

10.1 SPECIAL VARIATION - DECISION AS WHETHER TO APPLY TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL (IPART)**Document ID:** 701506**Author:** General Manager**Authoriser:** General Manager**Theme:** Our Leadership

Attachments:

1. Delivery Program 2022-26 (under separate cover)
2. Long Term Financial Plan 2024-34 & Capacity to Pay Report (under separate cover)
3. Community Engagement Report - Special Variation (under separate cover)

RECOMMENDATION

That Council:

1. Receives and notes the Community Consultation Outcomes Report and thanks the respondents for their submissions.
2. Adopts the revised 2022-26 Delivery Program and Long-Term Financial Plan (LTFP) with the Scenario two – one-year Special Variation option – Long Term Sustainability.
3. Makes application(s) to the Independent Pricing and Regulatory Tribunal (IPART):
 - i. under section 508A of the Local Government Act 1993 for increases to the ordinary rate income of 41.5% 2024-25 (including the rate peg), with that increase to be a permanent increase retained within the rate base and:
 - ii. under section 548 of the Local Government Act 1993 for the Minimum ordinary rate for Residential Ordinary and Business Ordinary categories to be set at \$720.00 for 2024-25 (including the rate peg) and the minimum ordinary for Business Narrandera category to be set at \$810.00 for 2024-25 an increase of 41.5% (including the rate peg) with that increase to be a permanent increase retained within the rate base.
4. Includes the submissions received during the community engagement process relating to the proposed special variation and the Community Consultation Outcomes Report in the application to IPART.
5. Recognises that the LTFP so adopted shows Council as sustaining continuing operating surpluses from 2024 and having positive cash flow from 2023.
6. Recognises the impact of the proposed increase on the properties currently rated as “Farmland” and requires the General Manager to report to Council prior to 30 June 2025 on the appropriateness of the current balance of rates income between farmland, residential and business.
7. Authorises the General Manager to implement the Improvement Plan adopted by Council in June 2023 and report to Council six monthly on the outcomes of that implementation.

PURPOSE

The purpose of this report is to seek a Council decision on whether to proceed with an application to IPART for a special variation (SV) and what such an application may entail, or alternatively to commence action to correct the imbalance in Council's LTFP.

SUMMARY

At its September meeting, Council resolved to approach the community seeking feedback on proposals for a special variation to increase general purpose rates income.

The decision to go to the community followed consideration of detailed reports on the state of Council's finances, assets, condition and renewal and the action needed to ensure long term sustainability. A comprehensive community consultation was undertaken and a report on that process and outcomes, including all submissions received, is appended to this report for Council's consideration.

Should Council determine to lodge an application, that action is required to be taken by the beginning of February 2024.

BACKGROUND

The General Manager's report to the September meeting provided a comprehensive view of Council's financial position and articulated the need for corrective action to be taken to address the growing imbalance in the LTFP.

The negative long term financial outlook for this Council was first identified in assessments made by Treasury Corp and Council's own consultants in 2014. Initiatives included in the Improvement Plan developed as a consequence, together with one-off injections of cash from asset sales and increased grants following COVID-19 and the floods have allowed the Council to stave off having to seek an SV – until now.

Together with imperatives, including the response to the stormwater flooding of Narrandera which took place in 2022 and the need to modernise Council's technology and staff salary systems, the deficit in asset renewals created by the shortfall in revenue is evident and cannot be overcome by belt tightening, deferrals, or one-off injections of cash.

The long-term effect of rate pegging on Council's capacity to raise revenue is reflected in the lower level of income raised locally and the continued reliance by Council on grant income.

Council identified the capacity of the organisation to respond to emergency situations and to take advantage of opportunities as being of equal importance to the maintenance of the standards of services currently provided, upon which life in Narrandera Shire is based.

If approved and implemented, the SV will increase the general rate income by \$2.3M and ensure long term sustainability for the Council and the community. It would allow Council to:

- Maintain existing high quality service levels and increase funding of depreciation.
- Upgrade the stormwater system in Narrandera \$300K.
- Start to address the asset backlog \$960K.
- Proceed with the technology and compliance upgrades \$240K.
- Become competitive in the labour market \$800K.
- Match grants for infrastructure renewal.
- May capitalise on opportunities - industrial lands, AAPA.

The SV presents a positive future for the Shire's residents based on a sustainable Council – sustainable financially and sustainable in the sense of having the capacity to take this community forward and to capitalise on opportunities as they arise.

Maintain Existing Service Levels

Service levels across all Council activities are high with resultant generally good road surfaces, standards of parks, sporting and community facilities, and responsive and professional human services. The SV will allow a continuation of these levels of service which are delivered by the current balance of staff and contractor profile.

Service level reviews commenced in association with the "Fit for the Future" process and have been ongoing, with the most recent related to cemetery operations and visitor information services.

Local government regulations require an ongoing review of service levels, and this process has been included in the Improvement Plan.

Can service levels be maintained without an SV? No. The expected continued growth in expenses associated with the provision of services is such that, without the additional income, service levels would have to be reduced and staff numbers cut.

