

PRESENT:

APOLOGIES:

DISCLOSURE OF INTERESTS:

General Manager's Report

**Item C – 1 AMENDMENT OF JUNE 2017 MINUTES TO INCLUDE THE
RESOLUTION ADOPTING THE DELIVERY PROGRAM AND
OPERATIONAL PLAN**

File number:

Reporting Officer: Acting General Manager – RK Stewart

Operational Plan Objective: Pillar 6: Our Leadership – Provide good governance, prudent financial management and effective support services for all its activities

Officer Recommendation:

That Council amend the adopted Minutes of June 2017 Ordinary Meeting to include the resolution

06.17.3988 RESOLVED on the motion of Cr Mannix and Purtill that Council

- Formally adopt the 2017-2021 Delivery Plan
- Note proposed changes to the 2017-18 operational budget; and
- Formally adopt the 2017-18 Operational Plan, incorporating the 2017-18 Revenue Policy and Operational Budget.

Purpose of Report

To report on the adoption of the 2017/18 Delivery Program and Operational Plan by Council

Report

The *Local Government Act 1993* requires Council

s404 (1) A council must have a program (its **delivery program**) detailing the principal activities to be undertaken by the council to implement the strategies established by the community strategic plan within the resources available under the resourcing strategy;

s405 (1) A council must have a plan (its **operational plan**) that is adopted before the beginning of each year and details the activities to be engaged in by the council during the year as part of the delivery program covering that year.

Councils Ordinary Meeting Agenda of the 28th June 2017 contained a report C9 Integrated Planning and Reporting.

To inform Council on feedback received from Community Consultation on the 2017-2021 Delivery Plan and Draft 2017-18

Operational Plan, and seek Council agreement to formally adopt these documents .

On reviewing the Minutes it has been found that Resolution 06.17.3988 was not included and subsequent it has been determined that this was not picked up by staff checking the Minutes or by Council when adopting the June 2017 Minutes.

Minutes of Council Meetings are recorded live at meetings and staff have gone back through the electronic records and found the resolution that reads

06.17.3988 RESOLVED on the motion of Cr Mannix and Purtill that Council

- Formally adopt the 2017-2021 Delivery Plan
- Note proposed changes to the 2017-18 operational budget; and
- Formally adopt the 2017-18 Operational Plan, incorporating the 2017-18 Revenue Policy and Operational Budget.

To correct the administrative oversight and provide for the legal adoption of the Delivery Program and Operational Plan Council is required to amend the adopted June 2017 Minutes to reflect the resolution.

Implementation of the Delivery Plan and Operational Plan to date has been undertaken in good faith by all having that responsibility.

Budget Implications

Amendment of the June 2017 Ordinary Council Minutes is required to give legal affect to the adoption of the Delivery and Operational Plan and authorise expenditure.

Financial Implication	As above
Legislative Implication	Integrated Planning and Reporting Framework
Policy Implication	Nil
Attachments	Nil

Item C – 2 SPECIAL RATE VARIATION

File number: 130

Reporting Officer: Acting General Manger - RK Stewart

Operational Plan Objective: Pillar 6: Our Leadership – Provide good governance, prudent financial management and effective support services for all its activities.

Officer Recommendation:

That Council resolve to:

1. Adopt the updated LTFP which includes the SRV of 10% per year (including rate capping) each year for seven years and incorporate the approved 17/18 - 2-3% rate peg increase following Community consultation and consideration of IPART comments.
2. Adopt the Asset Management Plan as per the recommendation of the Infrastructure Committee Meeting 9 October 2017
3. Adopt the revised Delivery Program and place on public exhibition seeking submissions for 28 days from Friday 9 February 2018
4. Make an application to IPART for a Special Rate Variation (Option 2) to commence 2018/19 whereby Council seeks a permanent SRV of 10%, including the rate cap per year for seven years.

Purpose of Report

To finalise Councils submission to apply for a special rate variation so that it may be lodged with IPART by the 12 February 2018.

Report

Work has continued with Council consultants Morrison and Low to finalise the application to meet IPART requirements. The process has been made difficult with the departure of the General Manager and Director Corporate Services and the need to come up to speed with the process to date.

Set out below are the Meeting dates and resolutions where Council has considered the SRV.

