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|  | Special Variation Application Form Part B  Name of Council  Application Form  2023-2024 |
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| 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](https://www.ipart.nsw.gov.au/Home).  **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. |  |

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Council information

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| **Council name** | Snowy Monaro Regional Council |
| **Date submitted to IPART** | 02 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](https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/For-Councils/Apply-for-a-special-variation-or-minimum-rate-increase)
  + 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](https://www.ipart.nsw.gov.au/sites/default/files/documents/olg-guidelines-special-variation-2021-22_0.pdf) 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.

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| Special variation type | Section 508(2) | Section 508A |
| Permanent or Temporary | Permanent | Temporary |

1. 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 | Yes | No | No |
| Percentage increase (including the rate peg) | 12.25% | 10.75% | 10.75% | 10.75% | 10.75% |  |  |
| Cumulative percentage  increase over the SV period for s 508A (including the rate peg) | 12.25% | 24.32% | 37.68% | 52.48% | 68.87% |  |  |

**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.

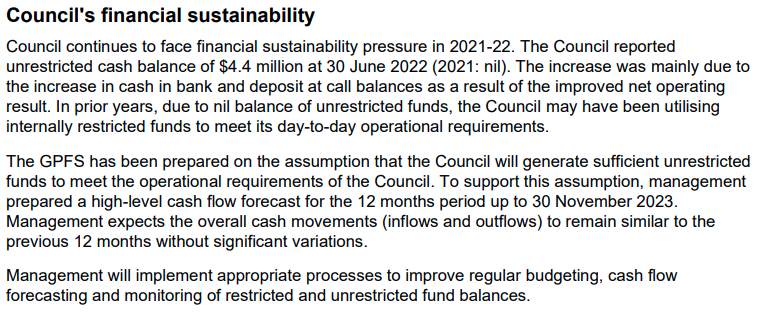
This section should also include an outline of the key steps undertaken in reaching a decision to make an application.

In May 2016, the Snowy Monaro Regional Council (SMRC or the Council) was formed through an amalgamation of the Bombala, Cooma-Monaro and Snowy River Shires. Like many rural and regional Councils, the three-predecessor councils reported various levels of deficit in the years preceding the 2016 merger. On average, the combined deficit in the final few years pre-2016 was of the order of $7million with the combined LTFP forecasting operating deficits of approximately $10million (as outlined in the KPMG Merger Business Case <https://www.ipart.nsw.gov.au/sites/default/files/cm9_documents/Attachment-2-KPMG-Merger-Business-Case.PDF>.

At the end of 2020-21 financial year audit report revealed a $24.8M operating deficit (excluding $9.7M in grants provided for capital purposes). The reported deficit has created a range of concerns in the community, in part due to mixed communications with the public, political issues associated with the November 2021 Council elections, and residual dissatisfaction with the 2016 amalgamations.

The NSW Audit Office issued an unmodified opinion on the 2020/21 General Purpose Financial Statements and Special Purpose Financial Statements. However, their report highlighted Council’s financial sustainability as a significant audit issue and observation.

In the published 2021/22 General Purpose Statements, the Audit General Report on the Conduct of the Audit for the year ended 30 June 2022 commented that:



While an initial motion was passed by Council to scope an audit, with an independent financial audit already underway it was deemed the scope of this work needs to be broader in order to accurately assess Council’s current and projected financial situation, build trust in the community, and ensure it has a transparent evidence base to make decisions in the best interests of the local community. As such, Council in September 2022 commissioned AEC Group Pty Ltd (AEC) to undertake an independent Financial Sustainability Review (FSR).

At the same time as engaging AEC to undertake the FSR, the Office of Local Government (OLG) notified Council of concerns that OLG had which warranted further assessment. The concerns included:

* financial ratios that do not meet industry benchmarks
* anomalies in the QBRS reporting for the current financial year
* the opinion of Council’s former Responsible Accounting Officer that Council’s financial situation was likely to be unsatisfactory as of 30 June 2022
* a high turnover in Responsible Accounting Officer within a 12-month period and
* complaints received by the OLG regarding Council’s financial performance and sustainability.

The independent FSR Report by AEC concluded based on AEC analysis that forecast operating position for SMRC will continue to generate deteriorating operating deficits – with an average annual deficit of $12.3million over the 10- year forecast if no intervention was made.

AEC made twenty-four recommendations to Council to address the financial sustainability concerns, grouped under the following headings:

* Improve generation of revenue – including submitting an application for a special rate variation
* Improve the availability of cash
* Improve investment in assets
* Enhance strategic service planning
* Enhance productivity and efficiency of services
* Invest in growth and economic development
* Enhance governance, prioritisation and decision-making.

In response to the FSR Report prepared by AEC, SMRC produced a revised Long Term Financial Plan, Asset Management Strategy and Workforce Management Plan to address the concerns and issues identified in the FSR Report, including consideration of scenarios that included and excluded a special variation.

At the Extraordinary Council Meeting on Thursday 24 November 2022, the Council decided to proceed with notifying the Independent Pricing and Regulatory Tribunal (IPART) that SMRC intends to apply for a permanent special rate variation.

The relevant IPR documents were made available for public exhibition and Council implemented the Community Engagement Plan which extended from 28 November 2022 – 22 January 2023.

Council was provided with the Community Engagement Report which outlined and summarised the engagement completed with the community and feedback that was provided from the community. A presentation on the Community Engagement Report was provided to Council on January 25th 2023.

At the Extraordinary Council Meeting on Monday 30th January 2023, the Council resolved to submit an Application to IPART for a 53% permanent increase in the general rate.

At Ordinary Council Meeting on Thursday 16th February 2023, the Council resolved to rescind Council resolution number 7/23, item 6.1.2 Application to Lodge a Special Rates Variation passed at the Council meeting held on 30 January 2023, and lodge and application to IPART for a 12.25% permanent increase in the general rate in 2023/24 and then 10.75% in each of the following four years.

