improved management of reserves including creating internal allocations for Financial Assistance Grants (FAGs) advance payment and industrial land proceeds for the Howlong and Mulwala industrial estates that is ahead of planned.
- Improved budgeting by improving level of detail into budget preparation and level at which Council adopts
- Reviewed fees and charges including adjustment to progress towards full cost recovery of providing relevant services
- Sold properties with rates outstanding more than 5 years
- Reduced employee leave entitlement balance, particularly excess leave
- Introduced monthly meetings to share updates on progress of grant funded projects, particularly the timing, financial and risk elements
- Introduced online procurement requisitions to streamline purchasing process and provide greater financial control

## Other initiatives to reduce expenditure

- Evaluated and reviewed all positions when they become vacant before recruiting
- Postponed replacing staff in non-critical functions to save funds
- Reduced printable pages in the Urana Newsletter and printed front back cover to reduce overall print cost
- Upgraded Corowa Aerodrome drainage lines on runway 05/23 and taxiway which will reduce pavement failures
- Purchased a new emulsion tank that is fit for purpose to replace a makeshift old gas tanker to reduce cost of repairing when it breaks down and leaks.
- Purchased a second hand shed for the depot instead of a new shed
- Increased blast and production size run for the quarries to reduce mobilisation costs
- Upgraded the layout of Corowa and Howlong landfills to improve resource recovery and recycling opportunities (e-waste, polystyrene, cardboard, gyprock), this improved layout reduced the staffing level requirements by one operator
- Shredded green waste as opposed to burning it, then using this material to rehab the site which reduces the amount of material which must be imported
- Crushed concrete to use for onsite roads rather than burying it and buying materials in
- Worked together with neighbouring Councils for kerbside collection and Halve Waste initiatives
- Increased promotion of Exempt and Complying Development Codes to the community

### **Implement initiatives to reduce risk and avoid costs**

- Continued to implement Council's ICT Strategy
- Installed new gate at depot with swipe card access to ensure only authorised persons can enter and all visitors must sign in
- Installed security fence at Balldale quarry to reduce unauthorised access
- Expanded annual Cyber Security training to include all staff and Councillors, and focused on "Cyber Hygiene" – the 10 simplest steps to improve your online security habits to prevent incidents for Council and staff personally
- Changed Anti-Virus software provider to a more advanced option with comprehensive protection
- Deployed a fully-integrated SIEM (Security Information and Event Management) for improved visibility of activity logs and cross-correlation of network security events.
- Completed Cyber Security Framework and IT Security Policy to tie in with the Disaster Recovery Plan.
- Completed a live-fire test of Disaster Recovery Plan, the results of which resulted in improved disaster response ability
- Assessed risks and implemented controls and procedures for public swimming pools
- Assessed risks and implemented controls for Corowa Saleyards

### **Changed service levels**

Assessment of services to identify activities that could be reduced with minimal impact on the community has been undertaken and implemented. Changes include:

- Reduced print run and distribution of the community calendar which used to be posted to every household
- Reduced Council-funded Seniors celebration to one location on one day in Seniors Week unless otherwise grant funded
- Reduced number of internal audits to two per annum
- Ceased the quarterly printed Community Conversations Newsletter, saving printing and postage costs
- Introduced electronic newsletters to provide more efficient and timely communication

### **Improve asset management practices**

- Programming of works to be less reactive where possible, particularly with maintaining Council assets.
  - Developed Strategic Asset Management Plan to better guide long term decision making with respect to assets
  - Implemented cyclic maintenance grading schedules as opposed to reactive adhoc requests, enabling Council to better respond to an escalating number of customer requests for grading works
  - Implemented stormwater maintenance program as opposed to reactive adhoc requests to ensure the community is better placed for storm events
  - Utilised works staff based on skill sets to better allocate resources towards priority tasks
  - Resealed Corowa Aerodrome runways to reduce ongoing pavement defects and minor patching
-

Undertook exploration works at both Council quarries to produce operational plans for a more efficient use of the available resources over the next period of quarry life

b. Outline the outcomes which have been achieved.

Please refer response to a. and the attached table for outcomes achieved.

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

Please refer attached table for quantification of the gains from past initiatives, where this has been possible to calculate.

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

The council should provide information that details initiatives planned for the next two years when requesting a one-year section 508(2) SV, or to match the duration of the proposed SV.

The response should, wherever possible:

- estimate the financial impact of strategies intended to be implemented in the future
- present these as a percentage of operating expenditure
- indicate whether the proposed initiatives have been factored into the council's Long Term Financial Plan.

In the text boxes below:

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

To continue with the past achievements on productivity improvement and cost containment, Council will focus on:

### **Increase productivity of employees through leadership, training, the use of technology and implementation of different methods of working**

Further initiatives to be considered and / or implemented include:

- Develop and implement service review framework and schedule
- Develop capability of leaders in the organisation to support them to identify key priorities and then clearly delegate them (provides greater focus for employees, prevents rework and better supports staff wellbeing)
- Implement Council's first Workforce Management Strategy



- Investigate options for better management of and response to matters raised using the Customer Request Management (CRM) system
- Identify and measure productivity drivers and cost of counter productivity drivers
- Develop Standard Operating Procedures (SOPs) to ensure service delivery consistency. SOPs will reduce errors and promote uniformity in approach.
- Implement SMS communication plan to enable more effective communication with staff
- Continue to identify and implement technology improvements that can automate or streamline processes and free employee time for other high valued work