Fund Depreciation

The asset management plans revised as part of this process establish depreciation at \$4.346M on general fund assets with a renewal backlog of \$16M. The local government benchmark is 2% or \$6.12M.

The SV is expected to generate \$960K annually to be allocated to asset renewal to commence the process of addressing that backlog. It will not be sufficient to remove the backlog completely but will be used to invest directly into operational assets or to match grants for the renewal of community assets.

Can this be achieved without an SV? No. Over the past several years in particular, Council has received significant grant income which has enabled the renewal of critical assets, but even this has not been sufficient to stop the decline. With government grants decreasing or becoming harder to get, the situation will continue to worsen. It is essential that Council has an improved capacity to renew assets.

Narrandera Stormwater Upgrade

Extensive details of the proposed stormwater upgrade for Narrandera were included in the report to the September Council meeting and to previous meetings. In essence, the preliminary estimate for the work is \$16.5M. After considerable debate, Councillors formed the view that the cost of the Council's share of the upgrade should be distributed across the Shire.

Discussions with State and Federal authorities have been ongoing, and it is hoped that the scheme will become eligible for a grant. The level of Council contribution to such a grant is unknown at this time but has been costed at \$300K for the purposes of the SV. It could be much higher.

Can this project proceed without an SV? Possibly. Without an SV there would be two options for funding: Council could make cuts to other budget provisions and re-direct those savings to meet the cost of this project, or the project could wait until a grant was available to fully fund the works.

Start to Address the Asset Backlog

If the SV is successfully introduced, the forecast modest surplus would enable the Council to start to address the backlog of infrastructure that is below a satisfactory condition. Over the 10-year forecast, Council would be able to sustain an asset renewal rate averaging

100%, equivalent to the benchmark. As a result, Council would be able to reduce its backlog (cost to bring asset to a satisfactory level) from approximately 10.6% of its total asset value to 9.1% over the 10-year forecast period.

Can this be achieved without an SV? No. Without an SV Council would not be funding depreciation let alone generating a surplus. Any upgrade would be entirely dependent upon grants and grants are very unlikely to become available for the renewal of operational assets.

Proceed with Technology and Compliance Upgrades

If the SV is implemented, \$240K will be available annually to meet the cost of compliance and technology upgrades.

Can this be achieved without an SV? Yes. This is not optional and will have to be achieved. Without an SV it would occur via funding sourced from savings from the Improvement Plan or cuts in services as a result of service level reviews.

Becoming Competitive in the Labour Market

The SV provides for an 8% increase in the salary base to lift Council's capacity to attract and retain skilled staff. The performance of the organisation relies heavily on the quality and effort of the staff and, given the current employment environment, being competitive in the market is critical. We have experienced difficulty in recruiting in several professional positions and attracting quality staff can be challenging. Recruitment and retention are not helped by uninformed personalised comments directed at staff.

The appropriateness of this provision has been questioned by some participants at the consultation meetings and is the subject of a number of submissions. It is a matter for Council to determine if it wants to retain the provision, and at what level.

Can it be achieved without an SV? No.

Match Grants for Infrastructure Renewal

The LTFP includes an expectation that Council will continue to receive the "standard" operational grants for general purposes: Federal financial assistance grants, community transport, library services and for roads infrastructure. It is also anticipated that some grant funds will be received for the renewal of community infrastructure. Each of the tied grant programs that are emerging require a matching component, eg: both the Federal and State grant programs that were relevant for expansion of the industrial estate required a Council contribution of 20%, or in that case \$1M.

The State grant program has subsequently been abolished. In the case of the "Playground on the Murrumbidgee Project", Council was required to provide shared funds of \$3M for a grant of \$8M thus providing a program amounting to \$11M. A number of submissions were critical of this approach; in reality it allowed Council to renew the Lake Talbot Water Park pool and build new infrastructure costing \$11M for an investment of \$3M – extremely good value.

Can this be achieved without an SV? No. The funds used to match previous grants have largely come from reserve funds (some proceeds of the sale of Teloca) and internal loans. These funds are no longer available.

Capitalise on Future Opportunities

At the consultation meetings I stressed the need for Council to develop and retain the capacity to take advantage of future opportunities. Some submissions referred to these as "the GM's pet projects".

Without an SV, Council would be restricted in its capacity to respond to emergencies and/or take opportunities. A new industrial estate is essential and developments like the airport, independent living, deepening Lake Talbot and the flood levee at Barellan are important opportunities.

RELEVANCE TO COMMUNITY STRATEGIC PLAN AND OTHER STRATEGIES / MASTERPLANS / STUDIES

Theme

5 - Our Leadership

Strategy

5.1 - Have a Council that provides leadership through actions and effective communication.

Action

5.1.3 - Gauge customer and resident satisfaction with services and operations.

ISSUES AND IMPLICATIONS

Policy

- Our Narrandera Shire Community Strategic Plan 2034
- Narrandera Shire 2022-26 Delivery Program
- Rates and Charges Financial Hardship Policy 2022

Financial

- Reports providing the financial details of the basis for the SV have been publicly exhibited and can now be adopted.
- Capacity to Pay Report – several submissions raise the issue of the timing and impact of the proposed increase on the socio-disadvantaged sector of the community. The report itself acknowledges that the Shire has reasonably significant levels of disadvantage mixed with some pockets of significant advantage.