The following Council Minute extracts outline the key resolutions made by Council:

**Extract from Extraordinary Council Meeting - 23 June 2022 – Minutes** – <https://www.snowymonaro.nsw.gov.au/files/assets/public/council/meetings/documents/2022/23-june-2022-extraordinary-council-meeting-confirmed-minutes.pdf>

Timeline

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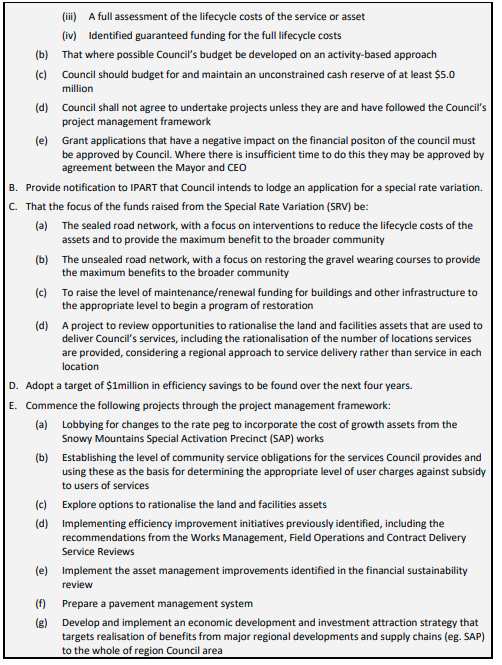
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**Extract from Extraordinary Council Meeting - 24 November 2022 – Minutes** – <https://www.snowymonaro.nsw.gov.au/files/assets/public/council/meetings/documents/2022/24-november-2022-extraordinary-council-meeting-confirmed-open-minutes.pdf>

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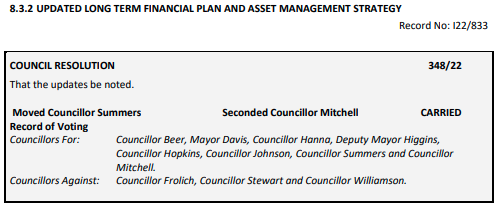


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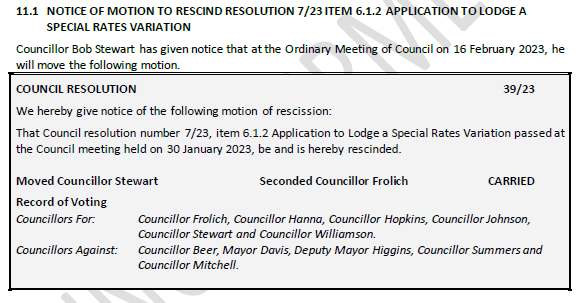
**Extract from Extraordinary Council Meeting – 30th January 2023 – Minutes** –

https://www.snowymonaro.nsw.gov.au/files/assets/public/council/meetings/documents/2023/30-january-2023-extraordinary-council-meeting-unconfirmed-open-minutes.pdf

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**Extract from Ordinary Council Meeting – 16th February 2023 – Minutes** –



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#### 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](https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/For-Councils/Apply-for-a-special-variation-or-minimum-rate-increase).

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? | No |
| 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**

|  |  |
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| Does the council propose to increase the minimum amount of a special rate above the statutory limit? | Choose an item. |
| 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.

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| 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:  a. When does the SV expire? | Click or tap here to enter text. |
| 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.

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| 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.

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| 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.

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| 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.

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| IPART approved a Special Variation for Snowy Monaro Regional Council (Council) allowing Council to increase its general income for Year 2022-23 by 2.3% under section 508(2) of the Act.  The condition set out in the SV instrument requires council to report on the following in its annual report for the Year 2022-23:   1. The Council’s actual revenues, expenses and operating results against the projected revenues, expenses and operating results specified in its Application; 2. Any significant differences between the Council’s actual revenues, expenses and operating results and the projected revenues, expenses and operating results in its Application and the reasons for those differences; and 3. The Additional Income raised by the additional special variation.   At the time of this application, the Year 2022-23 had not yet concluded and Council had not prepared its annual report. |

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](https://www.olg.nsw.gov.au/wp-content/uploads/Capital-Expenditure-Guidelines-2010.pdf) 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.

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| 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 Y*es*, 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.

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| 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:

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| 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

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| 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.

1. 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 | Council has adopted the revised and integrated LTFP, Asset Management Strategy and Workforce Management Strategy outlining the planned approach under three scenarios – permanent increase of 49% above rate peg in 2023/24, progressive increases over five years of 8.25% above the rate peg and rate peg increases only. Under each scenario the affordable capital works plan and asset maintenance is outlined in the Asset Management Strategy, clearly outlining the requirement for additional revenue to generate sufficient cash to address asset renewal and replacements.  The Asset Management Strategy outlines a comprehensive and systemic approach to improving the management of assets to ensure appropriate decisions are made in a timely manner to ensure future investments are necessary and implemented to optimise the cost of asset ownership.  The resourcing strategies have also been prepared in response to the findings and recommendations made by AEC in the attached Financial Sustainability Report. | Long Term Financial Plan  Asset Management Strategy  Workforce Management Strategy |
| In establishing need for the SV, the relevant IP&R documents should canvass alternatives to the rate rise. | As outlined in the AEC FSR report, as well as the KPMG Merger Business Case, the financial sustainability of SMRC is at risk due to historical operating deficits, with insufficient cash generated from operations to renew and replace assets as required (without reliance upon capital grant funding).  The alternative to a rate rise is outlined in Scenario Three in the LTFP and Asset Management Strategy, which includes a reduction in the current levels of service and likely future decisions not to renew or replace assets that are at end of life, or present an unacceptable risk due to condition and performance. | Scenario Three as outlined in the LTFP, Asset Management Strategy and Workforce Management Strategy. |
| In demonstrating this need councils must indicate the financial impact in their LTFP | Council has adopted the revised and integrated LTFP, Asset Management Strategy and Workforce Management Strategy outlining the planned approach under three scenarios – permanent increase of 53% in 2023/24 (including rate peg), progressive increases over five years of 8.25% above the rate peg and rate peg increases only. | Long Term Financial Plan  Asset Management Strategy  Workforce Management Strategy |
| 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. | Council has adopted the revised and integrated LTFP, Asset Management Strategy and Workforce Management Strategy outlining the planned approach under three scenarios – permanent increase of 53% above rate peg in 2023/24 (including rate peg), progressive increases over five years of 8.25% above the rate peg and rate peg increases only.  Community engagement regarding the financial sustainability of the Council was undertaken over a period of three (3) weeks between 19 October 2022 and 6 November 2022, through an on-line survey published on the Council’s website. See Appendix B: Community Engagement Report in the AEC FSR Report.  The vast majority of participants were in strong agreement for the Council to allocate additional financial resources to improve the condition of sealed (80%) and unsealed roads (79%). Lowest in agreement was allocating financial resources to improve council owned buildings (30%) and/or improve parks, gardens and recreational facilities (38%). About half were in agreement with allocating additional financial resources to improve the condition of bridges (53%) or improve water and sewerage services (51%). Interestingly, more than half (51%) were in agreement that they would be willing to pay higher rates if services (such as roads and community facilities) were improved. | Long Term Financial Plan  Asset Management Strategy  Workforce Management Strategy |
| Evidence could also include the analysis of the council’s financial sustainability conducted by Government agencies | Refer to the KPMG Merger Report which outlined a projected operating deficit of $8M across forward financial years following the proposed merger.  As identified above, the Office of Local Government (OLG) notified Council of concerns that OLG had which warranted further assessment. SMRC has provided a copy of the AEC FSR report and SMRC understands that OLG is observing the current process to apply for an SRV. |  |
| 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. | Not applicable. |  |