### **Reduce cost of energy across Council operations**

Council incurs approximately \$1.9 million in energy (electricity, gas and fuel) costs across its operations each year and this may be reduced through accessing better pricing and reducing level of usage of energy. Relevant initiatives to be implemented include:

- Conducting an energy audit to identify opportunities for energy reduction
- Finalising the upgrade of street lighting to LED; currently completed 75% of the upgrading program.
- Implementing best practice fleet management in accordance with IPWEA Guidelines, which will include rationalising (reducing) the number of vehicles,
- Participating in the NSW Sustainable Councils Program's project on Electricity Bills Tariff Review to identify possible cost savings

### **Dispose underutilised assets**

Relevant initiatives to be implemented include:

- Sell Council land and buildings that are surplus to requirements
- Develop surplus land/facilities strategy for alternate utilisation

### **Protect and increase revenue streams**

A number of potential revenue streams to be reviewed including:

- Undertake another exercise to sell properties with rates outstanding more than 5 years by FY2024/25
- Analyse data from water system to billing system to capture anomalies
- Investigate opportunities to utilise external party (i.e. Revenue NSW) to manage collection and follow up of revenue from rates, water/sewer and other invoices.
- Review fees and charges levied for business for trade waste, water and sewer to ensure they cover the full cost
- Develop Leasing Policy and appropriate processes to ensure that revenue is captured accurately, and in a timely manner
- Review debtor process to minimise any revenue escape
- Opportunities for sponsorship of facilities and events
- Fee for stormwater drainage improvements
- Parks and garden fees for usage from those outside Council's LGA.
- Leasing Council facilities to increase utilisation and increase return to Council
- Activation and implementation of Council Fundraising Strategy

---

## **Improve financial management practices**

Relevant initiatives to be considered include:

- Develop and implement financial management policy
- Review fees and charges to ensure full cost recovery where possible
- Increase financial management capability of managers and coordinators who have responsibility for service delivery
- Prepare and implement a Section 7.11 Development Contribution Plan for growth areas to collect funds for future infrastructure in areas of high growth and demand.
- Introduce a fee for the provision of Water and Sewer Contributions payable for privately certified development. This is to ensure compliance with regulatory requirements for privately certified development
- Assess all membership and subscription fees to evaluate ongoing levels of need and value

## **Other initiatives to reduce expenditure**

Relevant initiatives to be considered include:

- Continue to evaluate and review all positions when they become vacant
- Implement Business Plan for Corowa Aquatic Centre
- Reduce outsourcing of design work by utilising more in-house resources

## **Implement initiatives to reduce risk and avoid costs**

Relevant initiatives to be considered include:

- Continue to implement Council's ICT Strategy
- Establish leasing and licensing policy
- Tighten security with upgrading CCTV and fencing at Council's depot to reduce occurrence of theft
- Review services related to security risk associated with lone/isolated workers

## **Improve asset management practices**

Relevant initiatives to be considered include:

- Implement roads strategy which includes a roads committee with public members
  - Implement service standard for the road hierarchy, and review ownership arrangements for unmade/unformed roads and laneways
  - Engage an asset planner and progress the development and implementation of asset management plans.
  - Program works to be less reactive where possible, particularly with maintaining Council assets.
  - Implement best practice fleet management which includes reviewing lease arrangements and vehicles, fleet utilisation, buy and hire decisions, hire rates and recovery and user agreements.
  - Review the use of hire plant to identify the most effective use of funds
  - Finalise the Waste Management Strategy
  - Prepare the Growth Strategy to provide accurate and reliable data for predicted growth in residential, industrial and commercial sectors
-

b. Estimate their financial impact.

Please refer attached table for estimation of gains from potential initiatives, where this has been possible to estimate.

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

Please refer attached table for whether the estimated savings have been included in the Long Term Financial Plan.

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

To demonstrate how efficiency has changed over time, councils could use data based on studies of the council itself, or measures against the performance of comparable councils, and also rely on comparative data produced by OLG data such as:

- number of full-time employees (FTE)
- ratio of FTE to population
- average cost per FTE
- employee and on-costs as percentage of ordinary expenditure
- consultancy/contractor expenses over time.

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

As evidenced by the recent financial years reported operating results, Federation Council has been steadily improving its operating performance ratio. Whilst not yet meeting the recommended Office of Local Government (OLG) benchmark, this measure is being managed over time to correct the financial performance of Council consistent with Council's financial sustainability goals.

The following table provides a summary of key financial performance ratios over the past three years, demonstrating a general improvement in Council's operating performance and unrestricted cash position.

GENERAL FUND INDICATORS	FY2019/20	FY2020/21	FY2021/22	Trend	OLG Benchmark	Federation Council performance against OLG Benchmark
Operating Performance Ratio	-13.67%	-10.95%	-8.00%	+ve	>0.00%	✗
Own Source Operating Revenue Ratio	37.19%	39.09%	40.64%	+ve	>60.00%	✗
Unrestricted Current Ratio	2.35x	2.80x	2.88x	-ve	>1.50x	✓
Debt Service Cover Ratio	24.78x	12.90x	11.84x	-ve	>2.00x	✓
Rates and Charges Outstanding Ratio	4.76%	5.07%	5.58%	-ve	<10.00%	✓
Cash Expense Cover Ratio	4.69 months	12.41 months	17.01 months	+ve	> 3.00 months	✓

Federation Council is classified as a Group 11 (Large Rural) by the Office of Local Government. Within this classification, Council have performed better than the group average for Debt Service Cover, Rates and Charges Outstanding and Cash Expense Cover ratios.

