



Independent Pricing and Regulatory Tribunal

Special Variation Application Form – Part B

Corowa Shire Council

Date Submitted to IPART:

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The Tribunal members for this special variation assessment are:

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Mr James Cox PSM, Chief Executive Officer and Full Time Member

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1 Introduction

This form must be completed by councils when applying for a special variation to general income under either section 508A or section 508(2) of the *Local Government Act 1993*.

Councils should refer to the Division of Local Government (DLG), Department of Premier and Cabinet *Guidelines for the preparation of an application for a special variation to general income* (the Guidelines) in completing this application form. The Guidelines are available on the Division's website at www.dlg.nsw.gov.au.

In November, IPART will also publish Fact Sheets on our role in local government rate setting and special variations, and community engagement for special variation applications. The Fact Sheets will be available on our website at www.ipart.nsw.gov.au.

This part of the application (Part B) must be completed in conjunction with the relevant Part A form- either:

- ▼ *Section 508(2) Special Variation Application Form 2013/14 – Part A* for single year applications under section 508(2) or
- ▼ *Section 508A Special Variation Application Form 2013/14 – Part A* for multi-year applications under section 508A.

This part of the application consists of:

- ▼ Section 2 - Focus on Integrated Planning and Reporting
- ▼ Section 3 - Criterion 1: Need for the variation
- ▼ Section 4 - Criterion 2: Community engagement
- ▼ Section 5 - Criterion 3: Rating structure and impact on ratepayers
- ▼ Section 6 - Criterion 4: Delivery Program and Long Term Financial Plan assumptions
- ▼ Section 7 - Criterion 5: Productivity improvements and cost containment strategies
- ▼ Section 8 - Other information (past Instruments of Approval (if applicable), reporting arrangements and the council's resolutions)
- ▼ Section 9 - Checklist of application contents
- ▼ Section 10 - Certification by the General Manager and the Responsible Accounting Officer.

1.1 Information requirements

The spaces provided in each section of this application form may be extended as required to fit information. Each section must be completed before we can assess the application.

Please note that the amount of information to be provided under each criterion is a matter of judgment for the council.

In general, the level of information to be provided should be proportional to the size or complexity of the council's request. Therefore, for relatively small requested increases in general income, less information is necessary than for larger increases. However, you still need to provide enough information and evidence to enable the Tribunal to assess each criterion.

The council may also submit supporting documents, including confidential documents, as part of the application. Supporting information should be relevant extracts of existing publications, if any, rather than the full publication.

If necessary, we may seek further information from you.

1.2 Submitting your application

Both Part A and Part B of the application should be completed and submitted online via the Council Portal on IPART's website at www.ipart.nsw.gov.au. A signed copy of the certification should be attached to the Part B form. We suggest that you access the User Guide for the Portal, also available on our website, to assist you in the online submission process.

Please note that file size limits apply to each part of the application in the online submission process. The limit for Part B forms is 10MB and the limit for all supporting documents together is 120MB (70MB for public documents and 50MB for confidential documents). This should generally be sufficient for the majority of council applications.

Please also submit your application to us in hard copy with a table of contents and appropriate cross referencing of attached plans and reports to:

Local Government Team
The Independent Pricing and Regulatory Tribunal
Level 17, 1 Market Street, Sydney NSW 2000 or
PO Box Q290, QVB Post Office NSW 1230

We will post all applications on our website. You should also make your application available to your community through your website.

You are required to submit your application online via the Council Portal on our website and in hard copy by **cob Monday 11 March 2013**. We encourage you to submit your application as early as possible.

Councils intending to submit an application under section 508A are also required to notify IPART of this intention by **cob Friday 14 December 2012**.

Notification is not a requirement for councils intending to submit an application for a single-year increase under section 508(2), but it would help us in our planning if you did notify us of your intentions by this date.

2 Focus on Integrated Planning and Reporting (IP&R)

How a council has considered and consulted on a special variation in its Integrated Planning and Reporting (IP&R) process is fundamental to our assessment of a special variation application. This is consistent with DLG's October 2012 Guidelines.

As part of our assessment, we will examine whether the council's planning and consultation, as evidenced in its IP&R documents, meets the criteria for a special variation. For example, we will look closely at how the community's service priorities and feedback regarding various revenue options are reflected in the council's application for the special variation.

- ▼ Has the council completed its I&PR documents and relevant annual reviews of plans?

Yes No

If the answer is *No* and your council still wishes to proceed with a special variation application, we advise you to discuss your IP&R progress and options with us.

The Guidelines provide for transitional arrangements in 2013/14 regarding IPART's assessment of criteria related to the IP&R process (see Box 2.1).

Box 2.1 Transitional arrangements for assessment in 2013/14

The Guidelines provide for transitional arrangements as follows:

In light of the 2012 local government elections and the requirement for councils to review the Community Strategic Plan and Delivery Program and develop an Operation Plan by 30 June 2013, it is recognised that the revised guidelines and application timing may create a difficulty for councils who wish to apply but have not yet completed the necessary IP&R review.

Therefore, for the 2013/14 rating year only, IPART will have the discretion to award a single year variation where it assesses that the general principles of need, community awareness, reasonable ratepayer impact, realistic financial planning assumptions and cost containment and productivity achievement related to the assessment criteria are met by a council, even though the evidence is not necessarily reflected within the councils IP&R documentation.

2.1 Summary of relevant IP&R documentation

Expand the space below to briefly explain the council's IP&R process in the context of the special variation. Include when plans (eg, Asset Management Plan (AMP) or Long Term Financial Plan (LTFP)) first identified the need for a special variation, and when all relevant IP&R documents were reviewed and finalised. If the council has not yet finalised all of the relevant reviews of plans, explain when this is likely to occur.

Corowa Shire Council was a Group Three Council and first achieved all of the requirements under Integrated Planning and Reporting through the adoption of the final documents on 26 June 2012. Council adopted a the Long Term Financial Plan (LTFP) and Delivery Program that proposed a special rate variation of 7% over five consecutive years, subject to a successful application to IPART.