**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.

1. Table 3 Council’s financial sustainability

|  |  |  |
| --- | --- | --- |
| Item | Description | Reference to IP&R documents |
| Improve the councils underlying financial position for the general fund | The report from AEC that Council commissioned to better understand the historical, current and projected financial position has been considered in depth by the Council. The report has been the centre of much debate and discussion amongst the Councillors and between the Council and the community.  There is a very good understanding that the Council needs to generate sufficient cash from operations to address the demand for renewal and replacement of assets. The condition of the assets are in a deteriorated state, exposing the Council to significant risk. The Council must also seriously consider the impact that the Special Activity Precinct will have upon the financial performance and long term sustainability, including both threats and opportunities.  The key findings from the independent FSR report by AEC are:  • Prior to the merger of Bombala, Cooma-Monaro and Snowy River councils, all three councils were generating operating deficits. Cash balances generally increased year on year but included a significant level of restrictions. Investment in assets was limited to funding availability and appears to have been undertaken on a reactive rather than planned approach.  • Since the merger, the Council has generated operating deficits each year indicating that Council is not generating sufficient recurrent General Fund revenue to meet the recurrent operational expenditure, including depreciation. While there is significant variation from year to year, the report concludes that there is likely an underlying deficit (or otherwise referred to as a structural deficit) of approximately $4.5-$5.0 million at least based on current service levels and asset maintenance activity.  • Whilst the Council has historically produced significant operating deficits, cash balances held by the Council have generally increased, particularly since 2016/17. The report highlights that since 2016/17 the level of external restrictions within the total cash held increased year on year primarily due to uncompleted grant funded programs and projects, as well as uncompleted internal works. Developer contribution reserves have also increased during this period. Internal restrictions have been gradually deteriorated and there was nil or minimal unrestricted cash until 2021/22 - a balance of $4.5 million in cash is reported in the Draft Annual Financial Statements as unconstrained as at the end of the 2021/22 financial year.  • From the above observations it can be concluded that the growth in the balance of cash and cash equivalents is not due to free cash generated from operations, but rather due to unexpected grants received, accumulation of developer contributions and uncompleted works.  • Since 2016/17 Council has made significant investment in asset renewal, in some years exceeding the asset renewal benchmark. However, a large majority of the cash invested in renewals appears to be funded through external grants. Reliance upon grant funding is not a sustainable approach to funding asset renewals.  • Asset maintenance expenditure has continued to not meet the benchmark established by Council in the asset management plans.  • Based on benchmarking and surveys conducted with other NSW Office of Local Government Group 4 councils, the financial sustainability challenges being experienced by the Council are similar to those faced by similar councils.  • In comparison to the adopted Long Term Financial Plan, forecasts developed for the FSR project indicate a significantly deteriorated operating performance, constraining Council’s ability to generate sufficient cash to fund the cost-of-service delivery and the required investment in assets.  • A significant contributing factor to the projected deterioration of the operating result is increased depreciation costs and asset maintenance costs, including the impact of $170 million in contributed assets expected to be transferred to Council through the Snowy Mountains Special Activation Project (SAP).  • SAP provides significant opportunity for Council to benefit from the development through externally funded asset renewals and upgrades and increased revenue from rates, annual service charges and other revenue sources. Forecasts developed for this project include an increase in rates, charges and fees in expectation the development will increase operating revenue, although this will be significantly less than the anticipated increase in depreciation and the whole-of-life cost for the contributed assets.  • The renewal and upgrade of water and sewer assets in Jindabyne, as well as road works and precinct upgrades funded through the SAP by the NSW Government replaces funding that Council would have had to fund internally or sought borrowings to address the depleted assets.  • Based on forecast operating performance developed by AEC for the FSR, it is projected that, without significant intervention, the Council will continue to generate operating deficits over the next 10-year period, significantly deteriorating from 2023/24 to 2025/26 – being the period the SAP assets will be transferred to Council. The operating deficit over the 10-year forecast averages $12.3 million per year from 2023/24.  • Whilst historically the Water and Sewer Funds have generated surpluses the operating results of these funds are deteriorating. The increased maintenance and depreciation expenses associated with the SAP will contribute to the deteriorating position in the Sewer and Water Funds. | An outline on Councils understanding of the financial position is outlined in the AEC FSR Report, and outlined in Section 5 of the LTFP.  Scenario One and Two as outlined in the LTFP, Asset Management Strategy and the Workforce Management Strategy is considered as the required approach to addressing the financial sustainability concerns. Scenario Two carries a higher risk in the short term with less cash available to address backlog in asset renewals and to address risks that deteriorated assets present.  Scenario Three does not include an SRV and is a planned approach to maintain cash balances. Assets will continue to deteriorate under Scenario Three, increasing risk exposure and requires Council to reduce service levels. |
| **And / Or** |  |  |
| Fund specific programs of expenditure |  |  |
| *Other [please overwrite cell to add other item]* |  |  |
|  |  |  |

**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):

|  |
| --- |
| A key effect of the proposed SV will be to address a historical structure deficit within the General Fund, as indicated by a projected positive OPR by the 2031-32 financial year.  An increase in the cash generated by the General Fund through operations enables SMRC to invest in asset renewals, as indicated by the Building and Asset Renewal Ratio.  The infrastructure backlog ratio is significantly improved by a substantial capital works program planned for in 2022-23 and 2023-24 as Council addresses a significant proportion of the backlog using the constrained reserves (from past years grant funding received) and grants awarded to Council in the 2022-23 financial year. The SV will enable Council to maintain the backlog just below the target of 2%. It is not anticipated that the backlog will be extinguished, but maintained in a sustainable manner just below 2%. Where Council is successful in obtaining grant funding that is not included in the LTFP, the renewal ratio will be further improved.  The asset maintenance ratio is expected to return to 100% in the 2023-24 financial year with Council able to fund the planned maintenance schedules, including a significant program to grade the substantial unsealed road network. Council also plans to fund an adequate maintenance schedule for buildings and other structures.  The unrestricted cash ratio is expected to improve across the ten years. Council has accepted the AEC recommendation (and adopted in the LTFP for the five year rate peg + 8.25% SV Scenario) that a $5M balance of unconstrained cash should be maintained as a contingency for asset failures over the ten year period as Council improves asset management capability, including increasing the awareness of asset condition, risk, criticality etc. The contingency is considered necessary given a large number of assets considered to be a high risk, including aged wooden bridges and assets such as buildings, pools, drainage and fleet known to be in a poor condition, but at this stage without a considered assessment of the likelihood and consequence of failure (asset risk management) and the planned contingency to manage the asset failure.  Rates and annual charges ratio is anticipated to remain unchanged. |

In Table 5 please provide the councils key financial indicators.