GENERAL FUND INDICATORS	FY2021/22	State Ranking (128 total Councils in NSW)	NSW Large Rural Council average	Federation Council against Large Rural Councils	NSW Average
Operating Performance Ratio	-8.00%	99	-5.40%	✗	-2.70%
Own Source Operating Revenue Ratio	40.64%	93	48.53%	✗	57.30%
Unrestricted Current Ratio	2.88x	76	3.27x	✗	3.67x
Debt Service Cover Ratio	11.84x	35	9.37x	✓	65.37x
Rates and Charges Outstanding Ratio	5.58%	65	7.83%	✓	6.54%
Cash Expense Cover Ratio	17.01 months	53	10.05 months	✓	11.68 months

In addition both Rates and Charges Outstanding and Cash Expense Cover ratios achieved by Council have exceeded the NSW State average.

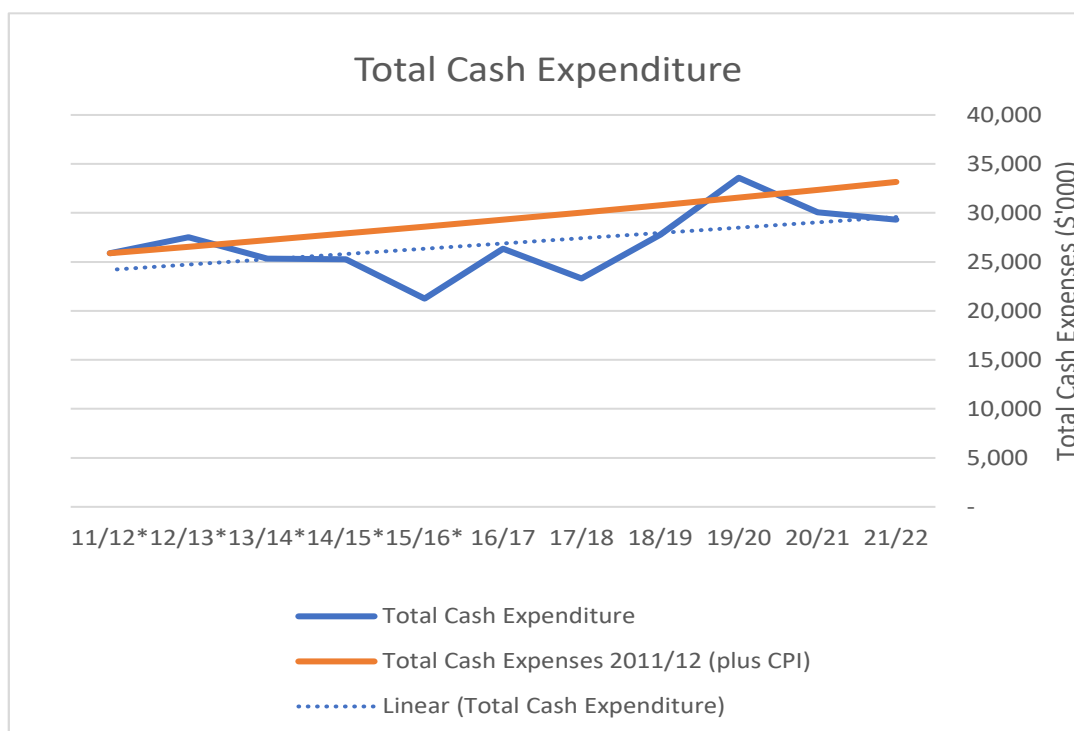
While noting that each Council has different priorities, within the Group 11 (Large Rural), Greater Hume Council and Parkes Council have the most similar council areas (km<sup>2</sup>), population number and road length when compared with Federation Council. All three councils were not able to reach the benchmark for Own Source Operating Revenue ratio indicating great reliance on external funding sources such as grants and contributions received.

GENERAL INDICATOR FY2020/21	Benchmark	Federation Council	Greater Hume Shire Council	Parkes Shire Council	Federation Council (FY21/22)
Operating Performance Ratio	>0.00%	-10.95%	0.47%	3.04%	-8.00%
Own Source Operating Revenue Ratio	>60.00%	39.09%	34.54%	49.77%	40.64%
Unrestricted Current Ratio	>1.50x	2.80x	4.28x	0.77x	2.88x
Debt Service Cover Ratio	>2.00x	12.90x	10.68x	9.69x	11.84x
Rates and Charges Outstanding Ratio	<10.00%	5.07%	5.71%	7.98%	5.58%
Cash Expense Cover Ratio	> 3.00 months	12.41 months	4.66 months	6.31 months	17.01 months

### Council's Total Cash Operating Expenditure

In addressing financial sustainability challenges Council has considered its operating expenditure over time and implemented a number of measures to contain operating costs. Depreciation and the net loss from the disposal of assets has been removed to enable operating expenditure controllable by Council to be analysed over time.