Ordinary Council Meeting – 28th June 2017
Resolution Number 06.17.3993

Officer Recommendation:

1. *That Council note the report on the process to achieve a Special Rate Variation*
2. *That the General Manager convene a workshop on the process of Special Rate Variations to develop a strategy to apply for and implement a Special Rate Variation*

Ordinary Council Meeting – 17th July 2017
Resolution Number 07.16.4034

Officer Recommendation:

That Council appoint Morrison Low for the sum of \$89,500 to undertake a restructure of Council's rating system and prepare the special rate variation application as specified in the quotation supplied.

Ordinary Council Meeting – 17th October 2017
Resolution Number 10.17.4110

Officer Recommendation:

That Council:

1. *Adopt the draft long term financial plan for community consultation and Council further consider the plan at the November meeting.*
2. *Adopt the Special Rate Variation Community Engagement Plan and appropriately resource the delivery of it.*
3. *Note the Rating Review report for further consideration as part of the IP&R process for 2018/19.*

The Draft LTFP was placed on public exhibition following its adoption at the Ordinary Council Meeting held on the 17th October 2017 and newspaper advertising commenced in the local newspaper The Guardian on the 20th October.

Details were posted on Councils web page.

Adoption of the revised LTFP reflecting the proposed SRV may be done at this meeting.

Central to the LTFP is Councils Asset Management Plan and Morrison and Low prepared an Overarching Asset Management Plan in July 2017 including a strategic gap analysis. The audit revealed a low level of compliance with asset management practices within the organisation. This is a reflection on Councils limited capacity to manage and fund infrastructure assets.

The Asset Management Plan was referred to Councils Infrastructure Committee on 9 October 2017.

Item 2: Asset Management Plan

A draft of the Asset Management Plan (completed by Morrison Low, July 2017) was presented to the Committee by DID. It was noted that members of the Committee had not seen the AMP.

Committee resolved that DID undertake process of review and have the AMP adopted if it has not already been.

DID discuss the need to engage with community regarding service levels and intervention levels.

DID suggested a Working Group be put together that involves local industry and residential representatives to review the Urban and Rural Roads Policy and engage stakeholders to establish an agreement for roads maintenance (service and intervention levels). Timing: ~2 Months to set-up Working Group (early 2018).

DID distributed an example of a framework document and discussed the structure.

If Council is to commence addressing the infrastructure asset issue to deliver current services into the future it must establish an appropriate SRV to generate financial capacity.

Ordinary Council Meeting – 19th December 2017
Resolution Number 12.17.4179

Officer Recommendation:

- 1. That Council note that IPART has been notified that Council intends to submit a permanent multi-year special rate variation application under Section 508A of the Local Government Act.*
 - 2. That Council hold a workshop on the 10th January to discuss the SRV and other strategic matters.*
-

Extraordinary Meeting 10 January 2018
Resolution Number: 01.18.4201

Officer Recommendation:

- (1) That Council lodge an application with IPART for a Special Rate Variation (Option 3) to commence 2018/19 whereby Council seeks a permanent SRV of 10%, including the rate cap per year for seven years commencing in 2018/19 with the additional rates income from the new mineral sand mines and solar farming activities.*
 - (2) Council issue a press release detailing its decision and reasons FOR seeking the SRV*
-

At this meeting Council considered a report that provided an update on the SRV Application which included details of Community Engagement outcomes which is reproduced below.

Community Engagement Report

Balranald Shire Council engaged with the community on its current financial situation and options to address the challenges facing Council and the Community. Council considered a range of reports at Council meetings to determine its options for community consultation and engagement. The Council endorsed community engagement program comprised of provision of information, focus group sessions, written submissions and a community survey.

The engagement involved the provision of information by direct mail to all residents and access to information on Council's website. This information included an information leaflet, including a "Have your say- Submission Form", Frequently Asked Questions and access to staff to respond to community questions.

Council conducted five focus group sessions with 153 individuals attending in total. These sessions provided an opportunity for community members to provide feedback, seek clarification and ask questions. Each focus group session received a presentation and was provided with the opportunity to respond to 4 key questions - sustainable Council, satisfaction with current services provided by Council, preference of the rating options and ideas to make Council more sustainable over the long term.

Following is a summary of these sessions.

There was unanimous agreement from all focus group sessions that Council should be sustainable. It was clear from the focus group sessions that there is strong opposition to the proposed rate increase of 10% per year including the rate peg for seven years. A small number of participants suggested a lower rate increase subject to Council making some savings and efficiency improvements. The question of affordability of the proposed rate increase, due to low wages, was raised in most sessions.