1. 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 | -0.32% | -4.98% | -6.62% | -12.21% | -10.05% | -6.16% | -2.21% | -1.60% | -1.01% |
| Own source revenue ratio | 44.05% | 27.69% | 37.40% | 32.19% | 46.54% | 67.15% | 68.47% | 68.55% | 68.88% |
| Building and asset renewal ratio | 30.93 % | 391.51% | 284.24% | 135.27% | 94.22% | 78.37% | 85.11% | 97.60% | 96.52% |
| Infrastructure backlog ratio | 4.04% | 3.12% | 2.36% | 1.78% | 1.71% | 1.98% | 1.92% | 1.68% | 1.66% |
| Asset maintenance ratio | 66.27% | 66.27% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Debt service ratio | 0.36% | 0.05% | 0.04% | 0.72% | 0.67% | 0.63% | 0.59% | 0.57% | 0.55% |
| Unrestricted current ratio | 1.72 | 1.16 | 1.19 | 1.15 | 1.21 | 1.29 | 1.37 | 1.40 | 1.50 |
| Rates and annual charges ratio | 8.55% | 8.55% | 8.55% | 8.55% | 8.55% | 8.55% | 8.55% | 8.55% | 8.55% |

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.

1. 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. | Council has engaged extensively through the Financial Sustainability Review and the SRV Application, using broad and various engagement methods to ensure every resident and ratepayer has the opportunity to be informed and to engage in the consultation methods.  The feedback provided by the community to the engagement is outlined in the attached Community Engagement Report  Engagement methods, as outlined in the attached Community Engagement Plan, included:   * Mayor’s letter to all ratepayers * Council website – Have your Say website * Invitation to submit written submissions * Fact Sheets * Online survey (Have Your Say website) * Hard copy version of the surveys available * Pop-Up Sessions across numerous townships (8th – 9th December 2022) * Online community consultation session (including Q&A opportunity) – 10th and 18th January 2023 * Social media posts * Media releases * Printed promotional material * eNewsletter | * Community Engagement Plan * Community Engagement Report * Council website – Have your Say website * Invitation to submit written submissions * Fact Sheets * Online survey (Have Your Say website) * Hard copy version of the surveys available * Pop-Up Sessions across numerous townships (8th – 9th December 2022) * Online community consultation session (including Q&A opportunity) – 10th and 18th January 2023 * Social media posts * Media releases * Printed promotional material * Mayor’s letter to ratepayers * eNewsletter |
| 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. | Council has outlined clearly the rate rise under the SV through several different avenues, including:   * Have your Say website * Fact Sheets * Council Reports | * Fact Sheet * Have your Say website |
| 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. | See above tables that shows the impact in total increase in dollar terms for the average ratepayer by rating category. This information was communicated on Council’s website and the fact sheets. |  |
| The council’s community engagement strategy for the SV must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occur. | See Community Engagement Plan and Community Engagement Report | Community Engagement Plan  Community Engagement Report |
| Explain the action, if any, the council took in response to feedback from the community | Council was provided with the Community Engagement Report, with a presentation of the report and a facilitated discussion in a workshop regarding the feedback received from the community.  The feedback from the community was a key point of debate by the Council in making the resolution to proceed with the Application to IPART. | Community Engagement Report |

**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.

|  |
| --- |
| Outlined in the attached Community Engagement Report. |

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.

|  |
| --- |
| Members of the community made presentations during the public forum at both the 24 November 2022 and 30 January 2023 extraordinary meetings. |

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.

1. Table 5 Other criterion 2 attachments

|  |  |  |
| --- | --- | --- |
| Attachment number | Name of document | Page  referencesa |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |

* 1. 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.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| |  |  |  |  |  | | --- | --- | --- | --- | --- | | **Rating Category** | **2023-24 average rate with SV** | **2023-24 average rate without SV** | **Difference ($)** | **Difference (%)** | | Residential | $1,144.66 | $1,060.32 | $84.34 | 7.95% | | Farmland | $2,263.85 | $2,097.47 | $166.39 | 7.93% | | Business | $1,013.58 | $932.51 | $81.07 | 8.69% | | Electricity Generation | $28,141.41 | $26,073.11 | $2,068.30 | 7.93% |   In considering the recommendation to apply for the SV, and reasonableness of the SV, the Council was provided with the following summary of the impact of the SV on ratepayers, including impact on the minimum, first quartile, median third quartile maximum, mean (average) and mode for each rate category (note, there is a slight difference to above average due to difference in calculation methodology.  Council considered that the most vulnerable to the SV is likely to be represented by the First Quartile. The impact of the SV on the First Quartile for residential assessments is expected to be $60 a year. The impact of the SV on the First Quartile for business assessments is expected to be $53 a year, and for farmland assessments in the First Quartile it is expected to be $92 a year.  While acknowledging the annual and cumulative increase is significant, in considering the reasonableness of the impact on ratepayers, a majority of the Councillors voted in favour for applying for the 8.25% increase above rate peg for the five years beginning 2023/24.   |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | | **Residential** |  |  |  |  |  |  |  | |  | **Minimum** | **First Quartile** | **Median** | **Third Quartile** | **Maximum** | **Mean** | **Mode** | | Valuation | $130 | $68,700 | $96,657 | $193,025 | $2,150,000 | $144,022 | $84,400 | | 2022-23 Rate | $486.35 | $721.82 | $817.82 | $1,148.75 | $7,869.02 | $980.47 | $775.73 | | 2023-24 Rate without SRV | $505.80 | $750.69 | $850.53 | $1,194.70 | $8,183.78 | $1,019.69 | $806.76 | | 2023-24 increase ($) | $19.45 | $28.87 | $32.71 | $45.95 | $314.76 | $39.22 | $31.03 | | 2023-24 increase (%) | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | | 2023-24 Rate with SRV | $545.92 | $810.24 | $918.00 | $1,289.47 | $8,832.98 | $1,100.58 | $870.76 | | Difference due to SRV ($) | $40.12 | $59.55 | $67.47 | $94.77 | $649.19 | $80.89 | $64.00 | | Difference due to SRV (%) | 7.9% | 7.9% | 7.9% | 7.9% | 7.9% | 7.9% | 7.9% | |  |  |  |  |  |  |  |  | | **Farmland** |  |  |  |  |  |  |  | |  | **Minimum** | **First Quartile** | **Median** | **Third Quartile** | **Maximum** | **Mean** | **Mode** | | Valuation | $270 | $183,250 | $306,000 | $515,750 | $14,000,000 | $449,819 | $170,000 | | 2022-23 Rate | $486.83 | $1,115.18 | $1,536.71 | $2,256.99 | $48,562.04 | $2,030.58 | $1,069.68 | | 2023-24 Rate without SRV | $506.30 | $1,159.79 | $1,598.18 | $2,347.27 | $50,504.52 | $2,111.81 | $1,112.47 | | 2023-24 increase ($) | $19.47 | $44.61 | $61.47 | $90.28 | $1,942.48 | $81.22 | $42.79 | | 2023-24 increase (%) | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | | 2023-24 Rate with SRV | $546.46 | $1,251.79 | $1,724.95 | $2,533.47 | $54,510.89 | $2,279.33 | $1,200.72 | | Difference due to SRV ($) | $40.16 | $92.00 | $126.78 | $186.20 | $4,006.37 | $167.52 | $88.25 | | Difference due to SRV (%) | 7.9% | 7.9% | 7.9% | 7.9% | 7.9% | 7.9% | 7.9% | |  |  |  |  |  |  |  |  | | **Business** |  |  |  |  |  |  |  | |  | **Minimum** | **First Quartile** | **Median** | **Third Quartile** | **Maximum** | **Mean** | **Mode** | | Valuation | $100 | $44,605 | $103,000 | $215,250 | $1,960,000 | $170,467 | $19,698 | | 2022-23 Rate | $486.24 | $639.07 | $839.60 | $1,225.07 | $7,216.56 | $1,071.29 | $553.54 | | 2023-24 Rate without SRV | $505.69 | $664.64 | $873.19 | $1,274.07 | $7,505.22 | $1,114.14 | $575.68 | | 2023-24 increase ($) | $19.45 | $25.56 | $33.58 | $49.00 | $288.66 | $42.85 | $22.14 | | 2023-24 increase (%) | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | | 2023-24 Rate with SRV | $545.81 | $717.36 | $942.45 | $1,375.14 | $8,100.59 | $1,202.52 | $621.35 | | Difference due to SRV ($) | $40.12 | $52.72 | $69.27 | $101.07 | $595.37 | $88.38 | $45.67 | | Difference due to SRV (%) | 7.9% | 7.9% | 7.9% | 7.9% | 7.9% | 7.9% | 7.9% | |  |  |  |  |  |  |  |  | | **Electricity Generators** |  |  |  |  |  |  |  | |  | **Minimum** | **First Quartile** | **Median** | **Third Quartile** | **Maximum** | **Mean** | **Mode** | | Valuation | $2,240 | $7,260 | $42,950 | $555,500 | $42,600,000 | $4,961,127 | $7,260 | | 2022-23 Rate | $1,234.03 | $1,277.13 | $1,583.53 | $5,983.78 | $366,936.65 | $43,806.17 | $1,277.13 | | 2023-24 Rate without SRV | $1,283.39 | $1,328.21 | $1,646.87 | $6,223.13 | $381,614.12 | $45,558.42 | $1,328.21 | | 2023-24 increase ($) | $49.36 | $51.09 | $63.34 | $239.35 | $14,677.47 | $1,752.25 | $51.09 | | 2023-24 increase (%) | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | | 2023-24 Rate with SRV | $1,385.20 | $1,433.58 | $1,777.51 | $6,716.79 | $411,886.39 | $49,172.43 | $1,433.58 | | Difference due to SRV ($) | $101.81 | $105.36 | $130.64 | $493.66 | $30,272.27 | $3,614.01 | $105.36 | | Difference due to SRV (%) | 7.9% | 7.9% | 7.9% | 7.9% | 7.9% | 7.9% | 7.9% |   Since the above information was considered by Councillors, new land valuations have been provided by the Valuer General. The summary below summarises the combined impact of the SV and new land valuations.   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | **Rating Category** | **2022-23 average rate** | **4% rate peg** | **SRV increase** | **Land valuation impact** | **2023-24 average rate** | | Residential | $979.35 | $39.17 | $119.97 | $6.17 | $1,144.66 | | Farmland | $2,025.24 | $81.01 | $248.09 | -$90.49 | $2,263.85 | | Business | $1,071.97 | $42.88 | $131.32 | -$232.59 | $1,013.58 | | Electricity Generation | $43,806.17 | $1,752.25 | $5,366.26 | -$22,783.27 | $28,141.41 |  |  |  |  |  |  | | --- | --- | --- | --- | --- | | **Rating Category** | **4% rate peg** | **SRV increase** | **Land valuation impact** | **2023-24 average rate** | | Residential | 4.00% | 12.25% | 0.63% | 16.88% | | Farmland | 4.00% | 12.25% | -4.47% | 11.78% | | Business | 4.00% | 12.25% | -21.70% | -5.45% | | Electricity Generation | 4.00% | 12.25% | -52.01% | -35.76% |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | **Residential** | 40244485 | 40216368 | 40230815 | 40219487 | 40540361 | $376,282 | |  | **Minimum** | **First Quartile** | **Median** | **Third Quartile** | **Maximum** | **Mean** | | Valuation | $130 | $68,500 | $96,400 | $193,000 | $2,150,000 | $143,684 | | 2022-23 Rate | $486.35 | $721.13 | $816.94 | $1,148.66 | $7,869.02 | $979.31 | | 2023-24 Rate without SRV | $460.73 | $731.52 | $717.16 | $921.34 | $6,442.04 | $1,060.56 | | 2023-24 increase ($) | -$25.61 | $10.39 | -$99.77 | -$227.32 | -$1,426.98 | $81.25 | | 2023-24 increase (%) | -5.3% | 1.4% | -12.2% | -19.8% | -18.1% | 8.3% | | 2023-24 Rate with SRV | $497.28 | $789.55 | $774.05 | $994.43 | $6,953.07 | $1,144.70 | | Difference due to SRV ($) | $36.55 | $58.03 | $56.89 | $73.09 | $511.03 | $84.13 | | Difference due to SRV (%) | 7.5% | 8.0% | 7.0% | 6.4% | 6.5% | 8.6% | |  |  |  |  |  |  |  | |  |  |  |  |  |  |  | | **Farmland** | 40261935 | 40504722 | 40007437 | 40245128 | 40586265 | $1,026,329 | |  | **Minimum** | **First Quartile** | **Median** | **Third Quartile** | **Maximum** | **Mean** | | Valuation | $270 | $183,000 | $306,000 | $515,250 | $14,000,000 | $448,262 | | 2022-23 Rate | $486.83 | $1,114.32 | $1,536.71 | $2,254.42 | $48,562.04 | $2,025.24 | | 2023-24 Rate without SRV | $462.14 | $1,058.52 | $1,584.91 | $1,568.96 | $40,338.31 | $2,097.47 | | 2023-24 increase ($) | -$24.69 | -$55.80 | $48.20 | -$685.46 | -$8,223.73 | $72.23 | | 2023-24 increase (%) | -5.1% | -5.0% | 3.1% | -30.4% | -16.9% | 3.6% | | 2023-24 Rate with SRV | $498.80 | $1,142.49 | $1,710.63 | $1,693.42 | $43,538.23 | $2,263.85 | | Difference due to SRV ($) | $36.66 | $83.97 | $125.73 | $124.46 | $3,199.91 | $166.39 | | Difference due to SRV (%) | 7.5% | 7.5% | 8.2% | 5.5% | 6.6% | 8.2% | |  |  |  |  |  |  |  | | **Business** | 41004300 | 40501330 | 40014789 | 40236556 | 40248205 | $299,617 | |  | **Minimum** | **First Quartile** | **Median** | **Third Quartile** | **Maximum** | **Mean** | | Valuation | $100 | $44,290 | $103,000 | $214,500 | $1,960,000 | $170,147 | | 2022-23 Rate | $486.24 | $637.96 | $839.60 | $1,217.34 | $7,216.56 | $1,070.19 | | 2023-24 Rate without SRV | $460.67 | $476.19 | $854.34 | $951.65 | $5,150.00 | $938.28 | | 2023-24 increase ($) | -$25.57 | -$161.77 | $14.74 | -$265.70 | -$2,066.56 | -$131.91 | | 2023-24 increase (%) | -5.3% | -25.4% | 1.8% | -21.8% | -28.6% | -12.3% | | 2023-24 Rate with SRV | $497.21 | $513.96 | $922.12 | $1,027.14 | $5,558.53 | $1,012.71 | | Difference due to SRV ($) | $36.54 | $37.77 | $67.77 | $75.49 | $408.53 | $74.43 | | Difference due to SRV (%) | 7.5% | 5.9% | 8.1% | 6.2% | 5.7% | 7.0% | |  |  |  |  |  |  |  | | **Electricity Generators** | | 40510935 | 40567729 | 40545006 | 40507014 | 40538035 | $6,249,626 | |  | **Minimum** | **First Quartile** | **Median** | **Third Quartile** | **Maximum** | **Mean** |  | | Valuation | $2,240 | $7,260 | $42,950 | $555,500 | $42,600,000 | $4,961,127 |  | | 2022-23 Rate | $1,234.03 | $1,277.13 | $1,516.13 | $6,357.23 | $366,936.65 | $43,806.17 |  | | 2023-24 Rate without SRV | $1,173.37 | $1,187.04 | $1,325.54 | $4,133.75 | $213,301.64 | $26,073.11 |  | | 2023-24 increase ($) | -$60.66 | -$90.08 | -$190.59 | -$2,223.48 | -$153,635.02 | -$17,733.06 |  | | 2023-24 increase (%) | -4.9% | -7.1% | -12.6% | -35.0% | -41.9% | -40.5% |  | | 2023-24 Rate with SRV | $1,266.44 | $1,281.21 | $1,430.69 | $4,461.66 | $230,222.20 | $28,141.41 |  | | Difference due to SRV ($) | $93.08 | $94.16 | $105.15 | $327.92 | $16,920.56 | $2,068.30 |  | | Difference due to SRV (%) | 7.5% | 7.4% | 6.9% | 5.2% | 4.6% | 4.7% |  | |