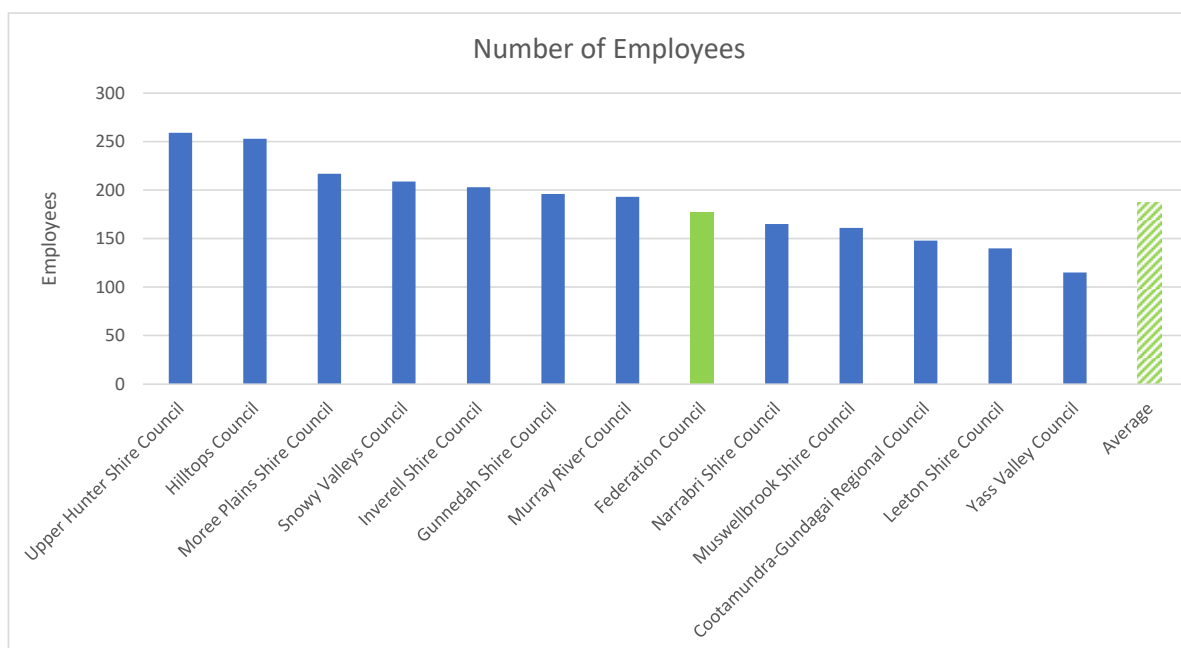
Over the last ten years, Council's Total Cash Expenditure has increased by less than CPI as detailed in the graph below. Cash expenditure from 2011/12 has been adjusted for CPI as displayed by the orange line. Actual Total Cash Expenditure, displayed in blue, shows expenditure being managed closely through the period.



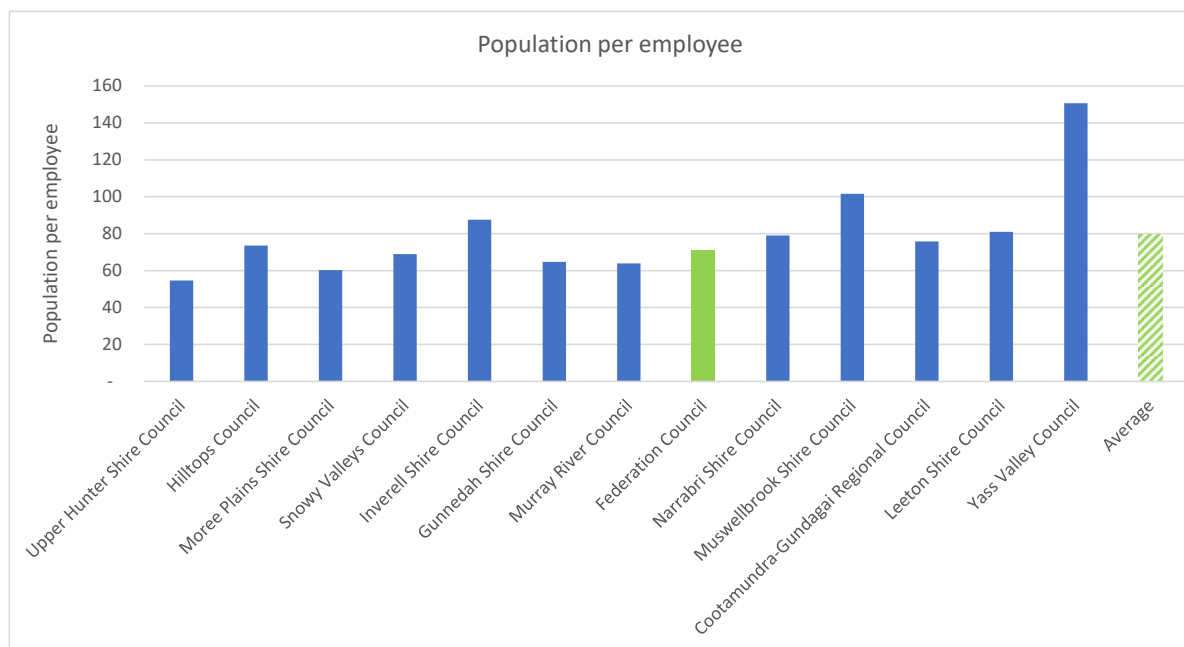
### Employee Costs

The graph below displays actual employee numbers for comparative councils in Group 11 (Large Rural) at June 2021. Please note that employee numbers were not available for all comparative councils.

For councils in our classification, Upper Hunter Shire Council had the highest no of employees at 259 and Yass Valley Council had the least at 115 employees. With 171 employees, Federation Council remains below the average for councils with a similar population.