Should the SV be implemented, residential rates are estimated to be an average of between \$290 and \$312 higher by the end of 2025-26.

There are 529 properties in the Shire owned by pensioners eligible for the rebate of \$250 per property for general rates. 84 of those are on the minimum and only 88 would have an increase of greater than \$350 per annum.

Legal / Statutory

- Local Government Act 1993 and General Regulation
- Office of Local Government Guidelines
- IPART Special Variation application guidelines

Community Engagement / Communication

Attached to this document is a detailed report on the community consultation process undertaken in relation to the SV. Council adopted a Community Engagement Plan at the September meeting, and the attached report provides details of actions taken in accordance with that plan, including information that was made available and how that

occurred, and presentations made at public meetings. The following is a summary of consultations.

Method	Outcomes
Submissions	187 submissions were received via email, website, or mail.
Website	Information regarding the Special Variation provided on Council's website www.narrandera.nsw.gov.au 794 views by 363 users, approximately 2.19 views per user, with an average engagement time of 2 minutes and 59 seconds. 355 PDFs were downloaded from the page for viewing.
Special Variation Estimator	The Special Variation Estimator page was viewed 625 times by 204 users, an average of 3.06 views per user with an average engagement time of 2 minutes and 36 seconds.
Community Consultations	7 community consultation sessions. 352 people attended in person.
Live Streaming	The live stream reach was 2,051 between the two live streams.
Individual Meetings	The General Manager attended 7 individual meetings as requested.
Individualised Correspondence to Ratepayers	3,612 letters were dispatched to ratepayers between 2-6 October 2023 via Australia Post.
Media Releases	1 Media Release was released prior to the consultation period. 2 Media Releases were released during the consultation period.
Newsletters	A newsletter edition labelled 'Special Variation' (edition 21) was created and distributed. This edition shared information specific to the proposed special variation. 2,731 newsletters were distributed between 2-6 October 2023. The October Edition also included information for the proposed special variation. 2,731 newsletters were distributed between 23-27 October 2023.
Electronic Newsletter	The electronic newsletter was sent to 427 recipients.
Social Media	34 posts were shared on Facebook and Instagram. The total post reach on 8 November 2023 is over 10,800. Posts were shared with I Live in Narrandera and Barellan Community Noticeboard.
Survey	50 responses were received.
Radio	5 advertisements were run on Narrandera Community Radio between 13-17 October 2023. The General Manager and Mayor Cr Neville Kschenka discussed the SV with media outlets including ABC, Triple M and Spirit FM on 20 September 2023 x 2 and 25 October 2023.
Television	The General Manager and Mayor were interviewed on Prime and WIN news
Print	Advertisements were placed in the Narrandera Argus on 28 September, 12 October, 19 October, and 2 November. Council's newsletter is placed in the Narrandera Argus each month and

	appeared on 5 October and 26 October.
Special Variation Presentation	The PowerPoint presentation was explained at each community meeting and the information included, such as rate notices, was specific to each area where the consultation was held.
Staff and Councillor Communication	<p>Councillor information sessions were held on: 17 May and 14 December 2022; 15 August, 21 October, and 7 November 2023.</p> <p>Frontline staff information sessions were held on: 8 September, 14 September, 15 September 2023 x 2 sessions.</p> <p>Dealing with Difficult Customer training provided to: frontline staff and Councillors on 8 and 9 October 2023.</p> <p>An all-staff information session was held on: 12 October 2023 and attended by 88 staff members.</p>

The following table summarises the submissions received and provides a response in relation to the issues raised by ratepayers.

Submission Reference	Issues	Comment
3, 11, 13, 19, 20, 1, 25, 28, 29, 30, 45, 53, 54, 55, 57, 59, 71, 72, 73, 74, 80, 89, 111, 119, 123, 134, 135, 139, 150, 154, 168, 170, 174, 176, 180, 183,	Object – unaffordable especially for renters, pensioners and single income earners, poor timing, high cost of living increases	<p>If the SV is implemented 77% of resident properties will face an increase in rates of less than \$350 or \$6.73 per week. A further 17% will face an increase of between \$350 and \$500 pa.</p> <p>As part of the process preparing for the SV, Council commissioned Morrison Low to prepare a Capacity to Pay report. That report has been made available and it shows there will be sections of the community impacted by the proposals, some of which are socio-disadvantaged. The report also shows that most residents, including the majority of pensioners, will face increases of less than \$350 pa.</p> <p>Council has in place a Hardship Policy that was reviewed in 2022 which applies to all dwellings.</p>
5, 7, 18, 23, 24, 32, 33, 34, 37, 44, 46, 47, 48, 49, 58, 61, 62, 63, 75, 76, 82, 83, 93, 99, 102, 103, 104, 106, 109, 115, 117, 121, 136, 140, 141, 142, 143, 144, 145, 155, 156, 184, 185,	Object – basis for the increase is unacceptable, damaging to Council approval rating, lack of services, poor financial management, more considered approach needed, recent investments reflect poor judgement, stop the wastage	<p>The financial position of the Council is the result of a number of factors including ongoing rate pegging. The decision to consider an SV has not been taken lightly and follows ongoing assessment and monitoring of operations. Council has developed and endorsed an Improvement Plan that includes initiatives to increase efficiencies and improve performance. The improvement plan is built around strategic objectives including cost containment, productivity and process improvement, revenue generation and long term financial and operational sustainability.</p> <p>59 improvements have been delivered generating over \$939K in benefits per year. Work continues on 33 present improvements, and a further 6 are planned for future years. Council is fully committed to implementing these and any other improvements that emerge.</p> <p>Whilst several major projects recently completed or underway are aimed at the tourism market, Council has and is delivering a large number of projects, some grant funded, that are specifically designed to improve facilities</p>