Council's Asset Management Plans and Long Term Financial Plan (LTFP) identify a significant infrastructure backlog (over \$44 million) which is projected to grow during the life of the LTFP. A major infrastructure renewal project for Council includes a new swimming pool at Corowa and the community engagement process for the Community Strategic Plan recognized this as one of the most important priorities for the community.

Corowa Shire Council has an extremely low rate base and the proposed consecutive rate rises will not address the infrastructure backlog, however the adopted IP&R documents recognize the need for a rate rise above the rate pegging amount as an important step towards addressing these needs among other measures that need to be undertaken.

Following the new term of Council, a review is currently underway of the current IP&R documentation. Further community engagement is currently underway and Councillor workshops have been undertaken. This has indicated that there will not be major changes to the current strategies, however as Council will not adopt this documentation until June 2013, Council have passed a resolution to submit a single year variation initially.

Please note that all of Council's IP&R documentation is available from its website www.corowa.nsw.gov.au/csp

3 Criterion 1: Need for the variation

In this section, you should present a case for the proposed revenue increases by showing why the special variation is needed. The need must be identified and articulated in the council's IP&R documents, including the Delivery Program and LTFP, and AMP where relevant.

3.1 Variations for capital expenditure

Does the purpose of the proposed special variation require the council to undertake a capital expenditure review in accordance with Council Circular 10-34?

Yes No

If Yes, has a review been undertaken?

Yes No

If Yes, has this been submitted to DLG?

Yes No

3.2 Strategic planning information

In the section below, provide commentary on how the need for the special variation is reflected in the council's strategic planning documents (ie, Community Strategic Plan and Delivery Program). Provide extracts from or references to the council's IP&R documents as relevant.

Explain the likely benefits of the project, works or other activity the council is proposing to undertake with the additional special variation funds, as outlined in the IP&R documents.

If you are seeking funding for contributions plan costs above the development contributions cap, see Box 3.1.¹

¹ See Planning Circular 10-025 at www.planning.nsw.gov.au for the most recent Direction issued under section 94E of the *Environmental Planning and Assessment Act 1979*. See also Planning Circular PS10-022.

Box 3.1 Special variations for development contributions plan costs above the developer cap

For costs above the cap in contributions plans, a council must provide:

- ▼ a copy of the council's s94 contributions plan
 - ▼ a copy of the Minister for Planning and Infrastructure's response to IPART's review and details of how the council has subsequently amended the contributions plan
 - ▼ details of any other funding sources that the council is proposing to seek to use
 - ▼ any reference to the proposed contributions (which were previously to be funded by developers) in the council's planning documents (eg, LTFP and AMP)
 - ▼ any necessary revisions to financial projections contained in the LTFP and AMP to reflect the special variation.
-

Corowa Shire Council adopted an Operational Plan on 26 June 2012 which proposed a rate rise in accordance with the rate pegging amount for the 2012/2013 financial year. The adopted Delivery Program and Long Term Financial Plan (LTFP) included five years of consecutive rate rises at 7% between 2013/2014 and 2017/2018 financial years.

As noted in the commentary document to the LTFP - The LTFP together with the Community Strategic Plan has provided Council with insights into some of the key challenges Council will face in the coming years including:

- The ability of Council to fund its existing asset management commitments to satisfactory standards
- The ability for Council to meet community expectations in relation to service delivery
- Impact of cost shifting to Local Government
- The impact of rising energy and waste management expenses
- An increasing challenge in relation to public liability and risk management along with rising insurance costs
- Implications of rate pegging and that Council's operating income does not cover its operating expenses

The special rate variation is proposed in order to assist Council help address its significant infrastructure backlog and maintain service level standards. It is a measure being undertaken to achieve long term sustainability rather than to allow for additional capital expansion or higher levels of service.

One of the key focuses for the community in the Community Strategic Plan was the renewal of the Corowa Swimming Pool (which is at the end of its operational life). This is a major project for Council which is outside the financial capacity of the Council if approval for the special rate variation is not provided (over consecutive years). Council has been attempting to secure grant funding for this project for a number of years.

This application is currently for a single year variation, in order for Council to complete the necessary further review of the IP&R documentation.

3.3 Financial planning information

The justification for the special variation and its timing must be based on the Council’s Long Term Financial Plan (LTFP). The LTFP needs to include various budget scenarios, including those with and without the special variation, that are based on clear and reasonable assumptions (see Section 6).

In the section below, explain the need for the variation in the context of the LTFP and the various budget scenarios. Provide extracts from or references to the LTFP as necessary.

It may also be useful to comment on external assessments of the council’s financial sustainability (eg, by Treasury Corporation), or the council’s recent revenue and expenditure history and how this relates to the need for the additional funding from the special variation.

The adopted (‘planned’) version of the LTFP showed a balanced budget over the ten year period, however this was achieved through the reduction in required capital works to existing infrastructure – predominantly roads.

A number of LTFP scenarios were prepared as part of the IP&R planning process. Whilst the proposed 7% consecutive rate rises were included as part of the planned (adopted) LTFP, they do not achieve the required level of funding to address the reality that service levels and standards will need to be reduced in order to meet forecasted budget restrictions.

The following table provides a summary of some key scenarios completed as part of the LTFP:

	Planned (Reduced service levels/standards to meet budget restrictions)	Compromise (Marginal reduction in service levels/standards)	Optimal (Maintain existing service levels/standards)
Current Asset Value	\$304,612,000	\$304,612,000	\$304,612,000
Asset value by 2021/2022	\$288,441,000	\$303,582,873	\$344,956,843
Budgeted financial position by 2021/2022	\$4,347	-\$2,163,528	-\$25,921,682
Projected annual asset maintenance expense by 2021/2022	\$5,625,000	\$5,150,000	\$3,887,000

The 'Planned' budget was recommended to Council as it sat within the financial capacity of the Council, however it highlights a major long term risk to the Council in that it will not be able to maintain the current value of its assets. This means that service levels will diminish and Council will be exposed to greater risks that result from reduced infrastructure standards such as increased public liability.

