



WALGETT SHIRE COUNCIL

Special Variation Application Form – Part B

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Council Contact Person: Ed Wlodarczyk

Council Contact Phone: (02) 68281399

Council Contact Email: admin@walgett.nsw.gov.au

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Introduction

It is proposed to increase general rates in Walgett Shire by 6.4% in 2013/2014. Walgett Shire Council has resolved to seek approval through the Independent Pricing and Regulatory Tribunal (IPART) for a one off rate increase under Section 508 (2) for an additional 3% in 2013/2014 over and above the set rate pegging limit of 3.4%.

It is planned to use the additional funds raised to establish a special reserve for an ongoing programme of “betterment funding” for rural local roads within the Shire. The additional rates raised would be transferred into the reserve annually and quarantined to fund future local road upgrading works.

Council is currently preparing an initial five (5) year programme of betterment works for consideration at Council’s March, 2013 meeting and inclusion in the ten (10) year Walgett Shire Community Strategic Plan, Council’s four (4) year Works Programme and annual Operational Plan and Budget.

Council has raised the issue of seeking “betterment funding” in a range of forums and community discussions following repeated flooding over the last three years.

Council informed the wider community of its intention to apply for additional rate increase for roads in 2013/2014 via Media Release to; ABC Western Plains, ABC New England, 2WEB, NOW FM/2VM, Opal FM, Walgett Spectator, Lightning Ridge News, Mungindi Matters, Daily Liberal, Western Magazine, Prime, WIN, Southern Cross 10, Imparja and NBN.

Council is responding to well aired community concerns that major disruption has occurred to the local road network throughout the Shire during the last three flooding episodes, and in the majority of cases flood waters have caused extensive damage to the same sections of roadway, and in particular unsealed black soil and gravel roads.

These concerns centre around the fact that children living on black soil roads have been prevented from attending school for periods of upwards of six weeks or more, farmers have been prevented from getting their grain harvest to local silos and it has become extremely difficult to attract families to work on farms in these areas because of the regular access issues.

In most cases the upgrading of such roads by lengthening and sealing causeways, lifting the level of the actual roads or replacing causeways with culverts would prevent future damage and disruption. The cost of such “one-off” upgrading, known as “betterment works” would equate to around the same cost as flood damage repairs being incurred after each flood.

The “betterment” provision is found in the Commonwealth’s 2007 Ministerial Determination for Natural Disaster Relief and Recovery Arrangements (NDRAA). It’s termed “betterment” because this enlightened piece of legislation allows governments to share the cost of rebuilding infrastructure damaged by disasters to a better than pre-disaster standard.

The concept is simple. Rather than replace like with like, we should be repairing and rebuilding damaged infrastructure so that it can withstand future disasters.

Quite obviously the initial cost may be greater because of the aim to disaster-proof essential infrastructure. However, the potential return on investment is exceptional – a reduction in the cost of repairs to government in the future and less community suffering in both the short and longer term.

Although it could be much higher, initial research reveals that the return on such investments is in the order of 15%.

It is proposed that Council's first five year "betterment works" programme would be the subject of an application to both the State and Federal Government for additional matching funding on a \$:\$:\$ basis under the 2007 Natural Disaster Relief and Recovery Arrangements (NDRRA).

An essential element of successfully implementing the "betterment" approach requires that Council have almost immediate access to its share of the funding involved as it is more often than not necessary to be able to commence improvement works immediately as part of the actual re-instatement/flood recovery process.

A number of general and specific projects have already been identified including the replacement of the causeway at Old Burren with a concrete culvert, raising the level of the Wilby Wilby Road which provides direct access to Grawin and surrounding opal mining areas as well as the upgrading and sealing or concreting of various causeways on black soil roads which are school bus routes in the eastern part of the shire immediately come to mind.

Council is keen to take advantage of a one-time transitional opportunity available in 2013/14 to apply to IPART for a special variation under Section 508 (2).

The draft revised ten year Walgett Shire Community Strategic Plan, which includes provision for the additional rate income and establishment of the "Betterment Funding Reserve", is nearing completion and will be the subject of further extensive community consultation during March/April.

"Betterment" is the sleeping giant of achieving disaster resilience for the smaller and more isolated communities in Western NSW.

Any prudent investor knows that you invest where you get the biggest bang for your buck. The challenge for all levels of government is to recognise what betterment investments are best for the community at large.

Don Ramsland
General Manager

Identification and Quarantining of Funds – IPART application

Resolved:

1. That Council endorse the proposal to lodge an application for a special rate variation of 3% over and above the standard rate pegging of 3.4.% set to be used to establish a reserve for an ongoing programme of betterment funding for rural local roads within the Shire.
2. That a “betterment” works programme be prepared for Council’s consideration at the March 2013 meeting.

Moved: Clr Woodcock

Seconded: Clr Taylor

CARRIED

The community will benefit in a number of ways. These include:

- Retaining service levels
- Improving infrastructure
- Improved unsealed rural roads

Council is the custodian of a vast network of roads and road related infrastructure.

As an important agricultural and opal mining community, it is crucial that this infrastructure is maintained effectively.

The length of sealed roads with the Walgett Shire is 800 km with some 2,000km also being unsealed roads.

It is proposed to spend the additional income collected in the following ways:

Additional matching funding on a \$:\$:\$ basis both State and Federal Government.

An additional 3% increase in the general fund would derive \$140,000 plus State and Federal funding of \$280,000 per annum. This would allow development of an annual works programme of \$420,000 over an initial 5 year period.

This would enable Council to undertake an annual “Betterment Works” programme of \$420,000 providing the matching Federal / State funds are forthcoming. As funds from the general rate income to be levied would be quarantined into a special reserves, if Federal / State funds were not to be received, the “Betterment Works” programme would proceed but at a slower pace over a longer period.