186, 187,		for residents. These include road and bridge upgrades, playground, parks and sporting facilities and community hall improvements.
12, 118, 128,	Object – poor long term financial management, especially by Councillors	Council financial planning is robust, and Councillors play an important role in ensuring its effectiveness and delivery. They are part of the budget development process and monitor results on a monthly basis. Most Councillors have undertaken local government financial management training.
14, 16, 61, 64, 65, 66, 67, 68, 76, 87, 137,	Object – no reasons provided	No comment needed.
26,	Object – seeking more information	Additional information has been provided.
35, 43, 51, 52, 90, 92, 95, 96, 105, 108, 129, 131, 146, 147, 148, 149, 172, 175, 179,	Object – unaffordable for farmers	<p>Farmland rates contribute 58% of the general rate income for the Council and the impact of the increase will be a substantial operational cost for some farmers. The question has been asked at forums as to whether the proportion of the total rate income paid by farmers is reasonable or whether the proportion paid by business and/or residential should be increased.</p> <p>Council has the discretion to vary the composition when setting the rates annually but cannot do so within this process. If the SV is implemented, the business rate across the Shire would remain below the average for Group 10 councils. The report recommends that a review be conducted in conjunction with the 2025-26 rating.</p>
41, 69, 114, 133, 158, 159,	Object – wants more work done on the streets, economic development	The SV is needed to maintain current service levels and will, by way of improved funding of depreciation, provide additional funds for asset renewal and better position Council to respond to requests such as these.
151, 152, 153, 158, 159, 160, 161, 163, 164, 165, 166, 167	Object – impact on tenants, suggests consultation with residents on services to be reduced, staff cuts, more use of contractors, flood retention basins, less and deferred projects, sell residential assets and the Arts Centre	<p>The decision to pass on the increase to tenants is one for the landlords.</p> <p>Should Council resolve not to proceed with an SV application, or if any application is unsuccessful, then further consultation on service level cuts will occur and Council will consider assets sales as part of that process.</p> <p>Upgrades to the Narrandera stormwater system under those circumstances would be entirely grant dependent.</p> <p>None of these submissions suggest expenditure cuts or service level reductions at the Lake Talbot Water Park.</p>
64, 94, 120, 122,	Object – based on increased land values	<p>Land values are determined by the NSW Valuer General and are based on market values or sales of similar nearby properties. Council is required to use those valuations, for rating purposes. Landowners have the opportunity to object to land values as they are assigned to their properties.</p> <p>Without an SV rate, income as a whole can only increase</p>

		by the rate peg limit. However individual properties may have changes in their rates in excess of those limits if their particular value increases by more than the average for that category of land.
107, 169, 173, 181, 182, 184,	Object – defer and examine all other options – plan B	<p>Local government in NSW is funded largely from three sources – grants, rates, fees and charges. One off funding has been sourced in the past from asset sales and temporary transfer of water. Income from interest on investments fluctuates.</p> <p>The current levels of service and needed asset replacement cannot be sustained without a permanent increase in rate income. This will also assist Council in improving its own source revenue ratios. Council is committed to continue to examine alternative sources of income and cost reductions under the Improvement Plan.</p>
130	Object – use of consultant, lack of planning and no plans for East Street	<p>Consultants have been engaged in this process to work with Council on refining asset and financial plans and the Capacity to Pay report. The process has been led and owned by Council.</p> <p>The upgrade of Lake Talbot Water Park has been an outstanding success with record attendance putting pressure on available parking. Included as part of that process has been the establishment of a very competent management team and the implementation of quality controls guaranteeing the highest standards of operation, safety and service delivery.</p> <p>Council has developed and adopted strategies for the future residential and employment lands and is currently developing plans for Lake Talbot and Narrandera stormwater. Council took a strategy for East Street upgrade to the community which was rejected. An audit of generally available parking spaces in the CBD is planned for the near future.</p> <p>A successful SV will allow Council to continue with its positive agenda for this community.</p>
1,2,4, 6, 36, 78, 81, 84, 85, 86, 177,	Support – understand the need for the variation, want to see the town prosper and grow	Positive
8, 9,10,17, 70, 97, 112, 113,	Support – two-year implementation	No comment needed
15, 56, 100, 116,	Support – one year implementation	No comment needed
22, 27,31, 39, 102,	Neutral – one year implementation	No comment needed
91, 132, 157,	Neutral – two-year implementation	No comment needed
38, 79, 88, 124, 125,	Support – for a longer	Council has the discretion, having been to the public, to apply for an SV over an extended period of implementation