The 'Optimal' LTFP scenario demonstrates a more optimal spend on the renewal of Council's infrastructure as it aims to maintain the current service standards, however this was outside of the financial capacity of Council as is demonstrated by the \$25 million budget shortfall by the 2021/2022 financial year.

These scenarios demonstrate that the long term financial vulnerability of Corowa Shire Council is a significant challenge. Council is working towards addressing this through a number of means including:

- Seeking this approval for a Special Rate Variation
- Implementing a strategy of asset consolidation
- Reducing operational costs through cost savings or a reduction in service levels

The ultimate aim is to work towards the achievement of the 'Optimal' scenario but with a more realistic scenario being 'Compromised'.

TCORP have recently conducted a review of Council's LTFP which provides further reinforcement of the need for Council to find additional avenues for revenue and reduce Council's operational costs in order to allow a higher proportion of capital renewal.

As part of the report, TCORP made the following recommendations:

- Council forecasts continuing operating deficits. While sustainable in the short to medium term, Council may be unsustainable in the longer term unless additional revenue can be sourced, further efficiencies found, or service levels reviewed
- In addition, Council is dependent on external revenue sources such as State and Federal grants. Any material adverse change to the levels of grants receivable would severely weaken Council finances
- Following the implementation of an Asset Management System, the estimation of the Infrastructure Backlog value has increased over the past four years, up to \$44.6m in 2012. In recent years, Council has not spend sufficient amounts on asset maintenance. In addition, Council is limited by budget restrictions. As a consequence, it is likely that the backlog will continue to grow in future years
- Council is not spending sufficient amounts on asset renewal and in the long term this could lead to a reduction in service levels. Council has been proactive in measuring its asset renewal funding gap and is considering applying for a SRV for next financial year to help address this issue

3.3.1 Prioritization of proposed spending

If possible, also explain how the council has prioritized the proposed spending in its program of expenditure (incorporated into its LTFP and as indicated in Worksheet 6 of

Part A of the application form). If a special variation application is approved for a lesser amount than requested, it is useful for the council to be able to indicate which projects would be funded first.

Council has prioritised spending based on infrastructure renewal and priorities as identified in Council's Asset Management Plans. As part of the preparation of the LTFP, the task was undertaken to review and consider the need for all new and (at the time) proposed capital expansion projects over the next 10 – 20 years. Almost all newly proposal capital expansion projects were removed from the LTFP as it was clear that this was outside of the financial capacity of Council. There is a strong focus in Council's LTFP on the renewal of existing infrastructure due to the significance of Council's ageing infrastructure backlog.

The special rate variation is being made as one measure (of a number that need to be undertaken) on order to address the long term sustainability of Council. It is not proposed to support new capital expansion activities or services.

Alternative options

In explaining why the special variation is needed, you should indicate how the council has considered a range of alternative financing options (eg, borrowing, private public partnerships, joint ventures, user pays) and why the special variation is the most appropriate option. It is important that you explain how the decision to apply for the variation has been made after all other options (ie, alternative revenue sources, changing expenditure priorities, alternative modes of service delivery) have been considered. Once again, provide extracts from, or references to, the LTFP which shows the council's consideration of alternative revenue options.

Council currently has an extremely low rate base in comparison to other similar Councils. Our challenging long term financial situation is heightened due to this and a number of strategies are being implemented which include asset consolidation, efforts to achieve cost savings in all areas, the consideration of reduced levels of service and increasing user pay fees (where possible) towards cost recovery.

Impact of special variation on key financial indicators

Outline below how the special variation impacts the council's key financial indicators over the 10 year planning period, as identified in the LTFP. This should include the impact on key indicators under the various budget scenarios (with and without the special variation).

Key indicators may include:

- ▼ Operating balance ratio (net operating result (excluding capital items) as a percentage of operating revenue (excluding capital items))
- ▼ Unrestricted current ratio (the unrestricted current assets divided by unrestricted current liabilities)

- ▼ Rates and annual charges ratio (rates and annual charges divided by operating revenue)
- ▼ Debt service ratio (net debt service cost divided by revenue from continuing operations)
- ▼ Broad liabilities ratio (total debt plus cost to clear infrastructure backlogs (Special Schedule 7) divided by operating revenue)
- ▼ Asset renewal ratio (asset renewals expenditure divided by depreciation, amortisation and impairment expenses)

If the variation is to fund asset or infrastructure expenditure, the application should include an explanation of relevant asset replacement, renewal or repair expenses, and how the expenditure addresses backlogs over time.

While the LTFP proposes a consecutive rate rise of 7%, Council has only currently resolved to submit a request for a single year variation at 7%.

However, the current LTFP does propose a consecutive year rate variation. The following table provides detail of the two scenarios (with or without the special variation approval) and the projected impact on Council's key financial indicators:

Rate Rise of 7% for 5 years starting 2013/14										
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
3. Rates & Annual Charges Coverage Ratio	31.04%	33.14%	36.12%	36.58%	36.71%	36.91%	36.53%	36.30%	33.35%	33.24%
2. Debt Service Ratio	3.15%	3.61%	3.46%	4.61%	4.70%	4.64%	4.44%	4.32%	4.99%	5.62%
6. Operating Surplus Ratio	34.22%	14.41%	-3.00%	-2.04%	3.02%	4.84%	6.54%	7.19%	27.90%	26.84%
5. Asset Renewal Ratio	139.90%	103.16%	74.28%	139.16%	79.11%	82.64%	85.87%	86.70%	90.35%	91.90%
1. Unrestricted Current Ratio	3.75	3.98	4.00	4.67	4.85	5.07	5.26	5.38	5.44	5.50
Rate Rise of 3.6% every year										
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
3. Rates & Annual Charges Coverage Ratio	31.24%	33.00%	35.63%	35.69%	35.43%	35.20%	34.77%	34.48%	31.55%	31.39%
2. Debt Service Ratio	3.15%	3.63%	3.49%	4.68%	4.80%	4.77%	4.56%	4.43%	5.12%	5.76%
6. Operating Surplus Ratio	32.20%	11.43%	-7.53%	-7.89%	-3.92%	-3.49%	-1.54%	-73.00%	21.85%	20.84%
5. Asset Renewal Ratio	139.90%	101.14%	70.01%	132.41%	69.63%	70.11%	72.89%	73.25%	76.38%	77.43%
1. Unrestricted Current Ratio	3.75	3.98	4.00	4.67	4.85	5.07	5.26	5.38	5.44	5.50

4 Criterion 2: Community engagement

To meet this criterion, you must provide evidence from the council's IP&R documentation that the council has consulted on the proposed special variation and that the community is aware of the need for, and the extent of, the rate increases. You should also show that the council has sought to obtain community input on both the proposed spending area, the revenue path in the council's LTFF incorporating the council's proposal, and the community's willingness to pay the rate increases.

In assessing the evidence, we will consider how transparent the council's engagement with the community has been, and that the information provided to the community shows:

- ▼ the proposed rate increases including the rate peg;
- ▼ the alternative rate levels without the special variation;
- ▼ if the requested special variation includes an expiring special variation (see Box 4.1 below);
- ▼ rates on an annual increase basis (and not just on a weekly basis); and
- ▼ if the council is proposing increases for any of its other charges, for example, waste management, when these are likely to exceed CPI increases.

Box 4.1 Does the council seek to renew or replace an expiring special variation?

If so, this needs to be clearly explained to the community. Councils should explain:

- ▼ that there is a special variation due to expire during the time period covered by the current special variation application, or the time period immediately before
- ▼ that, if the special variation were not approved (ie, only the rate peg were applied), the year-on-year increase in rates would not be as high, or there would be a rates decrease (whichever is applicable)
- ▼ if applicable, that the expiring special variation is being replaced with a permanent increase to the rate base.

Refer to DLG's Guidelines, the IP&R manual, and IPART's fact sheet on community engagement for more information about how community engagement might best be approached.

4.1 The consultation strategy

In the section below, provide details of the consultation strategy undertaken, including the range of methods used to inform the community about the special variation proposal and to obtain community input on this option (eg, media release, mail out to ratepayers, focus group, survey, online discussion, town hall meeting, newspaper advertisement or public exhibition of documents). Provide relevant extracts from the IP&R documentation to explain the strategy, where possible.

The information should clearly identify:

- ▼ key stakeholders in the consultation process
- ▼ the information that was presented to the community regarding the special variation proposal
- ▼ methods of consultation and why these were selected
- ▼ timing of the consultations (including exhibition of Draft Community Strategic Plan, Draft Delivery Program and Draft Operational Plan as applicable).

Attach relevant samples of the council’s consultation material to the application.

The following table provides a summary of Council’s engagement process in relation to the Community Strategic Plan which included discussion about priorities and how these could be funded.

Activity	Date	Response
Community Comment Boards	May 2011	150 comments received
Community Survey	August - September 2011	230 surveys received
Young People Focus Groups	June 2011	45 young people
Youth Survey	June 2011	95 surveys received
Primary school consultations	Sept - Oct 2011	Over 150 students participated
Preschool consultations	June 2011	30 students participated
Stakeholder Workshops	A number of stakeholder workshops were held covering the areas of: <ul style="list-style-type: none"> • Community • Health • Aged services • Children and young people • Sport and recreation • Business 	Over 100 people attended the workshops

Community Action Meetings	September 2011	54 people attended three meetings
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Further media and promotion surrounded these activities. Attached to the application is a copy of the community engagement report.

This was the most extensive community engagement process Council has undertaken and the methods of consultation were selected to ensure that all members of the community had the opportunity to provide input and to ensure that a good cross section of the community were represented.

The following is a summary of the timings in relation to the exhibition and adoption of the plans:

Plan	Timing
Community Engagement Strategy	Public exhibition January 2011 Adoption June 2011
Community Strategic Plan (10 years)	Public exhibition from December 2011 Adoption June 2012
Resourcing Strategy	
Delivery Program	Public exhibition start May 2012 Adoption end June 2012
Operational Program (completed as part of the delivery program)	As above
10 year Financial Plan	Start of May 2012
Asset Management Policy	Adoption May 2012
Asset Management Strategy Asset Management Plans	June 2012 (information used from these plans throughout consultation process)
Workforce Management Plan	Council adoption June 2012 No public exhibition period

Following the adoption of the draft plans, there was strong media support and understanding of the need for Council to propose a special rate variation above the rate pegging amount. This was evident in both local and regional media and some examples are attached to this application.

4.2 Outcomes from community consultations

In this section provide a summary of the outcomes from the council's community engagement activities, as presented in the council's IP&R documentation (eg, number of attendees at events, percentage of responses indicating support for certain services/projects or rate increases, overall sentiment of representations, results of surveys).

Also provide a summary of submissions received in response to the exhibition of the Draft Operational Plan where they relate to the proposed special variation. Identify the nature of the feedback related to the proposal (including by relevant stakeholder group) and any action proposed by the council to address issues of common concern.

Attach copies of relevant documentation eg, survey reports to the Council.

Please find attached to the application a copy of the consultation report and refer above in relation to a summary of key consultation meetings/surveys and number of responses.