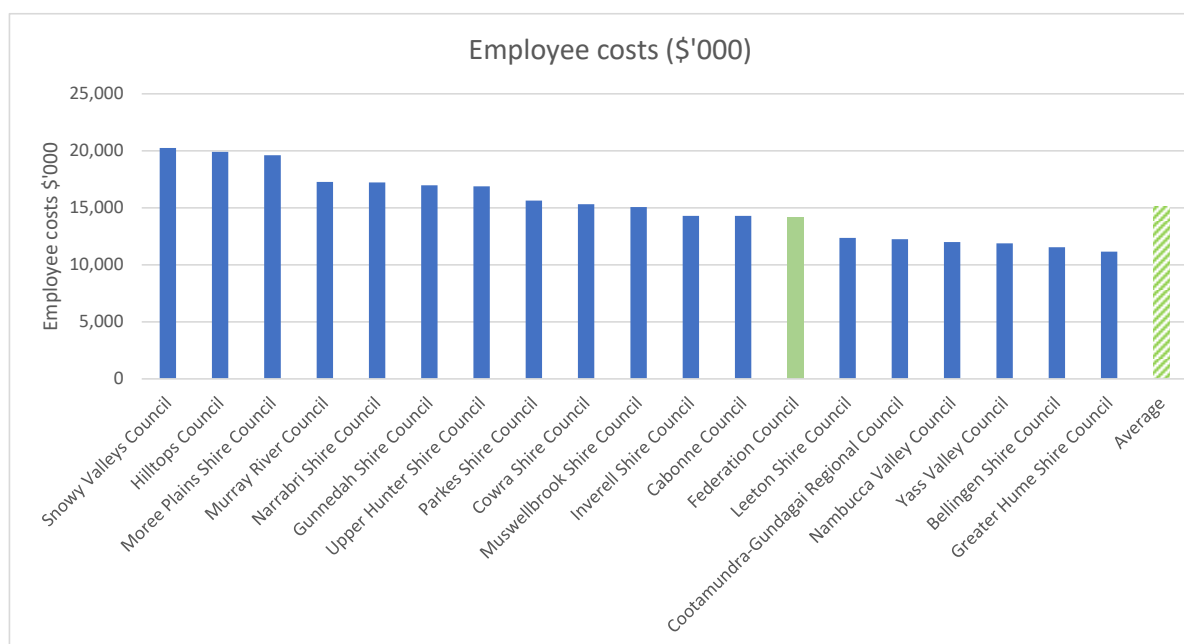


Federation Council, with population per employee of 71 is below the average of 79 for councils with a similar population. Yass Valley Council had the highest population per employee at 151, with Upper Hunter Shire Council having the lowest population per employee at 55.



The graph below displays actual employee costs for our group of comparative councils. This is based on the 2020-21 financial year information supplied by councils.

For councils in our classification, Snowy Valleys Council had the highest employee costs at \$20.2million and Greater Hume Shire Council the lowest at \$11.1million. With employee costs of \$14.1million, Federation Council remains below the average for councils with a similar population.



When analysing employee costs as a % of operating costs, for councils in our classification the highest is 39.8% (Cowra Shire Council) and lowest is Muswellbrook Shire Council. At 33%, Federation Council remains around the average for employee costs (34%) as a % of operating expenditure for councils in Group 11 (Large Rural).

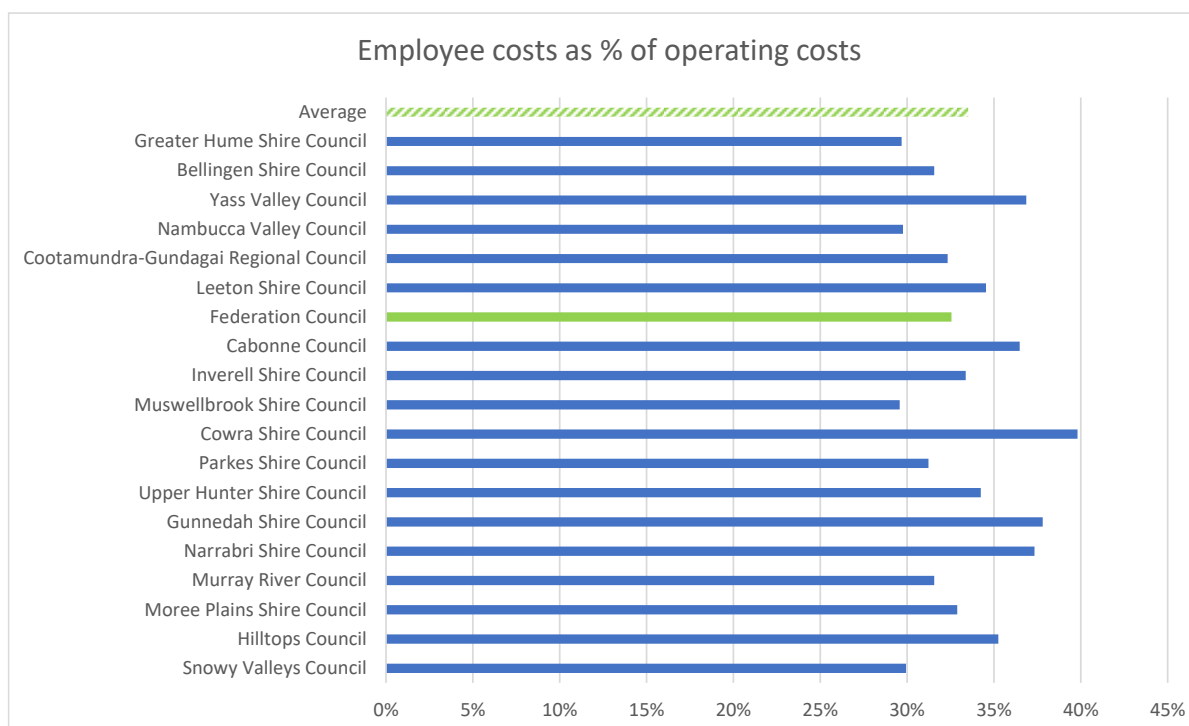


Table 9 Criterion 5 attachments

Council- assigned number	Name of document	Page references <sup>a</sup>
	Productivity improvements and cost containment strategies - achieved	1-2
	Productivity improvements and cost containment strategies - estimated	1-2

a. If document only relevant in part.