If State / Federal Grants not forthcoming Council would continue with its own “Betterment” programme but the outcomes achieved would have to be spread over a longer period.

Councils contact persons are:

1. Don Ramsland (General Manager)
2. Ed Wlodarczyk (Finance Manager)
3. George McCormick (Manager Community Development)

Phone: (02) 68281399

Email: admin@walgett.nsw.gov.au

This part of the application consists of:

Section 2 - Focus on Integrated Planning and Reporting

The benefits to the community

The overall objective of the LTFP is to express in financial terms the activities Walgett Shire Council proposes to undertake over the short, medium and long term, providing a sound basis for strategic decision making, and guide the future.

Strategies and actions of Council to ensure that it continues to operate in a manner that achieves financial sustainability.

Specific objectives of the plan are to:

- Provide sound forecasts of financial performance and position for a range of planning scenarios that respond to the aspirations of the community
- Achieve and maintain a sound and stable financial position over the long term
- Identify strategies that support the sustainable provision of services and service levels identified by the community as expressed in the CSP
- Ensure that Council can meet its financial obligations as and when they fall due
- Ensure that any loans raised to support the achievement of the community aspirations can be serviced over the term of such loans
- Provide a clear and transparent picture of Council's long term financial situation to the community

The community will benefit in the following ways:

- Service levels can be maintained.
- Having made a firm commitment to the community to deliver on their expectations, it is crucial that Council is able to ensure funding is adequate to meet these expectations. Council's long term financial plan and resourcing strategy have identified that to continue to provide services in the appropriate manner, that there needs to be an increase in income, as increasingly, it is difficult to increase income by other methods.
- Unsealed rural roads in the Shire need improvement, for too long, unsealed rural roads maintenance has not been adequate.

How the application reflects the Community Strategic Plan

The Community Strategic Plan has been completed. The new Community Strategic Plan will be presented to the next Council meeting on the 27th March 2013.

Services are at their current levels and also maintaining and continuing to improve infrastructure. Walgett Shire Council's Integrated Planning and Reporting (IP&R) recognises that Council's plans do not exist in isolation. The IP&R draws Council's various plans together.

The framework allows the Walgett Shire community to have important discussions with Council about funding priorities, service levels, preserving local identity and to plan in partnership for a more sustainable future.

Walgett Shire Council's Community Strategic Plan (CSP) provides a vehicle for expressing long term community aspirations. However these aspirations can only be achieved if sufficient resources (time, money, assets and people) are allocated.

A Resourcing Strategy has been prepared to achieve the objectives established by the CSP and focuses on long term strategies in three key areas being:

- Long Term financial planning
- Asset management planning
- Work Force planning

The Long Term Financial Plan (LTFP) is an important component of the Resourcing Strategy and hence Council's Integrated Planning and Reporting. It is used to inform decision making in relation to the CSP and the Delivery Program.

The LTFP enables Council to model the financial impacts of various activities, Initiatives, service levels and programs as well as performs risk analysis in terms of measuring the impacts of changing assumptions such as inflation, rate pegging etc.

It also facilitates modelling of various scenarios that respond to the priorities identified by the community. The LTFP will identify whether or not those priorities are sustainable given current resourcing, and identify any gap between projected expenditures and projected income under each of the scenarios.

The long term financial plan provides a framework in which Council can assess its revenue building capacity to meet the activities and level of services outlined in the CSP.

It also:

- Establishes greater transparency and accountability of Council to the Community
- Provide an opportunity for early identification of financial issues and any likely impacts in the longer term
- Provides a mechanism to:
 - Solve financial problems as a whole
 - See how various plans fit together
 - Understand the impact of some decisions on other plans and strategies
 - Provides a means of measuring Council's success in implementing strategies
 - Identifies how Council can remain financially sustainable in the longer term

This LTFP covers the 10 year planning period from 2011/12 to 2021/22. The services being retained will certainly assist with meeting the strategies of each of principal activities.

There are five principal themes that have been identified: Economic Development, Community Development, Sustainable Living, Infrastructure and Governance and Leadership.

Increasing rural roads expenditure and undertaking capital works projects including, plant fleet expenditure, proactive planning to ensure appropriate infrastructure renewal, improve existing Road infrastructure to meet community needs.

The long term financial plan and increased revenue will also greatly assist the inclusive community strategies:

- Stimulate community pride with a particular focus on youth.

Section 3 – Need for the variation

Criterion 1: Demonstrated need for the rate increase derived from Council's completed IP&R framework

a) Service provision requirements – the community have made it abundantly clear that services and service levels are important and that the status of these service levels should remain

b) Infrastructure backlogs – Council currently has infrastructure backlogs from years gone by and has identified in the ten year financial plan that this situation can be addressed if Council addresses the problem in this period

Criterion 2: Demonstrated community support for the special variation

The level of community support for the special variation is outlined in Attachment A - Walgett Shire Council Strategic Plan 2012-2022

Initially Council has proposed to increase general rates by 3% above the rate pegging in 2013/2014.

Criterion 3: Reasonable impact on ratepayers

The impact on ratepayers is not unreasonable.

Section 508(2) Application form Part A

Reference worksheet 5 – Impact across the Ordinary Rates Distribution

With reference to the “Current Rate” figures used in this worksheet 5 we would like to provide the following explanation in relation to these figures.

Of the 3628 residential assessments noted in the \$0 to \$99,999 range, just under 2700 assessments have a value of \$10,000 or less. There are only 35 assessments with a value greater than \$50,000.

The average residential rate with the 6.4% increase will be \$175.16 per assessment which represents an increase of \$19.46 per assessment (\$0.37 per week).

Of the 452 business assessments noted in the \$0 to \$99,999 range, 330 assessments have a value of \$10,000 or less. There are only 75 assessments with a value greater than \$50,000.