The following is a summary of the key views expressed by the community throughout the engagement process:

- The opportunities that we have to come together, enjoy our community, and experience our environment, are very important to us and our sense of identity. Our events and celebrations are also significant ways that we attract people to our Shire.
- As a community we recognise the importance of opportunities for our families to participate in affordable, safe and healthy activities together. We believe that it is important that we continue to focus on providing these opportunities to the families of our communities and our visitors.
- Whilst we have long been known as a welcoming and enjoyable place to retire, we would also like to be known as a wonderful community to raise a family. We believe that we should focus on attracting young families to our shire to ensure that our community is a place with strong social connections and opportunities.
- The Murray River and Lake Mulwala are enormous parts of our community identity and we would like to make sure that they continue to be seen as key aspects of our community.
- Whilst our Shire has three larger towns, we also have several rural communities that contribute enormously to the social, economic and cultural aspects of our community. We need to ensure that we continue to remain focused on supporting our small rural communities and work to support their long term sustainability.

- We understand that part of living in a rural area means that we will not have all of the services that are provided in larger areas; however it is vital to us that we have high quality, accessible and affordable health and education services within our community.
- Our roads are of significant importance to us in our shire – they are not only the way we move around our shire but they support our agricultural, industrial and tourism sectors. It is important to us as a community that our roads continue to improve and they are safe and accessible for our community, our industry and our visitors.
- The footpaths throughout our Shire play a huge role in our daily life and we would like to see them improved and extended throughout our communities
- Our swimming pools are valued within our communities and we would like to continue to advocate for the ability to upgrade and redevelop our facilities
- Tourism is very important to our community and we recognise it as a significant opportunity in growing our economy and developing opportunities within our Shire. We would like to see an increase in the retail offerings that are CBDs provide. As our main streets develop we would like them to grow to become dynamic, exciting and inviting places to shop, socialise and spend time.
- Our natural environment is vital to our economy, our identity and our lifestyle – we are passionate about protecting it for today and for our future
- It is important that our community has the opportunity to be involved in decision making processes.
- As a community we want to remain up to date about large community projects
- As a community we understand the need for our community vision to be achieved together, with increased focus on community driven initiatives

A summary of all submissions received following the draft exhibition period explaining the relevant action Council has taken is as follows. Please note that names have been removed to maintain privacy.

Submission	Key Issue	Comments
Mulwala Resident, 20 June 2012	Objection to proposed 7% rate increase, does not wish to pay this.	Council have considered but wish to proceed.
Howlong Resident, 18 June 2012	Objection to domestic waste management charges. Believes that Howlong is being charged a higher rate.	Corowa, Mulwala and Howlong residents are charged the same total fee of \$245. However, a domestic waste management fee of \$40 is charged to vacant lots in Corowa and Mulwala but not in Howlong. Council resolved to support change to bring Howlong in line with other townships.
	Avdata keys and if they can be made	Keys have been made available at

	available in Howlong	Howlong.
	Introduction of a Town Improvement fund for Corowa, Mulwala and possibly Balldale	Council are progressing with single year special rate variation.
Primary School, Corowa	Additional youth focus	Every effort is being made to achieve this within existing budget/resources.
	Community Garden	This was a strong theme resulting from community consultation. Council support Landcare Group who are progressing this project.
	Additional early childhood focus	Every effort is being made to achieve this within existing budget/resources.
	More shade structures – at community events	This is an ongoing consideration for community events and in particular Council playgrounds.
	Road safety being part of the curriculum and that this is more so the role of families	Council is supporting a Road Safety program.
	The need for a welcoming space that caters for all ages	The community garden may help to achieve this. Foreshore and playground improvements will support this.
	Improve and maintain the Corowa Airport	No major capital allocation has been made within the LTFP as it has been outside of the financial capacity of Council. A grant application was made and has been successful for \$700K for refurbishment works.
	Stop power boats on the river	No action currently proposed.
Landcare and Playgroups	A youth council from 7 – 12 class	This can be incorporated into the Delivery Program.
	Inclusion of the need for a suitable facility for the Corowa Playgroup and assistance to maintain that facility	Council is working with the Playgroup to assist with this.
	Community vegetable garden	This was a strong theme resulting from community consultation.
Children's Network	Some disappointment in a lack of 'meat' in the plan but good vision.	
	The need to include early childhood facilities in employment summary	This can be included.
	Feedback required on youth mapping exercise	This will be provided.
	Community Garden	As above.
	Support for playgroups	Council funds the assisted Playgroup and provides accommodation for Corowa Playgroup.
	Add safe pedestrian routes to preschools and schools	This was included.
Corowa Resident, June 18 2012	Actions to ensure that essential medical services are accessible in the community	Council will work with the State Government in relation to this.
	Community Garden	As above.
	Police Presence	Council will work with the State Government in relation to this.

	Aboriginal representation on advisory boards	Council is focused on inclusion of all community members.
Howlong School, June 7 2012	Move the Larmer Street Crossing Project into 2012/2013 budget	This was brought forward.

5 Criterion 3: Rating structure and the impact on ratepayers

Councils must also fill in the worksheets in Part A of the application in order to provide the information and calculations underpinning the proposed rating structure, the impact of the special variation and rate increases.

5.1 Proposed rating structure

In the section below, provide an explanation of the proposed rating structure for the variation under two scenarios – the proposed rating structure if approved and the proposed structure should it not be approved.

The proposed rating structure would remain unchanged. We propose that the base rate will remain the same for either scenario as it will be only the rate in the dollar that will change – either by a 3.4% increase or the 7% requested increase.

5.2 Impact on rates

Comment on the cumulative impact of the proposed increases on different rating types and categories, as detailed in Worksheet 5 of Part A of the application, and explain why the rate increases are reasonable.

Include an explanation of any differences between the requested percentage increases of different rating types or categories.

Also include commentary on average rates (defined as Notional Income Yield divided by the number of assessments for each rating category, sub-category or special rate) and the impact of the proposed rate increases across the rates distribution.

Provide references from the relevant pages in the council's IP&R documents to demonstrate reasonableness.