## Criterion 6 – Other relevant matters

Criterion 6 in the SV Guidelines is:

Any other matter that IPART considers relevant.

The Guidelines provide further that we will assess each application based on its merits against the assessment criteria. In doing so, the following may be considered:

- size of the council
- resources of a council
- size (both actual \$ and %) of increase requested
- current rate levels and previous rate rises
- purpose of the SV
- compliance with this or any other applicable guideline
- compliance with the conditions of any previous SVs, and
- any other matter considered relevant in the assessment of a SV application.

In assessing applications for SVs for 2023-24, IPART will continue its approach of assessing each of the five criteria, then making an overall assessment taking into account these other relevant factors.

The council should only respond to this question if it wishes to provide information in addition to that provided elsewhere in the Application which it would like IPART to consider when assessing its proposed SV. It is not necessary to specifically deal with several of the factors listed in OLG's Guidelines such as the size of increase requested, current rate levels and previous rate rises, and purpose of the SV.

The response may refer to any other matters the council considers relevant to IPART's deliberations. In the text box the council may provide information in addition to that provided elsewhere in the Application Form which it would like us to consider when assessing its proposed SV.



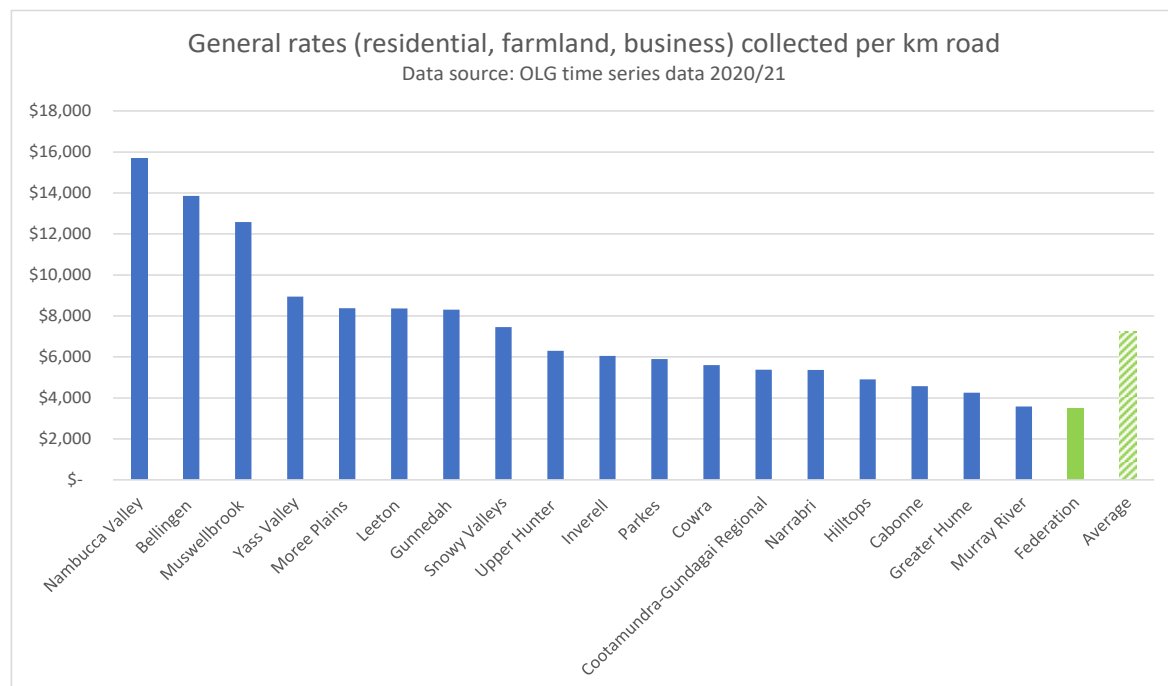
## Further benchmarking data

The following benchmarking information is provided for information.