The average business rate with the 6.4% increase will be \$268.44 per assessment which represents an increase of \$33.51 per assessment. (\$0.64 per week)

Of the 90 farmland assessments noted in the \$3,000,000 and greater range, there are 7 assessments over \$10,000,000 with the highest being \$28,139,000.

The average farmland rate with the 6.4% increase will be \$12057.11 per assessment which represents an increase of \$362.62. (\$6.98 per week)

Council at its April meeting will consider a Rates Hardship Relief Policy.

Criterion 3: An explanation of the productivity improvements and cost containment strategies the Council has realised.

Council has realised productivity improvements over the last few years. These have included the following:

- Sharing of internal audit contractor and committee with neighbouring councils
- RTA contract work (enabling greater economies of scale)

Criterion 4: Implementation of the IP&R framework

Council has been proactive in implementing the integrated planning and reporting framework.

4.1 Variations for capital expenditure

Does the purpose of the proposed special variation require that a capital expenditure review be undertaken by the Council in accordance with Council Circular 10-34? No

4.2 Strategic planning information

How did council engage with the community

Council's proposed variation is in line with Council's strategic plan and meets the DLG's criteria as outlined in the guidelines for the preparation of an application for a special variation to general income in 2012/13.

Council staff facilitated (11) eleven information sessions with key organisations and community groups including Councillors, facilitated 'your voice' workshops at youth meetings, conducted interactive presentations at Aged Care facilities, Community Working Party meetings, Aboriginal medical services, Trans Cultural Community members, Indigenous villages, and local disability services. **Attachment A Draft Walgett Shire Strategic Plan Page 15**

Staff also conducted "a going to the people" approach by conducting open air discussions and BBQs in the Aboriginal villages across the Shire, set up tents and display tables at local markets and engaged in place with community members throughout the Shire, key tools of genuine engagement.

The 'Speak Up' Campaign was also bolstered by a first time online survey tool, aiming to offer those hard to reach residents or those who would not normally complete a survey form an opportunity to have their say. Council further supported the campaign by undertaking a broad media campaign with local media and radio and utilized its extensive community contact list with over 300 local emails to residents, organisations, business owners and land owners receiving information on the CSP review. **Attachment A Draft Walgett Shire Strategic Plan Page 19-24**

Government and non Government departments at all levels were included seeking feedback from those working throughout our communities and improvements to on the ground outcomes for its residents and communities can be identified.

Council partnered with Department of Premier and Cabinet to promote and encourage the many local, regional and state levels of government and non government organisations and agencies to provide responsive feedback, input and information relating to how their programs and services can better address the communities' expressed needs.

Community Development

- To stimulate community pride, with a particular focus on youth
- To be proactive in the provision of quality community services
- To enhance service quality and sustainability through the integration of service Provision
- To work with the Aboriginal community to develop clear strategies that empower Aboriginal leadership, pride and opportunities

Sustainable Living

- Develop strategies to activate appropriate preservation of cultural, heritage and natural assets
- Work with all stakeholders to mobilise community awareness to take action to reduce our ecological footprint
- Develop appropriate land use planning strategies for sustainable development which embraces the community's unique and valued environment, as well as optimising economic opportunities
- Provide quality, transparent regulatory functions that meet community needs

Economic Development

- To provide quality support services to all stakeholders of Council and ensure financial sustainability
- To aggressively pursue grant opportunities
- To facilitate the creation of an education strategy that links key institutions through networking
- To attract new businesses to the community and support existing business, with a particular focus on rural industries
- To work collaboratively with industry and stakeholders to develop an economic and tourism development plan
- Develop employment and training programs to engage people requiring tailored support in work opportunities

Infrastructure

- Undertake proactive planning to ensure appropriate infrastructure renewal
- Improve existing road infrastructure to meet community needs
- Maintain forward works infrastructure programs that meet community needs
- Create and maintain quality, inspiring green spaces that encourage people to be active and involved in their natural surrounds

In addition to delivering on these key strategies, the plan will allow the allocation of funding to catalyst projects from the strategic plan including:

- To be a leader in community technology provision by working with stakeholders to deliver leading edge applications that promote equitable digital literacy
- Develop a whole of Council asset management plan
- Assess need for new Council buildings including depot and library and complete projects as required
- Significantly improve the rural roads of the Shire (Refer: Walgett Shire Community Strategic Plan 2012-2022)

Governance & Civil Leadership

- to be responsiveness to community issues and concerns
- be approachable and allow for ease of communication, information
- advocate and support Law and order throughout the Shire
- advocate and support increased crime prevention strategies and initiatives throughout the Shire
- develop and improve WSC website

3.3 Financial planning information

The community's priorities and expectations

Following consultation in relation to the strategic plan, Council then embarked on developing workforce, asset and financial plans that would ensure there was appropriate capacity to deliver on the strategic plan. This consultation was lengthy and in-depth. The consultation also clearly demonstrated that to deliver on the strategic plan.

- Service levels being maintained across all areas of Council
- Capital works over the life of the plan
- Increase in rural roads budget over life of plan
- Borrowings for major projects with long term benefits

The rate peg

Council currently has 3 categories of rateable land being farmland, residential and business. Within these categories, there are 2 subcategories being Walgett, Lightning Ridge, Collarenebri, Burren Junction, Carinda, Cumborah and Rowena, residential and Walgett Lightning Ridge, Collarenebri,

Burren Junction, Carinda, Cumborah and Rowena, business. Council proposes to continue with its current rating structure of an ad valorem subject to a minimum rate only on farmland.

Rating structure of an ad valorem subject to a minimum rate only on farmland.

Future ordinary rate income will be impacted by rate pegging and any proposed special variation to general rate income. In preparing this LTFP, a number of scenarios were modelled to identify possible strategies to address the significant financial challenges facing Walgett Shire Council. This would require a special variation in general (rates) income.