The cumulative impact of the proposed special rate variation is less than \$50 on an annual basis across most rating categories – with a general range for residential between \$19.25 - \$51.18. Mulwala Business will be the most affected category with an increase of \$176.23 which is due to significant land valuation increases in this township in recent times. Farmland will also increase by \$143.35 due to the high value of land.

These increases are thought to be reasonable based on Council's existing low rate base and comparisons made to other Council's throughout the State.

5.2.1 Minimum Rates

Does the council have minimum rates? Yes No

If *Yes*, provide details of the proposed increase in minimum rates and the proposed share of ratepayers on the minimum rate for the relevant category, with and without the special variation.

5.3 Community's capacity to pay proposed rate increases

Discuss the capacity of ratepayers (in each sub-category) to pay for the rate increases. Provide relevant supporting information from the council's IP&R documentation, in particular any reference to the "affordability" of the proposed increases. Examples of supporting evidence could include discussion of affordability measures such as SEIFA rankings, land values, average rates and disposable incomes, or the outstanding rates ratio. It could also include comparisons of socioeconomic indicators or rate levels with peer group councils. Remember that the amount of information required is generally proportionate to the size and complexity of the proposed increase.

IPART may consider indicators such as the SEIFA index rankings and income levels, as well as the council's current average rate levels, as part of its assessment of capacity to pay in the LGA, even if the council does not provide this information in its application.

The capacity of the community to pay an increase in rates has always been of great concern to Council and is why the Council have maintained one of the lowest rate bases in the State. Council is also concerned in relation to the rising cost of living and how this is impacting the residents of the Shire, in particular energy costs and the impact on pensioners.

The median weekly individual income for persons aged 15 years and over in Corowa Shire was \$389, compared with \$466 in Australia. The median weekly household income was \$776, compared with \$1,027 in Australia. The median weekly family income was \$1,014, compared with \$1,171 in Australia.

Based on the median weekly household income of \$776 and an average proposed annual residential rate value (with the special variation) of \$489, this would equate to approximately 1% of the average annual household income for residents of Corowa Shire.

Corowa Shire has one of the lowest unemployment rates in the surrounding regions. There are 8,873 residents aged over 15 in the Shire, of and, 4,897 are in the workforce. Of those in the workforce, 33.4% are employed full-time, 15.3% are employed part-time, 3.9% are employed other, and 2.6% are unemployed and looking for work.

A brief summary of SEIFA Measures relevant to Corowa Shire is as follows:

- Generally Corowa Shire's Socio-Economic Index groups the area at the mid range point in terms of socio economic disadvantage against other LGA's throughout the Nation and State, with the exception of level of education and occupation
- Corowa Shire's SEIFA measure of level of Education and Occupation ranks the area within the third most disadvantaged (lowest level of education, lowest level

of occupation obtainment) within the Country and second lowest within the State

- The significant contrast between the SEIFA Index for Education and Occupation compared to the three other measures which show a lessor disadvantage reinforces the dominance of large industry within the area who offer lower level positions with attractive wages
- In relation to the measure of Economic Resource for Corowa Shire, the Shire is generally ranked in a better position than surrounding Councils but below the average of the State
- In comparison to surrounding LGA's Corowa Shire has a significant higher level of disadvantage across all four SEIFA measures

In comparing surrounding Councils with similar or lower levels of disadvantage, Corowa Shire has a low rate base as is evident from the following table.

Rate charge - other shires								SEIFA - Index of Economic Resource
	Base Rate	Ad Valorem Rate	Minimum	Value		TOTAL RATE		Decile
Corowa	\$ 147.00	\$ 0.00284174		\$ 70,000		\$ 345.92		6
Murray		\$ 0.00498944	\$ 386.77	\$ 70,000	\$ 349.26	\$ 386.77	MINIMUM	6
Berrigan		\$ 0.00620900		\$ 70,000		\$ 434.63		
Jerilderie	\$ 110.00	\$ 0.00603541		\$ 70,000		\$ 532.48		
Greater Hume	\$ 230.00	\$ 0.00668737		\$ 70,000		\$ 698.12		7
Albury	\$ 290.00	\$ 0.00795400		\$ 70,000		\$ 846.78		5

5.4 Addressing hardship

Does the council have a Hardship Policy in place? Yes No

If Yes, is the Policy identified in the council's IP&R documentation? Yes No

Please attach a copy of the Policy to the application.

Does the council propose to introduce any measures to limit the impact of the proposed special variation on vulnerable groups such as pensioners? Yes No

Provide details of the measures to be adopted, or explain why no measures are proposed.

Corowa Shire has an ageing population and is an attractive retirement destination. In 2006 21.9% of Corowa Shire's residents were aged 65 plus compared to the 13.3% National average. As a result of this, one of the challenges Council is faced with is the high proportion of pensioners/pensioner rebate to rates which Council no longer receive a full State subsidy for. Introducing measures such as a further pensioner subsidy is unaffordable to Council based on the current financial position.

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

The council's planned service delivery and budgeting must be based on realistic assumptions in order for an application to be approved by IPART.

Given the importance of the Delivery Program and LTFP in providing the strategic and financial justification for a special variation, it is critical that the assumptions underpinning these plans, in particular, are realistic. Questions that we will consider in assessing this criterion include:

- ▼ Is the proposed scope and level of service delivery in the Delivery Program appropriate given the council's financial outlook and the community's priorities?
- ▼ Are the council's estimates of specific program or project costs which have been incorporated into the LTFP feasible and based on an efficient allocation of resources?
- ▼ Are the council's projected cost components (including labour costs) in the LTFP based on realistic assumptions?
- ▼ Has the council incorporated other realistic assumptions about the expected rate of growth in the LGA?

In explaining the council's assumptions, identify any industry benchmarks or independent cost assessments that have been utilised by the council in developing them. Also include details of any relevant research or feasibility work undertaken eg, related to new program or project costs.