All focus group sessions were largely satisfied with current services provided by Council with the exception of roads. In some cases this was the only key service that participants received and in these cases, all focus groups were dissatisfied. Other comments suggested reviewing Council services, disposing of some of the road equipment and looking at using contractors to deliver some services.

A range of ideas were suggested for Council to become more sustainable over the long term. There was a consistent theme that Council needs to improve its operational performance. Other ideas include:

- Seek to increase grant income

- Sell or outsource services e.g. Caravan Park, Discovery Centre, Bidgee Haven Hostel, Swimming Pool
- Review the level of Council debt
- A major restructure of Councils in Western Division
- Council to deliver efficiency improvements and lift their game
- Council being more transparent and consult with community more often
- A rating structure that reflects service benefits

As part of the distribution of the information leaflet was the provision for community members to provide written submissions. 187 submissions were received. Of these 155 did not support increasing the rates above the rate peg limit and 14 supported the proposed SRV with a further 9 respondents suggesting a lower SRV increase. 9 respondents had no preference.

It is clear from the written submissions, that the majority are dissatisfied with Councils transparency and performance which influenced their view of the need for a special rate increase. Respondents expressed concern at what they believe was poor governance and inefficient management, lack of services provided, particularly related to road maintenance, poor communication between council and community and lack of accountability.

There were a number of common themes for improvements namely, reducing Council staff and overheads, sell off assets to pay for services and be more transparent with the community.

Council developed an online community feedback survey for the proposed SRV and it was accessible from Councils' website. Fifteen people responded to the survey with over 90% of respondents agreeing that it's important that Council is sustainable. 40% of the respondents were satisfied with the current services provided by Council and a further 40% somewhat satisfied.

In relation to the proposed SRV, 11 of the 14 people who responded to this question indicated their preference as Option 2 - no increase in rates above the rate peg limit.

Council has received a letter (Confidential) from a mining company seeking information on the proposed SRV and how it would apply to its mining operations and the methodology used to determine the rate. The company also offers an objection to the SRV on farmland as it considers the 10% increase for seven years excessive. Particularly in the circumstances that BSCs own analysis has identified the current inequity of the farmland rating category.

Copies of all the written submissions were available for review by Councillors at the Chambers. A data base is being compiled to enable a written response to be sent detailing Councils decision on the SRV.

Note the Balranald – Community Engagement Report –November 2017 is included as an attachment to this report.

To finalise the application Council is now required to:

- 1. Resolve to make an application following consideration of the Community Engagement Report line with Scenario 2 being an SRV of 10% (including rate capping) each year for 7 years commencing in 2018/19.**

Council considered the Community Engagement Report at its Extra ordinary meeting on the 10January.

Special Variation - Scenario 2 Outcomes and Impacts

Following are the outcomes, implications and impacts of the proposed SRV. The estimated additional rating income from the proposed SRV, under Scenario 2, for each of the seven years is detailed below.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Scenario 2	\$102	\$110	\$121	\$133	\$146	\$161	\$177

The total SRV component of the proposed rate increase for seven years is estimated at \$951,000, excluding the rate peg amount, along with a \$14 million saving in depreciation over the same period which will be allocated to the assets backlog and maintenance issues and current service provision.

The proposed allocation of funds is as follows:

- \$2.1 million on asset backlog;
- \$11.8 million to ensuring the General Fund remains in balance and all service levels across all Council's functions are maintained;
- \$1.05 million to additional maintenance of council infrastructure assets such as the road and drainage network

The proposed SRV under Scenario 2 will impact all ratepayers with a cumulative increase of 95% (SRV and Rate peg increases) on total average rates over the seven year period. The proposed SRV is 10% per year for seven years with 7.7% SRV year 1 and 7.5% for each of the remaining years, and 2.3% Rate peg for 2018/19 and 2.5% for each of the remaining years. The cumulative rate peg increase for the same period is 18.6%.

Tables illustrating the impact of the proposed rate increase on the average land value for each rating category and sub-category can be found in the Appendix to the Delivery Program and Council's Long Term Financial Plan.

It is recommended that Council adopt the 2017-2021 Delivery Program including Appendix as a draft and place the document on public exhibition for community feedback.

The appendix to the Delivery Program 2017/21 is attached

2. Resolve to adopt the updated LTFP which includes the SRV OF 10% and 2-3% rate peg increase following Community consultation and consideration of IPART comments.

Council needs consider the outcome of the exhibition of the draft LTFP as discussed earlier in this report.