User Fees and Charges include fees for use of Council facilities and fees for private works undertaken. A small percentage of overall income is contributed from general fund user fees.

No significant new User Charge or Fee opportunities have been identified as part of the development of the Community Strategic Plan. These services are assumed to be provided on the same pricing basis and are forecast to increase in line with inflation.

Expenditure growth rate

Much of Council's expenditure is ongoing and regular. Expenditure forecasts are regularly reviewed through the quarterly budget review process and as a part of the annual review and updating of the LTFP. This process identifies any changes in services provided, service levels, commitments and changes to input cost for goods and services consumed. The basis of the forecasts for major expenditure items are detailed below:

- Employee costs consist of salaries and wages, employee leave entitlements
- Council's contribution to superannuation schemes, workers compensation insurance, fringe benefits tax and employee training costs.
- Salaries and wages represent 26% of employee cost.

The latest local Government (State) Award 2010 set actual increases in salary and wages rates that will apply to the three year period commencing 2011/12. In subsequent years, salary and wage rates have been assumed to increase in line with forecast CPI.

As part of its financial strategy, Council sets aside a reserve to enable any 'spikes' in employee leave entitlements, particularly resulting from the retirement or resignation of long serving employees, to be funded. The reserve currently represents 26% of total employee entitlement provisions and is forecast to increase to 35% by the end of the 10 year planning horizon.

Major asset disposals/investments/capital commitments

As part of the development of the LTFP, Council undertook a review of its property holdings to identify underutilised assets, or assets that were not contributing to the achievement of the strategic goals articulated in the CSP.

Investment returns – Forecast returns on Council's investment portfolio are based on the 90 day bank bill rates, plus a small margin to reflect strategic investments in longer term investment products where appropriate. The source for the forecast 90 day bank bill rates is the 4 major

Australian banks. Forecast investments returns have averaged at 5.2% per year over the life of the plan.

One of the key outputs of Council's asset management planning is a capital expenditure program that is based on the outcomes of the CSP asset lifecycle modelling and input from Councillors during financial modelling workshops and the community during recent discussions.

Specific Capital Projects over \$500,000 included in forecast financial results

Project	New / Renewal works	No of years work	Commencement year	Total Cost	External Funding	Loan	Funded by Rates
Walgett Levee	Upgrade of existing asset	4	2011/2012	8,500,000	7,285,714		1,214,286
Walgett Aerodrome	Upgrade of existing asset	2	2012/2013	2,000,000	1,000,000	1,000,000	-
Burren to Piliga Road	Upgrade of existing asset	9	2013/2014	7,200,000	7,200,000		-
Collarenebri to Lightning Ridge Road	Upgrade of existing asset	10	2012/2013	19,680,000	19,680,000		-
Come by Chance Road	Upgrade of existing asset	11	2010/2011	15,750,000	15,750,000		-
Collarenebri to Mungindi	Upgrade of existing asset	10	2012/2013	12,800,000	12,630,000		170,000
Billybingbone road	Upgrade of existing asset	10	2013/2014	4,100,000	4,100,000		-
Wangan Bridge	Renewal	2	2012/2013	1,000,000		1,000,000	-
Walgett Depot	NEW asset (replacement)	2	2012/2013	2,000,000	500,000	1,500,000	-
Walgett Aged Care Facility	NEW asset	1	2016/2017	1,000,000	1,000,000		-
Ridge Road Cycleway footpath replacement	Renewal	1	2019/2020	596,904			596,904
Ridge Road Cycleway footpath replacement	Renewal	1	2019/2020	601,836			601,836
Fred Reece Way Cycleway (Airport)	Renewal	1	2020/2021	565,488			565,488
Replacement of Talaba creek bridge	Renewal	1	2013/2014	980,000	980,000		-
Replacement of Black bridge Carinda	Renewal	1	2013/2014	560,000	560,000		-
Big Boroka (B66)	Upgrade of existing asset	1	2013/2014	1,200,000		1,200,000	
Baroka Overflow (B67)	Upgrade of existing asset	1	2013/2014	500,000		500,000	
TOTAL				81,384,228	73,185,714	5,200,000	3,148,514

Major borrowings/repayments

Council is expected to borrow \$5,200,000 in the next financial year as per ten (10) year long term plan.

Grants

Federal and State Government have been in favour of supporting regional Councils, and although they have reigned in expenditure, no major cuts have been advertised for regional Australia.

We expect grant income to at least match inflation, if not exceed it. We have increased it by 3.5% in the first year (2012/13 year) and then increased it in line with our predicted inflation rate of 2.5%.

The Council has no discretion to determine the amount of a fee for service when the amount is fixed by regulation or by another authority. Examples of statutory fees include development assessment fees and planning certificates.

The majority of statutory charges do not increase annually in line with CPI, however for the purposes of financial modelling these fees are assumed to increase in line with CPI over the long term. This assumption is considered more valid than assuming statutory charges will not increase at all over the planning horizon.

Statutory Charges represent less than 1% of total income from operations and therefore the potential impact on Council's financial position, if this assumption proves to be incorrect, is considered to be immaterial.

Proposed level of service for assets

Council's asset management plans and conditioning work has identified that a consistent approach to improving infrastructure backlogs needs to be applied to ensure assets are in a condition that will deliver services at the appropriate level.

Detailed conditioning of assets has been undertaken as part of the asset management planning process. Levels of service required vary between different assets. Generally, however assets are being maintained at a level that allows current service levels to be maintained.

3.3.1 Alternative options

Council has considered the alternative options below. None of the options listed were seen as valid alternative to increased rating income:

1) Cut service levels

Council has previously consulted with the community in relation to lowering service levels, with the aim of reducing council's cost base. Council approached the community in relation to changing service levels within the Culture/tourism section. The proposals was not acceptable to the community

2) Eliminate or reduce capital works projects

Surveys have clearly demonstrated that the community are supportive of the capital projects as outlined in the long term financial plan, following the detailed response that was received in relation to the initial long term financial plan.