### Rates collected per km of road

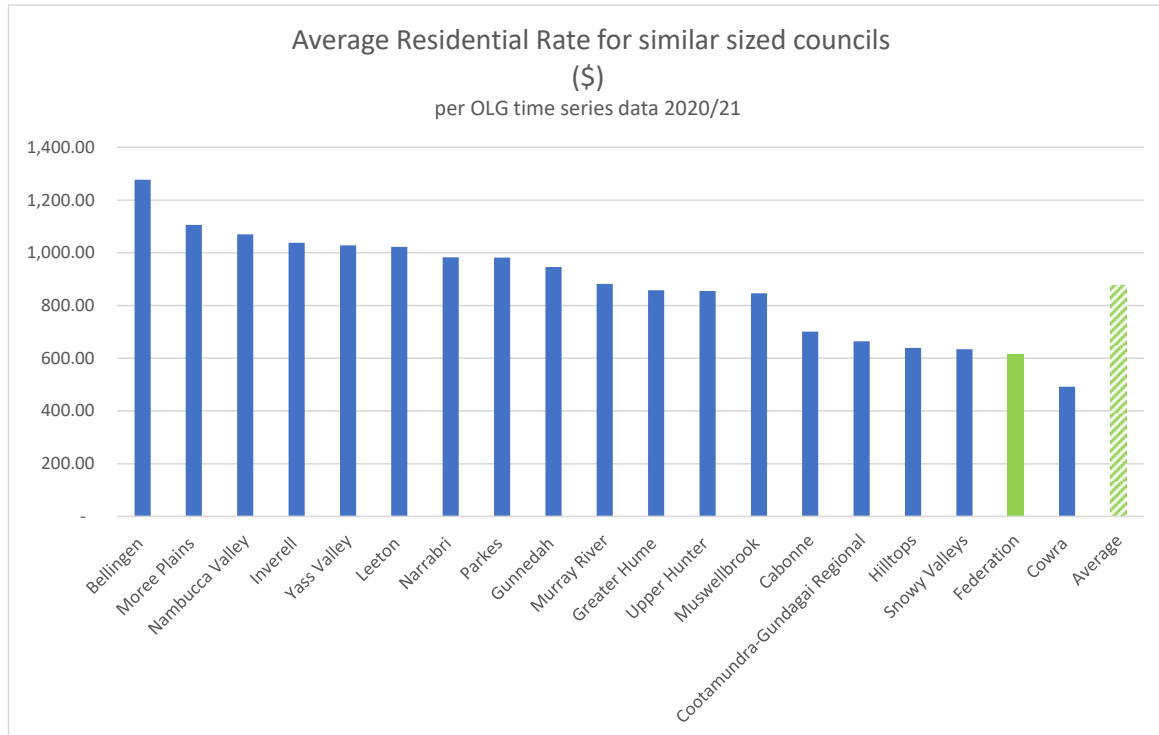
General rates (residential, farmland, and business) collected per km of road that Council is responsible for compared to similar sized councils (with population 10,000-20,000). Mining rates have been removed as this distorts the measure.

Expenditure on roads is the most significant cost incurred by Council. This measure indicates that Council collects the least in general rates per km of all Councils in the OLG comparative group. This limits the amount of funds that Council has to invest in roads and transport infrastructure.



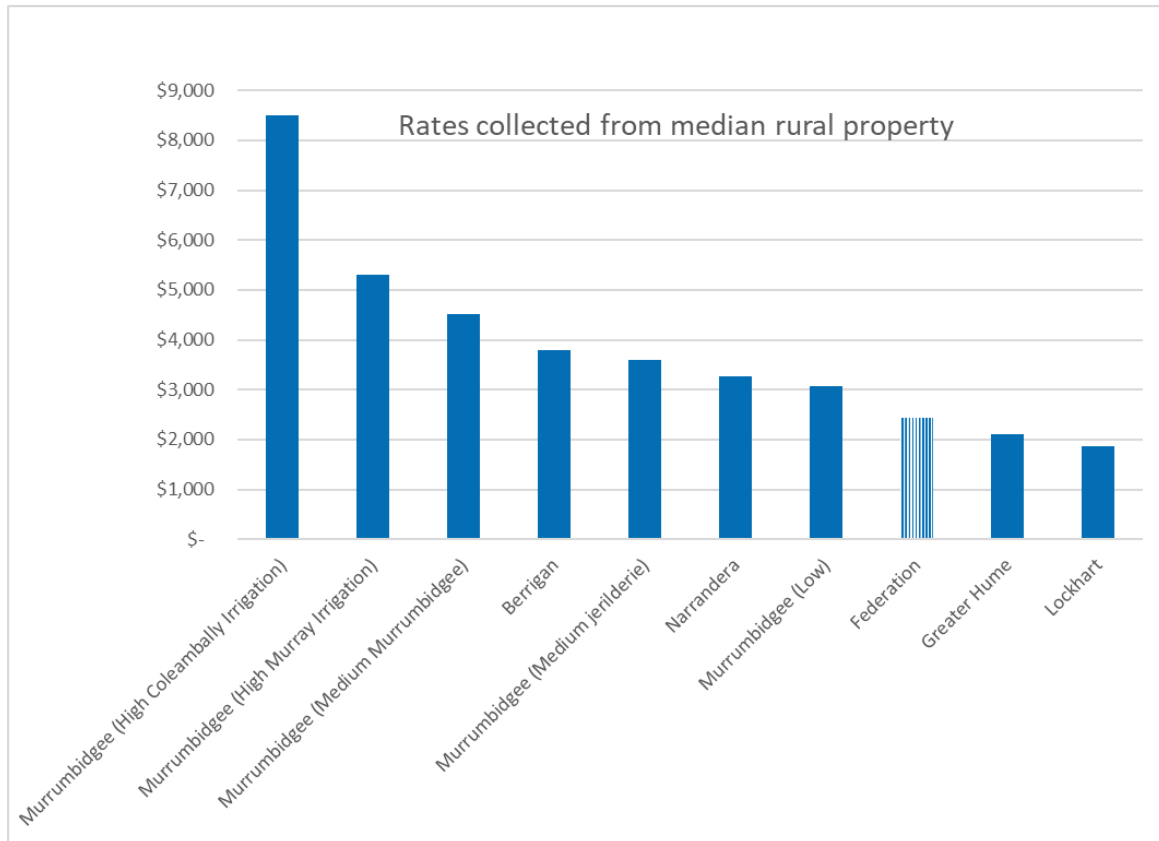
## Average residential rates

Average residential rates compared to similar sized councils (with population 10,000-20,000).