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 proposes to apply the SV uniformly across the current rating differential categories. Council does not use minimum rates.  When benchmarked against all 25 NSW Group 4 councils, SMRC has the third lowest residential rates, the ninth lowest farmland rates, and the third lowest business rates within the Group (OLG Time Series Data 2020/2021). After introducing the SV, and acknowledging that other Group 4 Councils have also expressed interest in applying for an SV, it is anticipated that SMRC average rates will be in the third Quartile of the Group 4 councils, remaining consistent with other similar councils and significantly less than the highest average rates for Group 4 councils.  The tables below compare 2020/2021 average rates across Group Councils clearly indicating the current rates for SMRC are amongst the lowest in the Group 4.        By contrast, within the Group 4, SMRC ranked fifth highest in the Index of Economic Resources (ABS Socio-Economic Indexes for Areas 2016).  Based on the Index of Relative Socio-economic Advantage and Disadvantage (IRSAD) the Snowy Monaro community ranks better than 68.5% of other NSW Councils.  In considering that current average rates for residential, farmland and business categories is amongst the lowest of the Group 4 Councils and the SEIFA rankings suggest there is capacity amongst the community to raise rates, a majority of the Councillors support the SV application to increase rates permanently by 12.25% in 2023/24 and 10.75% each year for the following four years. |

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 has not proposed any new measures to reduce the impact of the proposed SV as the existing Financial Hardship and Assistance Policy provides ratepayers experiencing financial hardship with the ability to apply for an extension to pay outstanding amounts by periodical payments. |
| 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.  The Financial Hardship and Assistance Policy is not referenced in council’s IP&R documents, however the community was made aware of the policy in the FAQs published on council’s Special Rate Variation webpage. |

1. Table 6 Criterion 3 attachments

|  |  |  |
| --- | --- | --- |
| Council- assigned number | Name of document | Page  referencesa |
| 250.2019.512.1 | Financial Hardship and Assistance Policy |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |

* 1. 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.

1. 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 |
| **The Delivery program and LTFP should:** |  |  |
| Clearly show the impact of any rises upon the community | The LTFP compares and contrasts the scenarios, including the increased revenue proposed to be received from a stage 5 year permanent increase in the rates (Yr1 12.25% inc rate peg, Yr2-5 10.75% inc rate peg) | Long Term Financial Plan |
| Include the council’s consideration of the community’s capacity and willingness to pay rates | Council’s LTFP explains how the Snowy Monaro LGA ranks across the four Socio-Economic Indexes for Areas (SEIFA). The indexes indicate that Snowy Monaro LGA has a relative lack of disadvantage, is an area of advantage rather than disadvantage, is an area with good access to economic resources, and is an area with a higher education and occupation status. | Long Term Financial Plan, section 3.3, pp 12-13. |
| Establish that the proposed rate increases are affordable, having regard to the community’s capacity to pay |  |  |

**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](https://www.olg.nsw.gov.au/wp-content/uploads/2021/11/IPR-Guidelines-2021.pdf) and the [*Integrated Planning and Reporting Handbook for Local Councils in NSW*](https://www.olg.nsw.gov.au/wp-content/uploads/2021/11/Integrated-Planning-Reporting-Handbook-for-Local-Councils-in-NSW.pdf).