Reduce level of maintenance

As indicated above, the community will not accept any cuts to service levels. Reduced levels of maintenance would see reduced service levels. This is not considered a valid option.

3) Debt to Income Ratio

Debt Service Cost

Income from Continuing Operations Excluding Capital Items

Council could agree to raise its debt to income ratio, hence reduce the reliance on any rate variation. However, council has adopted a policy of maintaining a low debt to income ratio. This provides some flexibility to borrow in emergency circumstances.

Councils Indicator for 2013 = 2.05%. The 10 year plan with \$5m loan the debit service cost would only increase to 5%.

3.4 Efficient and feasible program of expenditure

Council has carefully detailed its revenue and expenditure program in its 10 year financial plan. The plan (and associated revenue and expenditure) has been carefully reviewed to ensure the program is feasible and appropriate. The long term financial plan was developed over a twelve month period, with a detailed consultation program providing crucial feedback to the plan.

3.5 Impact on financial sustainability

Notes and Key Matters of General Interest

- 1) The Long Term Financial Plan has been completed with all currently known information, and on the basis that it will be updated after further analysis of Council's assets, and alignment of expenditure when results from Asset Management Plans, and the Community Strategic Plan become available. Therefore this is just the start of a long process to capture Council's true financial state, to communicate this to the Councillors and to the public, and to put in place measures to make Council financially sustainable in the coming years.
- 2) The Income statement has split its grants between grants for Renewal assets, which fund the depreciation expense, and grants for new assets which are additional to Council's asset register. The result showing net of Capital income for new assets is Council's true result, and it shows that with exception to the 2013/14 year, and the 2014/15 year, Council is running at a large deficit each year. It is Council's target to run with a small operating surplus each year, Attached C Long term financial plan.
- 3) Council's balance sheet is representative only. It shows Council is able to pay its financial liabilities at the end of the year. What it does not show is how much of the Cash and investments is grant / loan income, tied to specific expenditure, which may not be shown in the payables. This information can be found in the cash flow schedules. The Balance Sheet also shows Council to be in a comfortable positive net asset position. This is mainly due to the requirement to value Council assets at replacement cost, not sales cost, and bears no regard to the condition of the asset. As the cost to replace the asset always increases, so does the asset value on re-valuation, and therefore the assets on the balance sheet.
- 4) The plan is based on new loans being taken out to the value of \$5.2m in the 2012/2014 year. \$2m of these are to fund the replacement of existing assets and renewal are costed on the basis that Council has been successful in its application for State Government assistance through the LIRS (Local Infrastructure Renewal Scheme) where State Government will grant the first 4% interest repayable on the loan. Another loan worth \$1.5m for the upgrade of the Walgett Aerodrome is also included in the 2012/2013 year which will be repayable over 20 years at 7% interest. Also in 2014/15 another loan of \$540k has been forecast to pay for the remaining Levee construction, to ensure Council take advantage of the Government 6:1 grant it is currently offering for work completed within the next 3 years. In addition to the above another two loans to the value of 3.2m have been applied for the 2013/2014 years for the upgrade of two Bridges and the relocation of Council's Walgett Works Depot.
- 5) A number of Road upgrades and other new assets such as a new aged care facility have been included in the plan which is shown to be fully funded through external grants. Although grants become available periodically, grants have not necessarily been sourced to cover these asset projects, and if come the time, no grant is available, then the project will be delayed until such funds do become available. It is also noted that extra maintenance and operational costs associated with any new asset have not been included in the operating statement at this time.

6) The plan includes a number of cash incomes from the sale of council owned assets. \$460k in the 2012/13 year from the Sale of Council owned buildings, \$320k in the 2014/15 year and \$320k in the 2015/16 year from the sale of land. The Long Term Financial Plan's Worst case scenario includes not being able to sell these assets.

3.5.1 Budget scenarios

Sensitivity Analysis

This is the investigation into how projected performance varies along with changes in the key assumptions on which the projections are based. In Council's analysis we have varied key assumptions, and found the following to be the most sensitive, with results as follows:

- General Government Grant income increase

Our findings have indicated that if this income source did not increase in line with inflation, and instead only increased by 1.5%, Council would experience financial hardship. In the 2012/13 year Council would have unrestricted cash deficits (and therefore over-committing its cash funds) by \$43k, and this figure increases further in the following years.

- Changes in employee expenses

Employee expenses have been assumed to increase by 3.5% per annum. If this increased to 4%, Council would have short term cash flow difficulties, if it increased to 5% per annum there would be unrestricted cash deficits of \$3.15m in 2021/22.

- Increase in Asset renewal cost due to legislative change

Council is currently not able to cash back its restoration provisions. If Council were to cash back them for the tip provisions alone, an amount of around \$200k per year should be reserved. If this was to be the case, Council would find themselves in financial difficulty in 2013/14 in the current Long Term Financial Plan, and have \$149k negative unrestricted funds.

- Increase in Utility (electric) prices

Predictions have been made that electric prices are set to rise between 16-23% over the next year due to the Carbon Tax pricing. Council's total electric bill is currently around \$630k a year. An increase of 20% means an increase of \$126k. The Long Term financial Plan has increased all operating costs by an extra 0.75% to counter the Carbon tax, however costs could easily escalate above this increase, and compounded, energy prices only need to rise by 40% over 2 years to wipe out any unrestricted funds shown in the Long Term Financial Plan.