126, 127, 138, 171, 178,	implementation or lower percentage	or of applying for a lower amount but cannot increase the amount sought above that which was advertised.
98	Neutral – recommends a shared service model with Leeton Council	Narrandera and Leeton Councils share the cost of some services including community transport, regional library and arts and the Narrandera Leeton airport. Both councils work cooperatively in RAMJO to address other more regional issues and share in the Western Murrumbidgee economic zone. Narrandera also works closely with neighbouring councils in tourism with the Murrumbidgee Trails initiative.

A submission, by way of an objection, was received from a group calling itself “The Narrandera Concerned Ratepayers Group Committee” (NCRGC) of which the chairperson is Mr W Hall. A copy of the submission is attached, and I provide the following more detailed response to the matters raised by the group.

Issue: Community meeting called by the NCRGC - we were disappointed that only one Councillor, Cr Lander, was in attendance and our community were perplexed and also disappointed with the low Councillor attendance.

Response:

- Council became aware via social media that a meeting was being called and offered to attend, answer questions and make a presentation if invited. That offer was extended to the convenor of the meeting and also at a meeting the General Manager had with the Meeting chair. No invitation was received, despite a follow up approach. It is also our understanding that the NCRGC was formed after the meeting.

Issue: Council has a poor reputation in our community. We believe Council has lost the confidence of the Community and an Administrator urgently needs to be appointed.

Response:

- The most recent community satisfaction survey undertaken by Council was in 2021 and it showed an improved level of satisfaction with Council with 77% of residents who responded at least “somewhat satisfied” with the performance of Council.
- The appointment of an administrator would be more likely to occur if Council failed to act on poor financial outcomes. Any administrator so appointed would have a priority of ensuring long term financial sustainability and compliance with government expectations.

Issue: Adoption of Morrison Low to assist with the preparation of financial analysis and request for a meeting.

Response:

- Morrison Low were appointed to ensure transparency in the process and to acquire the expertise necessary to produce the required level of analysis.
- The NCRGC is welcome to approach Morrison Low for a meeting at their cost.

Issue: Community meetings

Response:

- The first public meeting was held shortly after Council resolved to go to the community with the proposals. It was before the individual letters went out; however, the meeting was well publicised on social media – NCRGC’s preferred media platform, almost a week before the meeting. A further five (5) public meetings were held across the Shire, after the individual letters were sent out and those meetings were all well attended.
- All the Councillors except Cr Morris and Cr Payne attended at least one meeting. The Mayor and Deputy Mayor attended all meetings.
- At all of the meetings, the General Manager made it clear that submissions would be

considered by Council at the November meeting and also described the seriousness of the situation outlining the outcomes for the Council and the community if the application proceeded and if it did not.

Issue: Integrity

Response:

- The General Manager has a responsibility under the terms of his contract and the relevant legislation to ensure that Council is meeting its legal obligations including the principles outlined in Sec 8B of the LG Act 1993. Slide 13 of the presentation to the community meetings below lists the items to be funded by the SV if it proceeds.

The Special Variation will generate an additional \$2.3m and it will fund the following...

- Maintain existing service levels and fund depreciation
- Upgrade of the stormwater system in Narrandera \$300k
- Start to address the asset backlog \$960k
- Proceed with the technology and compliance upgrades \$240k
- Would become competitive in the labour market \$800k
- Could match grants for infrastructure renewal
- May capitalise on opportunities - Industrial lands, AAPA

Critically Council will have capacity to cope with the current challenges and take advantage of some of the future opportunities

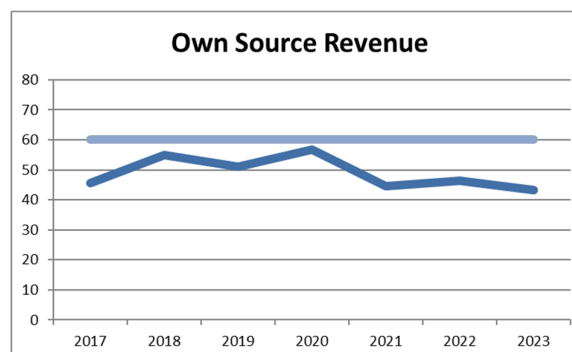
Narrandera
Shire Council

- The survey questionnaire is designed to assess the preference amongst respondents to the advertised options. There are several sections of the survey that allow “free form” entry which respondents could use to express other views, and many have taken that opportunity. A total of 50 surveys were submitted.
- Any member of the public concerned about the behaviour of the General Manager, or any other Council official can lodge a code of conduct complaint and have their concerns examined in full.