6.1 Delivery Program assumptions

Explain the key assumptions underpinning the council's Delivery Program and why they are realistic. For example, assumptions will relate to:

- ▼ the community's priorities and expectations, in order of importance
- ▼ proposed level of service for assets
- ▼ speed at which asset backlogs are to be addressed
- ▼ speed at which other identified gaps in service provision are addressed.

Levels of Service

Existing levels of service and current asset maintenance standards have generally assumed to be satisfactory and have been used as a baseline for the costing to financial projections attached to the Delivery Program.

Strategic Asset Modelling

The LTFP and Delivery program have been informed by strategic asset modelling which has been prepared in the form of "Core" Asset Management Plans in accordance with the requirements of the National Framework and NSW Division of Local Government mandates. It is prepared to meet legislative and organisational requirements for sustainable service delivery and long term financial planning and reporting. Core asset management is a "top down" approach where analysis is applied at the "system" or "network" level.

Maintenance Costs

It has been assumed that maintenance budget allocations are adequate; however with decreased asset conditions due to financial limits on capital works, this may not be a realistic assumption but is an area of focus for Council under the current review of the Delivery Program and LTFP.

Capital Projects

The preparation has included a review of all future capital work projects (within the ten year period). A number of capital work projects were removed from the Delivery Program/LTFP as they were proved to be outside the financial capacity of the Council. A key assumption of the Delivery Program/LTFP is that almost no new capital projects are introduced for the life of the plan.

In removing capital projects from the Delivery Program, Council carefully considered the priorities of the community as expressed from the extensive community engagement process.

Community Priorities/Delivery Program

The following areas were allowed for in the LTFP and Delivery Program based on these being key community priorities:

- Renewal of the Corowa Swimming Pool
- Small allowance for foreshore development in support of tourism including a new boat ramp
- Road renewal
- Footpath renewal
- Increased support for tourism
- Improvement of playgrounds

Workforce Levels

Corowa Shire Council's workforce levels are assumed to remain at the current level. No allowances could be made within the Delivery Program/LTFP for any new resources, such as for any recommendations made from the organizational review. Council has introduced a new Recruitment and Selection Policy to help address this constraint.

6.2 Long Term Financial Plan assumptions

Explain the key assumptions underpinning the LTFP and why they are realistic. For example, assumptions will relate to:

- ▼ the rate peg (if different from 3%)
- ▼ rate of growth in labour costs
- ▼ rate of growth in non-labour costs
- ▼ cost of service provision in the council's proposed program of expenditure (as per Part A)
- ▼ level of cost recovery for provision of services (eg, full or partial cost recovery)
- ▼ expenditure growth rate
- ▼ major asset disposals/investments/capital commitments
- ▼ population and rate assessment growth rate
- ▼ major borrowings/repayments
- ▼ grants and other revenue.

In order to prepare the LTFP it has been necessary to make a number of assumptions to allow long term expenditure and income to be estimated.

The following is an overview of key assumptions which have been incorporated into the LTFP:

Consumer Price Index (CPI) Forecasts

- An annual 2.5% increase in CPI has been built into the Long LTFP. The Reserve Bank target for inflation is for it to remain between 2% and 3%.

Depreciation

- Depreciation has not been adjusted by any amount. The depreciation amount used throughout the plan is calculated on a straight line basis. Adjustments have been made for large capital purchases planned in the Capital Works Program.

Revenue – Non Capital

Rate Income

- Rate income has initially been limited to within the rate pegging amount set by the Independent Pricing and Regulatory Tribunal (IPART)
- Based on the outcomes of the initial draft of the LTFP, Council believes it will have a strong case for an application to obtain a special variation for an increase above the rate pegging amount.

Therefore the following forecasts in rate income were included:

Year	General Rate Increase
2012/2013	3.6%
2013/2014	7%
2014/2015	7%
2015/2016	7%
2016/2017	7%
2017/2018	7%
2018/2019	3.6%
2019/2020	3.6%
2020/2021	3.6%
2021/2022	3.6%

It has been assumed that a general rate of the rate pegging limit will apply between the 2018/2019 and 2021/2022 financial years. As the rate pegging limit for these years is not currently known, the current rate pegging limit of 3.6% was applied (previous year, now 3.4%)

Water and Sewer Fees and Charges

Council has implemented a long term savings program for major water and sewer capital works projects, such as new Corowa and Howlong Sewerage Treatment Plants.

For the 2012/2013 financial year a 10% increase has been applied to water charges and a 5% increase to sewer charges. For the remainder of the LTFP a standard 5% annual increase has been assumed at this stage.

Fees and Charges

Corowa Shire Council apply a range of fees and charges for services provided to the community. These are reviewed annually and set as part of Councils Revenue Policy.

Regulatory fees have been increased in line with CPI. All discretionary fees were increased by the current rate pegging amount of 3.6%.

It should be noted that some fees have been increased outside of these estimates but others may experience no increase at all. These fees and charges account for a small portion of Council's total revenue and if these assumptions are proved to be incorrect, it is not expected to have a major impact on LTFP.

Interest Income from Investments

Future investment earnings have been conservatively estimated based on current cash levels and future expected earnings of 5% over the 10 year period of the LTFP.

Grants Provided for Operational Purposes

This source of revenue includes Financial Assistance Grants (FAGS) from the Australian Government. This is a major source of Councils revenue and is a scheme which has existed for decades.

The amount of the FAGS grant provided to Council each year has varied, therefore the average increase over the last seven (since boundary change) years was calculated and the percentage increase of 5% has been applied to the LTFP.

Revenue - Capital

Grants

A number of grants have been assumed within the LTFP in order to make projects viable. Grants are a competitive process; therefore no guarantee can be made as to Council's success.

Several major capital projects are dependent on the success of a grant application, such as the Corowa Saleyards Project, boat ramp improvements and playground improvements. If grant applications are not successful, projects will not be able to proceed or will proceed as a reduced scope.