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.

|  |
| --- |
| Following the completion of the Financial Sustainability Review, completed by AEC Group, Council prepared a revised integrated versions of the LTFP, Asset Management Strategy and Workshop Management Strategy. All three documents are integrated and include three scenarios – Scenario 1 and permanent SV increase in rates of 53%, Scenario 2 a staged introduction of SV over 5 years, and Scenario 3 that outlines an approach if no SV was approved.  The revised Resourcing Strategy plans were exhibited from 28 November 2022 – 22 January 2023 on Council’s Have Your Say website. |

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.

1. Table 8 IP&R documents

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Document | Exhibition dates | Adoption date | Placed on council’s website | Web link |
| Community strategic plan | 21 March 2022 – 18 April 2022 | 16th June 2022 | Yes | <https://www.snowymonaro.nsw.gov.au/Council/Integrated-Planning-and-Reporting> |
| Delivery Program | 9 May 2022 – 6 June 2022 | 23rd June 2022 | Yes | <https://www.snowymonaro.nsw.gov.au/Council/Integrated-Planning-and-Reporting> |
| Long Term Financial Plan | 28 November 2022 – 22 January 2023 | 30th January 2023 | Yes | <https://www.snowymonaro.nsw.gov.au/Council/Integrated-Planning-and-Reporting> |
| Asset Management Strategy / Plan(s) | 28 November 2022 – 22 January 2023 | 30th January 2023 | Yes | <https://www.snowymonaro.nsw.gov.au/Council/Integrated-Planning-and-Reporting> |
| Operational Plan | 9 May 2022 – 6 June 2022 | 23rd June 2022 | Yes | <https://www.snowymonaro.nsw.gov.au/Council/Integrated-Planning-and-Reporting> |
| Workforce Management Strategy | 28 November 2022 – 22 January 2023 | 30th January 2023 | Yes | <https://www.snowymonaro.nsw.gov.au/Council/Integrated-Planning-and-Reporting> |
| Other |  |  |  |  |
| Other |  |  |  |  |
| Other |  |  |  |  |
| 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.

|  |
| --- |
| Responses from the community during the engagement was seeking more information from Council in regard to the additional works that will be undertaken by Council with the additional revenue received through the SV – this is outlined in the attached Community Engagement Report.  Within the Asset Management Strategy Council has summarised the different maintenance and capital works approaches under the three scenarios which was used to respond to community members and Councillors seeking information about works programs under the three scenarios.  The Community Engagement Report outlines other feedback provided to Council throughout the exhibition period. |

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.

|  |
| --- |
| Since the beginning of the merged Council in 2016, SMRC has implemented initiatives to improve the operating position, through reduction in operating costs and increase in productivity. The following initiatives were identified by AEC through the Financial Sustainability Review:  • Organisational Review – delivered an estimated savings in management levels of $0.7 million which was reinvested in funding required operational positions.  • Review of Residential Aged Care – recommended divestment by Council in the provision of Residential Aged Care, realising an improvement to the annual operating position of Council of at least $0.75 million. Council has implemented the actions and currently progressing through a Due Diligence process with the selected tenderer.  • Governance Service Review – recommended improvements in compliance and operational savings in the established positions of $0.7 million.  • Works Management, Field Operations and Contract Delivery Service Review – recommended significant improvements to the planning, coordination and delivery of predominantly external works, with a total estimated efficiency savings of approximately $0.3 million – although AEC’s view is that there would be substantially more efficiency savings than $0.3 million likely across operations and capital delivery through implementing the recommended actions.  Council has accepted and implementing the recommendations provided by AEC to address the long term financial sustainability of the Council – see attached AEC Financial Sustainability Report. |

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.  Since the beginning of the merged Council in 2016, SMRC has implemented initiatives to improve the operating position, through reduction in operating costs and increase in productivity. The following initiatives were identified by AEC through the Financial Sustainability Review:  • Organisational Review – delivered an estimated savings in management levels of $0.7 million which was reinvested in funding required operational positions.  • Review of Residential Aged Care – recommended divestment by Council in the provision of Residential Aged Care, realising an improvement to the annual operating position of Council of at least $0.75 million. Council has implemented the actions and currently progressing through a Due Diligence process with the selected tenderer.  • Governance Service Review – recommended improvements in compliance and operational savings in the established positions of $0.7 million.  • Works Management, Field Operations and Contract Delivery Service Review – recommended significant improvements to the planning, coordination and delivery of predominantly external works, with a total estimated efficiency savings of approximately $0.3 million – although AEC’s view is that there would be substantially more efficiency savings than $0.3 million likely across operations and capital delivery through implementing the recommended actions.  Council has accepted and implementing the recommendations provided by AEC to address the long term financial sustainability of the Council – see attached AEC Financial Sustainability Report. |
| b. Outline the outcomes which have been achieved.  Please see below detailed list of the outcomes achieved through efficiency and productivity improvements. |
| c. Where possible, quantify the gains these past initiatives have realised.   |  |  |  | | --- | --- | --- | | **Improvement / strategy** | **Saving** | **% of opex** | | Reductions of staff levels by 12 positions (5% of fulltime equivalent staff) saving | $1,300,000 | 1.47% | | Defer building maintenance cutting | $705,000 | 0.80% | | Reduced road maintenance expenses | $560,000 | 0.63% | | Reduced legal costs provision | $140,000 | 0.16% | | Reduced leasing costs | $207,000 | 0.23% | | Reduced spend on biosecurity | $200,000 | 0.23% | | Reduced donations levels | $78,000 | 0.09% | | Reduced costs of aged care provision | $35,000 | 0.04% | | Other changes made: |  |  | | Extend changeover period of vehicles to reflect extended warranties, saving | 1.5million over ten years | | | Management staffing restructure, removing 13 positions saving | $700,000 | 0.79% | | Reduce Governance Team staff by one (25% of team) following service review, saving | $75,000 | 0.09% | | Negotiate new photocopier leasing arrangements, saving | $50,000 | 0.06% | | Review of software licensing for unused or low utilised programs, saving | $22,700 | 0.03% | | Stop art acquisition program, saving | $15,000 | 0.02% | | Seven councillors moving from paper based to electronic business papers, saving | $10,250 | 0.01% | | Remove funding for implementation of social plan actions, | $10,000 | 0.01% | | Moving to online billing, savings approximately | $6,000 | 0.01% | | Converting buildings to solar, saving approximately | $6,000 | 0.01% | | Close Adaminaby Road works depot, saving approximately | $6,000 | 0.01% | | Change from using consultants for Council DAs to resource sharing, saving | $5,300 | 0.01% | | Move light fleet vehicles to hybrid where possible, reducing fuel costs by around 28% |  |  | | Move to new employee assistance program, reducing costs by 40% |  |  | |