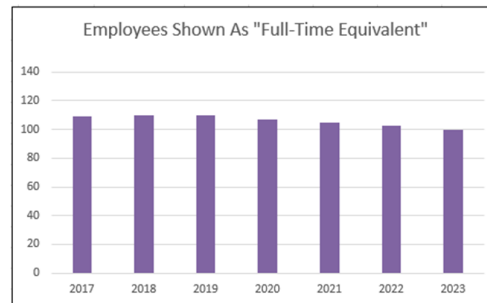
Issue: Financial Data

Response:

- In 2014 IPART assessed the Council as “NOT FIT” on the basis that it did not satisfy the scale and capacity and efficiency criteria. The “Fit for the Future” benchmarks have been replaced with performance measures which are published in the annual financial reports. NSC meets most of the benchmarks, but it has not met the “Own source Revenue” benchmark of 60% since 2015.



- The following table shows the numbers of employees expressed as “full time equivalent” over the period 2017 to date and the numbers are relatively stable.



- All employees except the General Manager are employed under the NSW Local Government State Award. During the period in question there have been annual increases in award rates and superannuation costs.
- The organisation structure as it presently exists, including the positions of two Deputy General Managers (DGMs), was first adopted in September 2014 and has been re-adopted by subsequent councils to the present time. The report of consultants Blackadder Associates which contained the recommended structure cited opportunities for a more strategic role for the DGMs and opportunities for middle managers to take an increased responsibility for service reviews and service delivery. There are many alternative structures throughout the industry and larger councils often have three or more “directors”.
- The number of management positions has been increased by two to cater for the increased role of Council in community transport and home and community care which are largely grant funded programs, and to elevate the role of Water and Wastewater Engineer to Manager.
- The General Manager’s comments in relation to staff turnover during the period to June 2023 advised that 24 staff had left the organisation, of which: seven had retired; two were casuals; two were trainees completing their traineeships; 11 had resigned citing more attractive salaries as the reason for leaving. The current average length of service in Council is 9.42 years. Staff surveys and exit interviews do not support the comment “toxic and mismanaged” environment.
- The Blackadder report also contains a section on the Council’s financial position and outlook. It refers to the Treasury Corporation classification of Council’s financial position as “sound with a negative outlook”. Blackadder goes on to discuss the practice of many councils in seeking a special rate variation from IPART.
- Inclusion of a component in the SV process to help correct the deficiencies in the current salary structure is designed to ensure some level of competitive strength in recruitment and retention when competing for scarce quality staff resources.
- Council policies in relation to COVID-19 were in accordance with NSW State Government advice at the time and required vaccination especially for highly exposed staff, which was entirely appropriate. Those policies no longer require such vaccination. I do note, however, that COVID-19 appears to be back on the rise.
- Councillors cited strong community demand in support of the local business for their decision on the Lake Talbot Water Park tender.

Issue: Grants and Consultants

Response:

- The general practice in Council is to apply to all relevant grant programs particularly when receipt of a grant would assist in addressing a failing community asset (Lake

Talbot Water Park), an economic opportunity (Red Hill Industrial Estate), an expansion of a community facility (water tower playgrounds and footpaths), or the continued development of the road system.

- In the past the difficulty has been in gaining grants not “grabbing” them. That difficulty is likely to increase. A list of projects and assets that are considered appropriate for inclusion in grant applications is regularly reviewed by Councillors.
- Council does use consultants and a report on their use is included in each quarterly budget review submitted to Council. The report includes the name of the consulting firm, the purpose of the consultancy and how much has been paid. It is available along with all Council meeting business papers on the council web site.

Issue: *SRV Proposal*

Response:

- The purpose of the SV has been included in the presentations and in the slide shows.
- The stormwater flooding in Narrandera was the subject of two community meetings held in February 2022 and May 2022 and the upgrade has strong community support. The SV includes an amount of \$300K earmarked to fund repayments of loans raised by Council to meet its share of the project cost. By way of an example, the guidelines for the Australian Government’s Disaster Ready Fund set up to assist communities recover from the 2022 flooding have been released. Council is preparing an expression of interest. The Australian Government requires a mandatory 50% co-contribution which may include 25% contributed by the State.
- The Council decision to choose the tender from MagiQ Software to supply and install the new EMS was based on several factors, one of which was price. During the demonstrations MagiQ performed strongly in all criteria and demonstrated the skills and abilities to be able to deliver a fully integrated system. A decision to go with Civica would have cost an additional \$800K (over five years) plus additional staff resources and would have resulted in a further 3% on the SV amount.