## Farmland rates – median property

Farmland rates for the median farmland property (land value = \$940,000) compared to adjoining council areas



## Reporting requirements SV compliance

In the text box propose SV compliance requirements in addition to those in the IP&R documentation that the council feels are appropriate for this application (if relevant).

Table 10 Criterion 6 attachments

Council- assigned number	Name of document	Page references <sup>a</sup>

a. If document is only relevant in part.

## Council certification and contact information

Councils must submit a declaration in the specified form. It should be completed by the General Manager and the Responsible Accounting Officer.

### Certification of application

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

### Application for a Special Rate Variation

To be completed by General Manager and Responsible Accounting Office

**Name of council:**

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

**General Manager (name):**

**Signature and Date:**

X

**Responsible Accounting Officer (name):**

**Signature and Date:**

X

**Note:** These signatures will be redacted before publication of the application.

## Council contact information

IPART's formal contact with the council will be with the General Manager.

During the assessment period, IPART officers are likely to contact the council with detailed queries about the application and supporting documents. Councils should provide details of the primary contact for such inquiries where this person is a council officer who is not the General Manager. Council officer contact details will be redacted before publication of this application.

### General Manager

**General Manager contact phone**

[REDACTED]

**General Manager contact email**

[REDACTED]

Note: These contact details will be redacted before publication of the application.

### Primary council contact

**Council contact phone**

[REDACTED]

[REDACTED]

[REDACTED]

**Council email for inquiries about the SV application**

council@federationcouncil.nsw.gov.au

Note: These contact details will be redacted before publication of the application.

### Secondary council contact

**Council contact phone**

[REDACTED]

**Council contact email**

[REDACTED]

**Council email for inquiries about the SV application**

council@federationcouncil.nsw.gov.au

Note: These contact details will be redacted before publication of the application.

## List of attachments

To complete (adding rows as necessary):

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

### List of attachments to the council's application

Council- assigned number	Name of attachment	Is the document included in the application as submitted?
<b>Mandatory forms/attachments</b>		
	Application Form Part A (Excel spreadsheet)	<input checked="" type="checkbox"/>
	Application Form Part B (this Word document)	<input checked="" type="checkbox"/>
	Council resolution to apply for the for the minimum rate increase variation	<input checked="" type="checkbox"/>
	Certification	<input checked="" type="checkbox"/>
<b>If applicable for Description and Context Question 4</b>		
	Instrument for expiring special variation	<input type="checkbox"/>
	OLG advice confirming calculation of amount to be removed from the council's general income	<input type="checkbox"/>
<b>If applicable for Description and Context Questions 5 and 6</b>		
20/564	Declaration of compliance with conditions in past instruments (if applicable)	<input checked="" type="checkbox"/>
21/19598	Relevant instrument(s) for past special variations (if applicable)	<input checked="" type="checkbox"/>
	Evidence of compliance with conditions in past instruments (if applicable)	<input type="checkbox"/>
<b>Mandatory public supporting material (i.e. to be published on IPART's website)</b>		
22/1831	Community Strategic Plan – Relevant extracts	<input checked="" type="checkbox"/>
22/8085	Delivery Program – Relevant extracts	<input checked="" type="checkbox"/>
	Long Term Financial Plan with projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in Excel format	<input checked="" type="checkbox"/>
23/5218	Consultation material, e.g. copies of media releases, notices of public meetings, newspaper articles, fact sheets used to consult on rate increase and proposed special variation	<input checked="" type="checkbox"/>
	Community feedback (including surveys and results if applicable)	<input type="checkbox"/>
22/22248	Willingness to pay study (if applicable)	<input checked="" type="checkbox"/>
22/38388	Hardship Policy	<input checked="" type="checkbox"/>
<b>Other public supporting material</b>		
22/15733	Asset Management Strategy / Plan(s) (if applicable)	<input checked="" type="checkbox"/>
22/8085	Operational Plan for 2021-22 (i.e. not for 2022-23) (if applicable)	<input checked="" type="checkbox"/>
	NSW Treasury Corporation report on financial sustainability (if applicable)	<input type="checkbox"/>

Council- assigned number	Name of attachment	Is the document included in the application as submitted?
22/15906	Long Term Financial Plan 2022-2032	<input checked="" type="checkbox"/>
22/43032	State of Our Council Infrastructure Assets Report 2022	<input checked="" type="checkbox"/>
22/43143	Strategic Asset Management Plan 2022 - 2032	<input checked="" type="checkbox"/>
	June 2022 Council meeting packet	<input checked="" type="checkbox"/>
22/35434	Annual Report 2021-2022	<input checked="" type="checkbox"/>
18/1802	Community Engagement Strategy CSP 2022	<input checked="" type="checkbox"/>
	Productivity improvement and cost containments strategies ACHIEVED	<input checked="" type="checkbox"/>
	Productivity improvement and cost containments strategies ESTIMATED	<input checked="" type="checkbox"/>
<b>Confidential supporting material (i.e. not to be published on IPART's website)</b>		



## Important information

### Submitting online

Applications must be submitted through the Council portal by close of business on Friday, 3 February 2023.

- A file size limit of 10MB applies to the Part B Application Form.
- For supporting documents (Attachments) a file size limit of 400MB applies to public documents, and another 200MB to confidential documents.

### Confidential content

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

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

### Publishing the council's application

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