The Long Term Financial Plan (LTFP) presented three scenarios showing the effect in each case on the long term sustainability of the Balranald Shire Council in terms of the implementation of the SRV.

In the 2017/18 budget, which is the Scenario 1 base case, Council has taken the approach to reflect the current financial state, including depreciation savings of \$2 million resulting in a small surplus of \$252,000. Operating surpluses trend downward and are not sustained beyond 2022/23.

More importantly the current LTFP forecasts do not address the asset management challenges the Council faces with all indicators trending in the wrong direction.

The Scenario 2 option includes proposed solar farm rates and a permanent SRV of 10% per year (including rate capping) each year for seven years. If council is successful in an application for a new

permanent SRV, the proposed improvement measures in this plan will move Council toward improved long term financial sustainability and meeting most of the Fit For The Future (FFTF) ratios.

The Scenario 3 option includes rating of mineral sand mining activities from 2019/20 with offsetting expenditure to meet the extra demand on services and infrastructure.

There is an extremely high level of uncertainty as to when the mineral sand mining activities will become rateable and as a result the final SRV application should be based on Scenario 2. It should be noted that the SRV only applies to the General rate and excludes water Sewer and Waste.

The LTFP exhibition resulted in a number of public submissions and Council at its Extraordinary meeting held on 10th January 2018 considered these.

Council needs to make the amendments following discussion with IPART.

- Update the LTFP Financial model to reflect the approved 2.3% rate peg increase
- Update the LTFP document to incorporate the 2.3% rate peg changes and associated amounts and wording
- Council decision to apply for the SV under scenario 2 – slight word changes to better reflect that decision
- Update information relating to the SV criteria that aligns to scenario 2.
- Reformat LTFP document and add further content to allow SV criteria responses to be incorporated into the revised Delivery Program that requires approval for community consultation

The LTFP was referred to Councils Internal Audit Committee November Meeting where the Minutes note

10. Long Term Financial Plan (LTFP)

- *The Committee noted the draft LTFP and emphasised the importance of developing a sustainable future financial position. The Committee noted Council's future financial sustainability will be underpinned by the special rate variation that was in the process of being put forward to the community for comment.*

The Acting Director of Corporate and Community Services has reviewed the budget documentation and forecasts.

3. Resolve to adopt the revised Delivery Program and place on exhibition seeking submissions for 28 days from Friday 9 February.

This is an operational matter once Council resolves to adopt the revised Delivery and to reflect the adopted SRV.

The revised Appendix to the Delivery Plan is attached

Summary

The Balranald Community Strategic Plan was reviewed following the 2016 elections and the community consulted to test the validity and currency of the plan. It was adopted by Council on the 27th April 2016.

The Community Strategic Directions for Infrastructure Strategic Objective 5.3: Plan, is to maintain and develop key transport, energy and community infrastructure.

The plan seeks to:

5.3.5 Provide community infrastructure

a. Provide and maintain infrastructure.

b. Fund improvements from Special Rate Variation

The Delivery Program 2017/2021 details all the activities outlined in the CSP that are proposed to be undertaken by Council during their elected term of office adopted by Council at its Ordinary Meeting 28 June 2017.

The Operational Plan 2017 – 2018 details the annual income and expenditure that Council will use to fund these activities the upcoming financial year at the Ordinary Meeting 28 June 2017.

Both of these plans underpin Councils commitment to achieve organisational financial sustainability, build an organisation to meet contemporary local government standards, achieve agreed community service vision, and maintain our current assets before building new ones and engaging with and advocating for our community.

The Community Strategic Plan flags the need for Council to apply for a Special Rate Variation to increase the rate above the approved rate peg. Over the next 12 months council indicated that it would begin the conversation to seek community input into our projects and services.

The plan recognized that a rate rise is never welcomed, however Council believed that a Special Rate Variation is necessary to meet the needs of the community and the long term financial sustainability of Council.

As part of the community conversation to develop the Special Rate Variation application Council indicated that it would finalise the Long Term Financial Plan for the next 10 years and the Asset Management Plans.

A key component of the Delivery was the implementation of the Business Improvement Plan which will be reported to Councils February meeting for adoption.

Council's application for an SRV is one of the 39 actions required in the Improvement Plan to satisfy the Ministers Improvement Order.

To meet the communities' desire for a sustainable Council the SRV and Business Improvement Plan are critical components.