Issue: *Projects*

Response:

- Following the development of the current Community Strategic Plan and the Delivery program, both of which have involved extensive community consultation Theme 3: Our Economy includes the following strategy “Create strong conditions for investment and job creation through quality infrastructure and proactive business support”. This is one of the many things the community has asked Council to pursue.
- Included in the presentations is a list of opportunities that are on the agenda but are not included in the long-term financial plan upon which the SV proposal is based. They are recognised by Council as initiatives that offer great potential for this community. The establishment of an airline pilot training academy at the Narrandera airport would be subject to a development application and community consultation. It should be noted that the active promotion and development of the Narrandera-Leeton Airport is an action included in the Narrandera Shire 2022-26 Delivery Program (item 3.1.4) and has strong community support.
- Plans to deepen Lake Talbot have been developed in close consultation with the community by way of the Lake Talbot Environs Committee. This project remains in the planning phase with environmental approvals being sought and is estimated to cost around \$2M. Lake Talbot is a cornerstone recreational facility for Narrandera, the Shire and the region.
- Council has successfully sold all the land that it held in the Red Hill Industrial Estate

and planning of the next stage has commenced. Currently the estate accommodates seven businesses and employs dozens of local people. Two new major businesses are currently being established. The recent study on employment lands identified land to the west of the current estate as the preferred location for an expansion and applications for both State and Federal grants have been lodged. The estimate for the construction of the new estate is \$5M and under those grant programs Council would need matching funds of \$1M. The benefit to the community from this type of development is not in profit from land sales but in the ongoing employment of residents in jobs at businesses attracted to the area.

Summary: The submission lodged by the NCRGC objects to the proposed SV, is critical of the consultation process and questions the integrity of many involved. It contains several recommendations but no real financial analysis of the impact of those recommendations, nor does it include any positive initiatives for the future of Narrandera, the Shire or the Council.

A successful SV will enable the Council to continue with its positive agenda for the Shire.

Human Resources / Industrial Relations

Council employs 100 FTE staff, and that level has remained relatively constant over recent years. There are several relevant issues.

- The SV process has been very stressful for staff, Councillors, and indeed for the public.
- Unfortunately, some of the submissions and attendees at meetings have personalised comments relating to staff and Councillors and that is regrettable. Where specifics have been provided, issues have been investigated.
- Should the SV not proceed for whatever reason, the impact on staff will be felt as service reviews are undertaken and implemented.
- The likelihood of retaining our good quality staff at the current uncompetitive market rates is problematic.
- If the recommended SV is implemented, it will provide an additional \$800K for staff salaries. This represents an increase of approximately 8%.
- Several submissions have referred to the increase in salary costs that has occurred since 2017. Those increases have generally been a result of award increases but there has also been some increase driven by internal promotions and advancement.

RISKS

The risk posed by this process includes several aspects.

- Firstly, the Council could decide to not proceed with the application, or to proceed to apply for a lesser amount of an increase. Either outcome would require significant change to Council operations in the long-term as available funds fail to meet the ongoing expenses of Council. It would also mean, in all likelihood, that the stormwater project could not proceed, placing businesses, residences and Teloca House at risk of flooding in the future, and other opportunities would be lost. Long term risk would include failing asset conditions as renewals continue to fall behind.
- Secondly, the application could be unsuccessful and that would also require significant change to Council operations in the long-term as available funds fail to meet the ongoing expenses of Council. It would also mean, in all likelihood, that the stormwater project could not proceed, placing businesses, residences and Teloca House at risk of flooding in the future, and other opportunities would be lost.

- Thirdly, there is a risk that the successful implementation of the increase will cause hardship amongst a small number of residents. That risk has been discussed in full in the Capacity to Pay Report and can be mitigated using the hardship policy.

OPTIONS

1. **Not Recommended. No Special Variation application. If Council is considering not lodging an application for an SV the following resolution would be appropriate.**

That Council:

1. *Receives and notes the Community Consultation report and thanks the respondents for their submissions.*
2. *Not lodge an application for a Special Variation but instead:*
 - i. *Adopts the revised 2022-26 Delivery Program and LTFP with the Scenario one – Base case as the endorsed option.*
 - ii. *Recognises that the LTFP so adopted shows Council as sustaining continuing operating deficits from 2023 and entering negative unrestricted cash from 2025.*
 - iii. *Authorises the Mayor to call a special workshop to allow Councillors to identify priority areas for service reductions, increases in income from fees and charges, and savings from staff and contractor cuts.*
 - iv. *Requires the General Manager to develop a strategy to achieve net reductions in expenditure sufficient to remove the above deficits and achieve positive unrestricted cash incorporating the priorities established by Councillors and implementation of the Improvement Plan, and report back to Council in conjunction with budget development for 2024-25*
 - v. *Authorises the General Manager to advise the relevant unions of the review.*

2. **Recommended. Special Variation application introduced over one year of 41.5%. The following resolution would be appropriate.**

That Council:

1. *Receives and notes the Community Consultation Outcomes Report and thanks the respondents for their submissions.*
2. *Adopt the revised 2022-26 Delivery Program and Long-Term Financial Plan (LTFP) with the Scenario two – one-year Special Variation option – Long Term Sustainability.*
3. *Makes application(s) to the Independent Pricing and Regulatory Tribunal (IPART):*
 - i. *under section 508A of the Local Government Act 1993 for increases to the ordinary rate income of 41.5% 2024-25 (including the rate peg), with that increase to be a permanent increase retained within the rate base and:*
 - ii. *under section 548 of the Local Government Act 1993 for the Minimum ordinary rate for Residential Ordinary and Business Ordinary categories to be set at \$720.00 for 2024-25 (including the rate peg) and the minimum ordinary for Business Narrandera category to be set at \$810.00 for 2024-25 an increase of 41.5% (including the rate peg) with that increase to be a permanent increase retained within the rate base.*