Scenario 1 – a likely unfavourable outcome

The following profit and loss and cash flow schedules have been adapted from the Base case scenario with the following factors in place:

- Council has been unsuccessful in its bid for the LIRS scheme (which grants the first 4% interest in infrastructure backlog capital projects). Therefore interest for these projects has been increased to 7%, this is based on the fact these projects cannot be delayed due to their current condition.
- Council has been unable to sell its property or land which it has forecast to sell in the 2012/13 year, the 2014/15 and 2015/16 years.
- Council has found no alternative to disposing of its waste but to construct a new landfill to service both Lightning Ridge and Walgett. The cost of this landfill is to be \$6m payable in the 2013/14 year which has to be financed by a loan repayable over 20 years at 7% interest. Also restoration amounting to \$2m becomes payable, spread equally over 10 years to restore both the Lightning Ridge landfill and the Walgett landfill.
- No extra income is obtained from any source other than that existing in the base case scenario.

Results

Net operating result before New Capital grant income has increased in average deficit by \$522k from the base case scenario. The Average deficit is \$3.2m.

The cash flow statement shows Council going into deficit in 2018/19 with a loan/overdraft needed to cover operational costs worth \$633k. This only increases in the years past 2019, and is mainly due to the expenditure needed to replace Council's plant.

Strategy to mitigate losses

- Council would need to revisit all capital expenditure, and see if any alternatives could be taken. This could see a drop in service level.
- All operations would need to be analysed to see where efficiencies could be made (as will be happening, and could result in the 3% savings in expenditure as shown in scenario 2 – best case).
- All donations and grants Council awards to the community would need to be revisited
- Other factors which could be included in an unfavourable situation, but Council is still in the process of quantifying:
 - Any asset renewals after 2014/15. This information will be gathered from the asset management plans, once they have been updated onto Council's asset management system. It is highly likely that the asset renewal figures will be much higher than

what Council is able to afford. Once quantified Council will go through the process of identifying assets which do not add value to the community strategic plan's objectives and goals. These assets will then either be removed, or replaced with less burdening assets.

Scenario 2 - Best case

The following profit and loss and cash flow schedules have been adapted from the Base case scenario with the following factors in place:

- A Rates variation of 5% per annum for 3 years starting in the 2013/14 financial year.
- Extra revenue is found through the sale of council owned assets, over and above those already included, to the sum of \$300,000 in the 2012/13 year
- Savings in operations are made, reducing expenditure by 3% on wages, materials and contracts, and other expenses in the 2013/14 year.
- No further expenditures are needed – a strategy is found for the solid waste which can be implemented using the existing provisions within the budget.

Results

- The loan of \$540k which is needed in the base case is not required under this scenario, and has therefore been taken out, saving any interest needed to be paid on this loan.
- It is noted that unrestricted cash balances grow considerably. This is needed to fund the replacement of assets.
- Although large incomes before grants and contributions provided for New asset expenditure are seen in the 2013/14 and 2014/15 years, which net out the losses made in the prior two years, going forward into 2015/16 and beyond, large losses (starting at \$2.5m) are still being made. This shows that Council still cannot fund all its asset replacements.

Measures which could be taken

- Council is dependent on grant income for the replacement of its assets, it should be a priority to seek out these grants and take full advantage of them, but only for the RENEWAL of assets.
- Council is constantly looking for where efficiencies can be made in operations. With a full management team in place, Council will be focusing on where these savings can be made, with no loss to service level.
- It is not in Council's interest to propose a rate variation, however where it becomes apparent that a service level needs to be increased, and the funding cannot be found through reduction of other services provided by Council, or donations made by Council, then Council will consider the option of introducing a rate variation.

1. Financial Strategy

a. Overview

It is clear that any decisions made by Council today have large impacts on Council in the future. One purpose of the Long Term Financial Plan is to ensure Council and the Community is aware of the financial impacts in the future. This is especially true for any new assets which are proposed for Council to take ownership over, even when they are given a full grant to be constructed.

As Council's current situation is unsustainable with large losses before capital grants and contributions being made, Council must implement a financial strategy to become sustainable in the future.

Although the current Long Term Financial Plan does not reflect these financial targets being met, Council will revise the plan in the coming year, to ensure that targets are attainable, and that measures taken to meet them have the least impact on service level's as possible.

b. Financial Indicators

Council will proceed with implementing the following financial targets using the following indicators, which have been recommended by the IPWEA (Institute of Public Works Engineering Australia) in their Australian Infrastructure Financial Management Guidelines.

1) Operating Surplus Ratio

'The operating Result (net of capital revenues) expressed as a percentage of total operating income'

This ratio is calculated as follows:
$$\frac{\text{Surplus/Deficit before capital revenues}}{\text{Total Operating Income}}$$

This ratio shows us how sufficient Council's income is to meet its expenditures, a suitable target for Council would be 5% which would provide some free funds in case of any unexpected expenditures.

2) Net financial liabilities ratio

'The significance of net amount owed by an entity compared with its operating income for the period'

This ratio is calculated as follows:
$$\frac{\text{Total liabilities less financial assets}}{\text{Total Operating Income}}$$

This ratio shows how capable Council is in meeting its financial obligations, and should not exceed 100% of operating income.

3) Asset sustainability ratio

'The ratio of asset replacement expenditure relative to depreciation for a period. Measures whether assets are being replaced at a rate they are wearing out'

This ratio is calculated as follows:
$$\frac{\text{Capital replacement expenditure}}{\text{Depreciation expense}}$$

If a ratio is 100% on average, then Council is ensuring it's value of existing physical assets is being maintained.

4) Asset renewal funding ratio

'The ratio of net present value (NPV) of asset renewal funding accommodated over a 10 year period in a LTFP relative to the NPV of projected asset renewal expenditures identified in an Asset Management Plan for the same period'.

This is a long term financial target and is calculated as follows:

$$\frac{\text{NPV of Asset Renewal expenditure as set out in LTFP}}{\text{NPV of projected asset renewal expenditure needed as per the Asset Management Plans}}$$

This ratio is a measure of the ability of Council to fund its projected asset renewals/replacements into the future, and a target should be 100%.