<u>Financial Implication</u>	A successful SRV application is a critical component to Council achieving long term financial sustainability to meet the asset and service delivery requirements of its community.
<u>Legislative Implication</u>	Compliance with the Local Government Act 1993, Local Government (General) Regulation 2005, Ministers Improvement Order, Circular 17-35 Special Variation and Minimum Rate Variation Guide and Processes for 2018/19 and IPART Guidelines
<u>Policy Implication</u>	Nil
<u>Attachments</u>	Balranald Community Engagement Report-November 2017 (attached separately) Appendix to the Delivery Program 2017/21

Attachment 2 – Appendix to the Delivery Program 2017/21

APPENDIX TO 2017-2021 DELIVERY PROGRAM

3.3.4 Maximise regional development opportunities

(e) Apply to Independent Pricing and Regulatory Tribunal (IPART) for Special Rate Variation (SRV) and mining rate introduction to improve Council revenue base.

Following the public exhibition and community consultation of the Balranald Shire Council Long Term Financial Plan and discussions with Independent Pricing and Regulatory Tribunal (IPART), the plan has been updated to reflect Council's response to the feedback.

Council has resolved to submit an application for a Special Rate Variation (SRV) to IPART based on the Scenario 2 Option outlined in Council's Long Term Financial Plan.

The SRV application is 10% per year for seven years (including rate peg of 2.3% in year 1 and 2.5% for years 2 to 7).

Scenario 2 option includes proposed solar farm rates.

If Council is successful in the SRV application then combined with other improvement measures, this will enable Council to operate with a small surplus for the General Fund which provides additional cash resources to help fund extra infrastructure renewals. It will also enable Council to meet five of the seven Fit for the Future benchmarks, with the exception of own source revenue and real operating costs per capita.

Background and Base Rationale for a Special Rate Variation

Balranald Shire Council was not required, along with the other seven far western councils, to submit Fit for the Future (FFTF) proposal for assessment by IPART.

The 2013 Local Government Infrastructure Audit (Premier & Cabinet – Office of Local Government) report involved the collection and analysis of data from councils through an audit survey, desktop reviews, financial assessments by NSW Treasury Corporation (TCorp) of all councils, gap analysis and assistance for Local Government Reform Fund (LGRF) councils, and an on-site review of 35 councils to determine the reliability and accuracy of the data provided.

The report found that Councils were considered to have the capacity to adequately manage their infrastructure assets going forward, if there is evidence of funding in their LTFP to adequately address the goals and strategies outlined in their Community Strategic Plan and Delivery Program to manage infrastructure assets, as well as identifying specific staff requirements for asset management over the four years of the plan.

Even though Balranald was not one of the Councils that participated in an onsite audit the report indicates that Council was weak in terms of infrastructure management and was not able to provide complete data for bringing assets to a satisfactory standard per capita assessment.

The report found that the results of the regional analysis of trends in infrastructure needs were consistent with the sustainability findings from the TCorp report. Further it would appear larger Councils are more capable of managing their infrastructure from both a management and financial standpoint.

Morrison Low prepared an Overarching Asset Management Plan in July 2017 for Council including a strategic asset management gap analysis. The audit results for Balranald indicate a low level of compliance with asset management practices

within the organisation. This is a reflection of Councils limited capacity to manage and fund Councils' infrastructure assets.

Further, in 2013, Council was assessed by TCorp with the key findings being:

- ongoing operating deficits
- declining levels of asset renewals and forecast to deteriorate further
- Council advised no infrastructure backlog existed and asset management plans had been completed

Since the Tcorp report:

- there has been no significant improvement in the operating ratio
- all asset management plans have been reviewed and the infrastructure backlog calculated
- depreciation expenses have been reviewed and adjusted downward
- investment in asset renewals has stabilised

Council was issued with a Performance Improvement Order (PIO) in April 2017 which included the appointment of a temporary advisor. Council has submitted a Performance Improvement Implementation Plan, which was further extended following the advisor's report to the Office of Local Government. Part of the reasoning for the PIO was:

- A failure of Council to meet its legislative responsibilities in respect of its financial and governance obligations.
- Council has budgeted for, and subsequently run, large operating deficits over a number of years. At the same time, Council has not had a reliable Long Term Financial Plan (LTFP) to provide a path to achieve a break-even result or an ongoing surplus in the future.

Given the above and Morrison Low's assessment of Council's current financial position, detailed in the LTFP document, Council is currently in an unsustainable financial position.

In addition the LTFP document models financial options that can lead to financial sustainability and considers the SRV assessment criteria in terms of need and impacts on ratepayers and implications for Council.