Sale of Property

Revenue from the sale of 237 Honour Avenue is assumed and has been included to help fund the Corowa Swimming Pool.

Expenditure - Non Capital

Employee Benefits and On Costs

Employee costs include salaries, wages, superannuation, workers compensation, staff training, allowances and employee leave entitlements.

Increases in employee costs have been estimated at 3.25% for the period of the LTFP. This is based on agreed award increases. Superannuation and workers compensation have been factored by the same rate.

Materials and Contracts

Local government is characterised by relatively high levels of materials and contract expenses due to large number of assets held, constructed and maintained by Council. This places Council under considerable pressure from rising materials and construction costs. Any new assets including major projects will also increase Material and Contracts due to the increased maintenance requirements.

Generally, material costs will be constrained to annual increases of 2.5% for the term of the LTFP to account inflationary pressures. Irrespective of the known inflationary pressures on materials and contracts (which have historically exceeding this amount) Council will need to constrain this expenditure line via a planned review of service levels with the community over the coming years.

Insurance Costs

One of the key challenges for Council in the future will be the resources required to effectively manage Councils risk management and public liability requirements. Insurance costs are expected to continue to rise into the future and a conservative annual increase of 5% has been allowed for. Insurance costs include policies such as property, public liability, professional indemnity and vehicle.

Energy

The increasing costs of energy and the introduction of the carbon tax are expected to have a significant financial impact on Council and its community. An annual increase of 10% has been applied to the Long Term Financial Plan.

Expenditure - Capital

Capital Works Program

Council's Capital Works Program will largely be governed by the outcomes of major asset strategies. The works proposed in the capital works program are aimed at delivering on a number of community priorities as expressed in Council's Community Strategic Plan but predominately include the renewal of existing assets.

It is apparent from the LTFP that one of the key strategies Council will need to apply in order to remain financially sustainable is asset consolidation, not expansion. The Capital Works Program is assumed to already include CPI cost increases.

Depreciation and Amortisation

Corowa Shire Council will continue to undertake a revaluation program on all Council assets as prescribed by the Division of Local Government.

Depreciation costs used in the LTFP relate to existing assets and any proposed capital works. The results of future asset revaluations may result in depreciation estimates being revised. For the purpose of the current LTFP depreciation values remain constant.

Borrowing Costs

Interest rates for future borrowings have been estimated at 8% fixed per annum. All loans terms will be 25 years or more.

7 Criterion 5: Productivity improvements and cost containment strategies

In this section, provide details of any productivity improvements and cost containment strategies that the council has undertaken in the last 2 years (or longer), before considering an increase in rates.

Also provide details of plans for productivity improvements and cost containment strategies during the period of the special variation. These proposed initiatives, which may be capital or recurrent, must be to reduce costs.

Where possible, all productivity improvements and savings (including forward plans) should be quantified in dollar terms. The council may also wish to identify its current and/or projected financial position without the (savings) initiatives.

Productivity improvements should include consideration of:

- ▼ levels of service provision (eg, utilisation rates of community halls and number of service enquiries per FTE)
- ▼ measures of input (eg, FTE levels, contracting costs)
- ▼ reviews of organisational structures or service delivery.

Identify how and where the proposed initiatives have been factored into the council's resourcing strategy (eg, LTFP and AMP).

As additional supportive information, the council may wish to provide evidence of improvements in its performance on key indicators that measure productivity or efficiency. This information is not essential for this criterion to be met. However, we will be reviewing the council's labour costs against the DLG Group average, to help assess the council's costs.

Council employed Local Government Solution to undertake an organizational review of the Council as a measure to focus on optimal service delivery and achieve productivity improvements. This resulted in recommendations being made for a large increase in staff numbers. An increase in staff numbers has not been accounted for in Council's Delivery Program or LTFP as it is outside the financial capacity of the Council. Council has been working through the report in order to address priorities raised but must do this within the existing resource constraints of the Council. This is being reporting on to Council.

A review has been conducted in relation to all capital expansion projects previously proposed by Council with almost all of these being removed from the LTFP and recognized that they are outside the financial capacity of the Council. This equated

to more than \$20M of projects that had been proposed over the next ten years, in being removed from the LTFP.

Further to this, all Departments are currently working to achieve cost saving or productivity measures to ensure that Operational Costs can be contained to their current level.

Other information

7.1 Previous Instruments of Approval for expiring special variations

If your council has an existing special variation which is due to expire in the proposed special variation period, we request that you attach a copy of the Instrument of Approval for this variation, which has been signed by the Minister or IPART Chairman.

7.2 Reporting

Provide details of the mechanisms that the council will put in place to transparently report to the community on the special variation (being applied for).

Indicate how the council proposes to report this information to the community and what performance measures it will be putting in place to measure the success of the projects or activities funded from the variation.

As specified in the Guidelines, reporting information should clearly identify:

- ▼ the additional income obtained through the variation
- ▼ the productivity offsets outlined through the variation
- ▼ the projects or activities funded from the variation
- ▼ details of any changes to the projects or activities funded from the variation compared with the council's initial proposal (noting such changes must be consistent with the terms of the Instrument of Approval)
- ▼ the outcomes achieved as a result of the projects or activities.

Council will use its quarterly 'Community Matters' newsletter and weekly 'Shire Snippets' to report to the community in relation to the Special Rate variation. Council is already reporting to the community in relation to the achievements of the Delivery Program and this will be included as part of this process.

As the application is being made in relation to sustainability rather than for any newly proposed projects or services, no specific project reporting measures are proposed.

7.3 Council resolution

Attach a copy of the council's resolution to apply to IPART for the special variation.

Note that IPART's assessment of the application cannot commence without a copy of this resolution.

8 Checklist of application contents

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

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

9 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): Mr Bob Parr (Acting)

Signature Date:

Responsible Accounting Officer (name): Mr Shane Norman

Signature Date:

Once signed, this certification must be scanned and submitted with the council's application.