Section 4 – Criterion 2: Community engagement

How did we engage with our community?

Council staff facilitated (11) eleven information sessions with key organisations and community groups including youth meetings, Aged Care facilities, Community Working Party meetings, Aboriginal medical services, Trans Cultural Council members, Indigenous villages, and local disability services.

Staff also conducted a 'going to the people' approach by conducting open air discussions and BBQs in the Aboriginal villages across the Shire, set up display tables at local markets and engaged in place with community members throughout the Shire.

The 'Speak Up' Campaign was also bolstered by a first time online survey tool, aiming to offer those hard to reach residents or those who would not normally complete a survey form an opportunity to have their say. Council further supported the campaign by undertaking a broad media campaign with local media and radio and utilised its extensive community contact list with over 300 local emails to residents, organisations, agencies, business owners and land owners receiving information on the CSP review.

Feedback was sought from Government and non-Government Agency staff working throughout our communities regarding how improvements to on the ground outcomes for residents and communities could be identified.

Council also partnered with the Department of Premier and Cabinet to promote participation by local, regional and state levels of Government and non-Government organisations and agencies in the CSP process. Responsive feedback, input and information relating to how their programs and services can better address the communities expressed needs were sought.

Our community engagement framework

Speak up slogan

The title 'Speak Up' was used as a 'brand' headline for the community engagement component of the CSP review. The 'Speak Up' campaign articulated clearly that the Council wanted to hear from its citizens what they believed was important. It asked the community to speak up, be involved and tell us what they believed made Walgett Shire a special place now and what needed to happen to maintain this for future generations.

Printed media and radio coverage

During the months of December 2012 – February 2013, local and regional radio stations and local newspapers were used to promote to the community information about the CSP review. The General Manager of Walgett Shire undertook several on air interviews with local radio stations promoting and encouraging residents to participate in the CSP 'Speak Up' campaign.

Survey flyer

During the consultation and review processes Council staff consistently displayed flyers (A4 and A3) throughout the communities in high frequently used areas such as shopping centres, post offices, community billboard etc. It outlined the review process, the five key themes of the Strategic Plan, and invited the community to have a say on the future directions of the Shire. A copy of the brochure is provided in appendix A.

Council website online survey

The Walgett Shire Council website featured the background and purpose of the 'Speak Up' campaign and offered an online survey link for residents to complete the survey. This is the first time that Council has implemented this form of consultation targeting, informing and engaging residents across the vast demographic and distance between the communities in our Shire.

Posters and display boards

To create awareness amongst our Shires youngest citizens display boards for the CSP were created during library and youth centre workshops by our young people. Each display board incorporated pictures of the key themes to make it easier to understand for people with reading difficulties. Each display board had pictures relevant to the five key themes; Community, Economic Development, Sustainable Living, Infrastructure and Governance and Civic Leadership.

Who we consulted

Throughout the communities approximately 1800 survey forms were distributed along with 'Speak Up' pens. Display boards, information and ballot collection boxes were left in frequented locations across our Shire. The Community Services staff facilitated (11) eleven in-place consultation and information events supported by distributed survey form accessibility via the online survey link. Of the 1800 hard copy survey brochures, 344 (19%) were completed. A further 135 surveys were lodged on line refer list below.

In addition to the surveys Council received five written submissions from residents regarding input into CSP review. Council also received three written responses from Government/non-Government organisations who deliver services and programs throughout the communities in the Walgett Shire

The overall percentage of returned surveys (19%) is a significant increase on the first Community Strategic Plan Survey in 2009/2010 when only 5% of surveys posted out and distributed were return. The consultation framework was designed to maximise opportunities to go out to the community as well as inviting the community to come to Council.

Participants and respondents were asked to list three of the following:

What do you value most about our Shire?

What would you like to see improved or changed?

Participants were then requested to complete the survey form and mark the response most relevant to them from questions within the five themes of the review.

Locations of ballot boxes across the Shire:

- Walgett Shire Chambers
- Lightning Ridge Trans Cultural Council
- Lightning Ridge Neighbourhood Centre
- Walgett Library
- Lightning Ridge Library
- Collarenebri Agency
- Carinda Shop
- Burren Junction Post Office
- Grawin: Club in the Scrub
- Rowena Shop
- Collarenebri Youth Centre

What did our community tell us?

The community engagement process was extensive across the Shire with the 'Speak Up' survey campaign providing an effective means for the community to provide feedback.

In response to the questions put to the community under each theme in the CSP the following responses were received;

Economic Development

Q. Should the Shire take more of a leading role to promote and support economic development?

- 93% of respondents believed the Shire should take more of a leading role to promote and support economic development

Q. Do you recommend your town to prospective tourists?

- 79% of respondents indicated they would recommend their town to prospective tourists

In response to how the Shire could increase numbers of tourist who visit/stay in the Shire;

- 49% said more cultural based tourism would increase tourism numbers to our Shire
- 38 % indicated an increase in National Promotion would increase tourism numbers
- 38% indicated more RV friendly facilities throughout our communities would increase tourism and visitor numbers

Community

Q. Are you satisfied with the facilities provided in our parks?

- 67% of those surveyed stated they were not satisfied with our parks and facilities
- 35% stated they were happy with the facilities in our parks

Q. Do the Council's programs and activities meet the needs of the diverse community groups within the Shire?

- 41% of those surveyed believed Council meets the needs of the diverse community groups in the Shire
- 49% believed Council does not meet the needs

In response to the question: What stops you from joining in community activities or using community facilities?