4. *Includes the submissions received during the community engagement process relating to the proposed special variation and the Community Consultation Outcomes Report in the application to IPART.*
 5. *Recognises that the LTFP so adopted shows Council as sustaining continuing operating surpluses from 2024 and having positive cash flow from 2023.*
 6. *Recognises the impact of the proposed increase on the properties currently rated as “Farmland” and requires the General Manager to report to Council prior to 30 June 2025 on the appropriateness of the current balance of rates income between farmland, residential and business.*
 7. *Authorises the General Manager to implement the Improvement Plan adopted by Council in June 2023 and report to Council six monthly on the outcomes of that implementation.*
3. **Not recommended. Special Variation application introduced over two years of 48.1%. The following resolution would be appropriate.**

That Council:

1. *Receives and notes the Community Consultation report and thanks the respondents for their submissions.*
2. *Makes application(s) to the Independent Pricing and Regulatory Tribunal (IPART):*
 - i. *under section 508A of the Local Government Act 1993 for increases to the ordinary rate income of 25.5% 2024-25 (including the rate peg), and 18.0% 2025-26 (including the rate peg) representing a total cumulative increase of 48.1% over a two-year period, with those increases to be permanent increases retained within the rate base and:*
 - ii. *under section 548 of the Local Government Act 1993 for the Minimum ordinary rate for Residential Ordinary and Business Ordinary categories to be set at \$640.00 for 2024-25 (including the rate peg) and \$755.00 for 2025-26 (including the rate peg) and the minimum ordinary for Business Narrandera category to be set at \$715.00 for 2024-25 (including the rate peg) and \$845.00 for 2025-26 (including the rate peg) representing a cumulative increase of 48.1% (including the rate peg) with that increase to be a permanent increase retained within the rate base.*
3. *Includes the submissions received during the community engagement process relating to the proposed special variation and the Community Consultation Outcomes Report in the application to IPART.*
4. *Adopts the revised 2022-26 Delivery Program and LTFP with the Scenario two – Two-year Special Variation option – Long Term Sustainability.*
5. *Recognises that the LTFP so adopted shows Council as sustaining continuing operating surpluses from 2024 and having positive cash flow from 2023.*
6. *Recognises the impact of the proposed increase on the properties currently rated as “Farmland” and requires the General Manager to report to Council prior to 30 June 2025 on the appropriateness of the current balance of rates income.*
7. *Authorises the General Manager to implement the improvement plan as adopted by Council in June 2023 and to report to Council six monthly on outcomes of that implementation.*

CONCLUSION

Following detailed analysis of Council's long term financial sustainability Council resolved to seek community feedback on proposals for a Special Variation (SV) to general rates. The increase in rates is designed to enable Council to continue to provide quality services, to fund asset renewal and the upgrade of the Narrandera stormwater system.

All the landowners in the Shire have had the opportunity to examine these proposals, attend public consultation sessions and make submissions. Out of 3,611 ratepayers a total of 187 submissions have been received: 145 objections and 42 submissions that either supported an increase or were neutral.

The recommendation in this report is to proceed with an application to IPART for a permanent SV to be introduced in 2024-25 amounting to 45.1%, to continue to implement the improvement plan, and to conduct a review into the balance between Farmland, Residential and Business rate categories.

RECOMMENDATION

That Council:

1. Receives and notes the Community Consultation Outcomes Report and thanks the respondents for their submissions.
2. Adopts the revised 2022-26 Delivery Program and Long-Term Financial Plan (LTFP) with the Scenario two – one-year Special Variation option – Long Term Sustainability.
3. Makes application(s) to the Independent Pricing and Regulatory Tribunal (IPART):
 - iii. under section 508A of the Local Government Act 1993 for increases to the ordinary rate income of 41.5% 2024-25 (including the rate peg), with that increase to be a permanent increase retained within the rate base and:
 - iv. under section 548 of the Local Government Act 1993 for the Minimum ordinary rate for Residential Ordinary and Business Ordinary categories to be set at \$720.00 for 2024-25 (including the rate peg) and the minimum ordinary for Business Narrandera category to be set at \$810.00 for 2024-25 an increase of 41.5% (including the rate peg) with that increase to be a permanent increase retained within the rate base.
4. Includes the submissions received during the community engagement process relating to the proposed special variation and the Community Consultation Outcomes Report in the application to IPART.
5. Recognises that the LTFP so adopted shows Council as sustaining continuing operating surpluses from 2024 and having positive cash flow from 2023.
6. Recognises the impact of the proposed increase on the properties currently rated as "Farmland" and requires the General Manager to report to Council prior to 30 June 2025 on the appropriateness of the current balance of rates income between farmland, residential and business.

Authorises the General Manager to implement the Improvement Plan adopted by Council in June 2023 and report to Council six monthly on the outcomes of that implementation.