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.  At its 24 November 2022 Extraordinary Council Meeting, Council discussed the recommendations of the Financial Sustainability Review and resolved as follows: |
| b. Estimate their financial impact.  The financial impact of the above AEC recommendations accepted by Council extends beyond an estimation of financial impact and includes establishing governance, planning and decision making frameworks to ensure Council corrects the historical structural deficit, prevents future decisions that would deteriorate the financial position and encourage future investments to grow and develop a more sustainable revenue base for the future.  As outlined above, Council has accepted the recommendation to establish a productivity and efficiency target of $1.0 million to be achieved through implementing the strategies outlined in the Financial Sustainability Report under the focus area of Enhanced Productivity and Efficiency of Services.  Continuing the divestment of the aged care facilities is anticipated to produce an annual improvement to the operating position of at least $0.750M. |
| c. Indicate whether these have been incorporated in the council’s Long Term Financial Plan.  Aged care divestment has been incorporated in the LTFP.  An efficiency savings target of $1m has also been included in the LTFP. |

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.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2020-21 OLG time series data  In 2020-21, Snowy Monaro Regional Council ranked in the bottom 44% of Group 4 Councils based on number of full time equivalent employees.  Snowy Monaro Regional Council reduced the number of full time equivalent employees to 339 in 2020-21, below the group 4 average.   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | **Measure** | **2017-18** | **2018-19** | **2019-20** | **2020-21** | **2021-22** | | Number of full-time employees (FTE) | 340 | 360 | 369 | 339 | 325 | | Ratio of FTE to population | 61 | 58 | 56 | 62 | 67 | | Average cost per FTE | $80,841 | $85,922 | $91,157 | $98,599 | $102,098 | | Employee and on-costs as percentage of ordinary expenditure | 37.9% | 39.1% | 40.8% | 34.1% | 37.6% | | Consultancy/contractor expenses over time | $10,451,000 | $11,898,000 | $12,638,000 | $15,256,000 | $20,315,000 | |
| It should be noted above, in particular reference to consultancy/contractor expense, that the 2020-21 and 2021-22 included contractors engaged to complete the flood restoration works, hence the increase in 2020-21 and 2021-22. |

1. Table 9 Criterion 5 attachments

|  |  |  |
| --- | --- | --- |
| Council- assigned number | Name of document | Page  referencesa |
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* 1. 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.

|  |
| --- |
| Click here to enter text. |

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).

|  |
| --- |
| During the community consultation Council has provided the following undertakings to the community:   * the revenue raised by the SV, and associated expenditure, will be separately reported in Council’s Annual Report. * Council will not reduce its existing expenditure on its primary services.   Council is also considering using signs such as “this road is being upgraded using funds from the special variation”. |

1. Table 10 Criterion 6 attachments

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| --- | --- | --- |
| Council- assigned number | Name of document | Page  referencesa |
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* 1. 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:** | Snowy Monaro Regional Council |

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

|  |  |
| --- | --- |
| **General Manager (name):** | Peter Bascomb |
| **Signature and Date:** |  |
| **Responsible Accounting Officer (name):** | Tracy Sligar |
| **Signature and Date:** |  |

**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 |  |
| General Manager contact email | Peter Bascomb M: 0419 \*\*\*\*\*\*\*\*  [\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*@snowymonaro.nsw.gov.au](mailto:**********************@snowymonaro.nsw.gov.au) |

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

#### Primary council contact

|  |  |
| --- | --- |
| Council contact phone |  |
| Council contact email | Tracy Sligar (02) 6451 \*\*\*\*\*\*\*  [\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*@snowymonaro.nsw.gov.au](mailto:Tracy.Sligar@snowymonaro.nsw.gov.au)> |
| Council email for inquiries about the SV application |  |

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

#### Secondary council contact

|  |  |
| --- | --- |
| Council contact phone |  |
| Council contact email | David Rawlings (02) 6451 \*\*\*\*\*\*\*\*\*  [\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*@snowymonaro.nsw.gov.au](mailto:******************@snowymonaro.nsw.gov.au) |
| Council email for inquiries about the SV application |  |

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.

1. List of attachments to the council’s application

| Council- assigned  number | Name of attachment | Is the document included in the application as submitted? |
| --- | --- | --- |
|  | Mandatory forms/attachments |  |
| 1 | Application Form Part A (Excel spreadsheet) |  |
| 2 | Application Form Part B (this Word document) |  |
|  | Council resolution to apply for the for the minimum rate increase variation |  |
| 3 | Certification |  |
|  | If applicable for Description and Context Question 4 |  |
|  | Instrument for expiring special variation |  |
|  | OLG advice confirming calculation of amount to be removed from the council’s general income |  |
|  | If applicable for Description and Context Questions 5 and 6 |  |
|  | Declaration of compliance with conditions in past instruments (if applicable) |  |
| 4 | Relevant instrument(s) for past special variations (if applicable) |  |
|  | Evidence of compliance with conditions in past instruments (if applicable) |  |
|  | Mandatory public supporting material (i.e. to be published on IPART's website) |  |
| 17 | Community Strategic Plan – Relevant extracts |  |
| 18 | Delivery Program – Relevant extracts |  |
| 5 | Long Term Financial Plan with projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in Excel format |  |
| 6-7-14 | 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 |  |
| 8 | Community feedback (including surveys and results if applicable) |  |
|  | Willingness to pay study (if applicable) |  |
| 9 | Hardship Policy |  |
|  | Other public supporting material |  |
| 10 | Asset Management Strategy / Plan(s) (if applicable) |  |
|  | Operational Plan for 2021-22 (i.e. not for 2022-23) (if applicable) |  |
|  | NSW Treasury Corporation report on financial sustainability  (if applicable) |  |
| 11 | 24 Nov 22, 30 Jan 23 and 16 Feb 23 Council Meeting Minutes | ☒ |
| 12 | AEC Report – Snowy Monaro Financial Sustainability Review | ☒ |
| 13 | KPMG – Merger Business Case | ☒ |
| 6-7-14 | Community Engagement Plan | ☒ |
| 15 | Workforce Management Strategy | ☒ |
| 16 | PWC – Local Government Performance Excellence Program | ☒ |
| 5a | LTFP scenario 1 (excel) (53% SRV Year One) | ☒ |
| 5b | LTFP scenario 2 (excel) (Staged SRV) | ☒ |
| 5c | LTFP scenario 3 (excel) (No SRV) | ☒ |
|  |  |  |
|  | Confidential supporting material (i.e. not to be published on IPART's website) |  |
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| 1. 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. |