- 63% indicated that no awareness the activity was taking place limited their involvement
- 34% indicated accessibility issues where the problem
- 22% stated that the fees of participation where the cause

Sustainable Living

Q. Do you think the Shire should adopt a more leading approach to waste management?

- 86% stated yes they believe Council should take a more leading approach
- 14% believed it was not an issue

Q. Does your local water supply meet your needs and expectations?

- 59% of those surveyed indicated that the water supply does not meet their needs
- 41% stated water supply meet their needs

Survey offered participants three options to the following question:

Q. How important to you is preserving the Shires natural environment?

- 64% indicated that preserving the natural environment is highly important
- 32% indicated it was important
- 4% indicated it was not important to them

Infrastructure

Q. Does your local road network meet your needs?

- 71% of those surveyed indicated the road network did not meet their needs
- 29% stated the road network meet their needs

Q. Do the electricity and communications networks meet your personal and/or business needs?

- 54% of those surveyed indicated that the electricity and communications networks do not meet their needs
- 46% said their electricity and communications networks needs are met

When asked: What improvement in infrastructure would improve your quality of life the most?

- 57% indicated that road improvements would improve their quality of life
- 32% indicated quicker internet access was their priority
- 11% indicated more telephone providers would improve their quality of life

Governance & Civic Leadership

Q. Do you think the Council is providing leadership across the broader community?

- 55% stated that they believed Council was not providing leadership
- 45% indicated they believed Council is providing leadership across our Shire

Q. Does the Council provide the community with maximum opportunities for participation in Council decision making?

- 75% stated they believe Council does not provide opportunities for decision making
- 25% believed Council does offer opportunities for decision making

Residents were offered three options relating to the following question: How do you think Council could further improve its relationship with the community?

- 59% of those surveyed stated that more response to broken facilities etc was most important
- 23% indicated that quicker answers to issues was important
- 18% indicated more published information and an improved website would improve relationships and inclusiveness in Council business

Section 5 – Criterion 3: Rating structure and impact on ratepayers

General Rates and Rate Pegging

Rate pegging will continue, and will be in line with CPI growth.

IPART has published the 2012-2013 rate to be 3.4% - this takes into consideration an increase due to the carbon tax being introduced. In future it is not regarded that the increase will be as high. In the 2011-2012 year it was only 2.8% which was slightly below inflation.

As it is difficult to assess what will happen with Rate Pegging in the future, we have taken a conservative approach and said that rate pegging will continue in line with rates published for the 2011-2012 year. However we understand it is IPART's plan as part of the integrated planning to eventually abolish rate pegging to give council's more leeway to set their own annual rate increases.

Section 6 – Criterion 4: Delivery Program and Long Term Financial Plan assumptions

6.1 New Capital Financing Strategy

Council funds new capital works from a combination of revenue streams including rates, revenue and debt.

6.2 Sustainability of debt

Does the council propose to undertake any borrowings over the period of the special variation?
Yes

See Page No.15

Section 7 – Criterion 5: Productivity improvements and cost containment strategies

- Council has realised productivity improvements. These have included the following:
- Sharing of internal audit contractor and committee with neighbouring councils
- RTA contract work (enabling greater economies of scale)
- Joint tender for key software (activating cost savings)

What has Council done already to build a strong community?

- Adopted the Walgett Shire Growth Management Study and Strategy
- Adopted an Aboriginal community development and reconciliation plan
- Ran a 'Butt out Bullying' program across the shire with schools

- Implemented a variety of youth programs focusing on life skills
- Ran a Youth Week program which in 2012 which won two of the three categories in the State in which it was nominated
- Began a mentoring relationship with Gosford City Council
- Upgraded Youth Centres and planned more youth based programs
- Continues to support a successful ‘Youth Council’ which provides young people with decision making opportunities
- Continues to support the Walgett Festival which in 2012 was a great success
- Continued to develop and implement a “School to Work” program in association with schools, in 2013 six students are participating in school to work
- Supported and participated in a range of Federal and State Government programs aimed at improving the welfare of the Aboriginal community.

Section 8 - Other information

Council has implemented IPART.

COUNCIL’S RESOLUTION TO APPLY TO IPART FOR THE SPECIAL VARIATION.

Identification and Quarantining of Funds – IPART application
<p>Resolved:</p> <ol style="list-style-type: none"> 1. That Council endorse the proposal to lodge an application for a special rate variation of 3% over and above the standard rate pegging of 3.4% set to be used to establish a reserve for an ongoing programme of betterment funding for rural roads with the Shire. 2. That a ‘betterment’ works programme be prepared for Council’s consideration at the March 2013 meeting. <p>Moved: Clr Woodcock Seconded: Clr Taylor</p> <p>CARRIED</p>

Section 9 – Checklist of application contents

- Attachment A – Community Strategic Plan March 2013
- Attachment B – Delivery Program 2012-2016 & Operational Plan 2012-2013
- Attachment C – Long Term Financial Plan 2011/12-2021/22
- Attachment D – Asset Management Plan 2012
- Attachment E – Integrated Planning and Reporting Implementation
- Attachment F – Operational Plan Review as at 30th Dec 2012
- Attachment G – Resolution to Apply for special Variation

Item	Included?
<i>Community Engagement Strategy, Community Strategic Plan, Delivery Program & Draft Operational Plan extracts</i>	Y
<i>Long Term Financial Plan extracts</i>	Y
<i>Asset Management Plan extracts</i>	Y
<i>Contributions Plan documents (if applicable)</i>	N
Community feedback (including surveys and results if applicable)	Y
Hardship Policy (if applicable)	N
Productivity/cost containment examples	N
Past Instruments of Approval (if applicable)	N
Reporting mechanisms	Y
Resolution to apply for the special variation	Y

It is the responsibility of the council to provide all relevant information as part of this application.

Section 10 - Certification by the General Manager and the Responsible Accounting Officer.

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



General Manager (name): Don Ramsland

Signature Date: 27/03/2013



Responsible Accounting Officer (name): Ed Włodarczyk

Signature Date: 27/03/2013