Proposed Special Rate Variation

Special Variation considerations

Council has been striving to improve its financial sustainability through a range of initiatives. Council has reviewed all operating expenditure to ensure that Council is spending every dollar it receives wisely, coupled with exploring all opportunities to maximise non-rating income. After this process Council is left with two options to become sustainable:

- Reviewing its rating structure
- Applying for a Special Rate Variation (SRV) to increase its annual rates income above the rate peg.

Balranald Shire Council has a very low rate base to anchor the various services required of a modern council. Lack of finance is a major issue. As a consequence, there is the reality of Balranald Shire Council struggling with compliance and legislative obligations. Council's location and size significantly increases the cost of service delivery.

Council commissioned and considered a Rating Review Report and decided to undertake a detailed review of its rating structure during 2018/19 for implementation year commencing 2019/20. Council then decided to evaluate the options for a SRV. The fundamental basis of the proposed SRV application is detailed above, which centres around the limited capacity and capability of Council to become financially sustainable under the current rating and income structure.

This has a flow on effect of Council's inability to effectively deliver current services and manage, maintain and fund infrastructure assets at a sustainable level.

Council further evaluated its need for a SRV application with the engagement of Morrison Low to work with Council to assess its financial sustainability and options for Council determination. The financial evaluation and assessment found that:

- Council is not able to meet the majority of the FFTF ratios by continuing with its current operation
- Council has very limited unrestricted cash
- operating deficits will occur from 2023/24
- Council's current general rate base of \$1.3M is very low
- Council is unable to meet its current service and governance commitments

The need to increase asset capital renewal and maintenance expenses

The assessment concluded that Council's current operation is financially unsustainable. Council was mindful in establishing the quantum of a proposed SRV to generate the financial capacity to commence addressing the infrastructure asset issues, to deliver current service levels into the future while creating an operating result that would build its unrestricted cash position. To achieve this, the initial objective was to maintain a small operating surplus for each of the ten years. In considering these limitations and the objective to have operating surpluses, Council developed and exhibited three LTFP Scenarios namely:

- Scenario 1 - the base case models the continuation of Council's current operations based on the 2017/18 adopted budget
 - Scenario 2 - adjusting the base case to include a proposed SRV of 10% (including rate peg) commencing in 2018/19 for seven years, and additional rating income from solar farming activities, productivity improvement options and additional capital renewal and maintenance expenditure.
 - Scenario 3 – adjusting Scenario 2 to include additional rating income and associated expenses resulting from the new mining, with the SRV effective from 2019/20.

There is an extremely high level of uncertainty as to when the mineral sand mining activities will become rateable and as a result the SRV application is based on Scenario 2.

In developing the SRV proposal Council considered the Office of Local Government Guidelines for the preparation of an application for a SRV to general income and the need to address the five criteria that allows IPART to undertake the assessment. These criteria are,

- The need for and purpose of a SRV is clearly articulated and identified in Councils Integrated Planning & Reporting documents.
- Evidence that the Community is aware of the need for and extent of a rate rise.
- The Impact on affected ratepayers must be reasonable.
- The relevant IP&R documents must be exhibited approved and adopted by Council.
- The IP&R documents or Councils application must explain the productivity improvements.

Council developed and adopted a Community Engagement Plan for consultation on the proposed SRV and their implications. Council undertook community consultation and engagement in accordance with the plan. Following the end of the consultation period, a Community Engagement and report were prepared and considered by Council.

Special Rate Variation - Scenario 2 Outcomes and Impacts

Following are the outcomes, implications and impacts of the proposed SRV. The estimated additional rating income from the proposed SRV, under Scenario 2, for each of the seven years is detailed below.

	Year 1 \$'000	Year 2 \$'000	Year 3 \$'000	Year 4 \$'000	Year 5 \$'000	Year 6 \$'000	Year 7 \$'000
Scenario 2	\$102	\$110	\$121	\$133	\$146	\$161	\$177

The total SRV component of the proposed rate increase for seven years is estimated at \$951,000, excluding the rate peg amount, along with a \$14 million saving in depreciation over the same period which will be allocated to the assets backlog, maintenance issues and current service provision.

The proposed allocation of funds is as follows:

- \$2.1 million on asset backlog;
- \$11.8 million to ensuring the General Fund remains in balance and all service levels across all Council's functions are maintained;
- \$1.05 million to additional maintenance of council infrastructure assets such as the road and drainage network

The proposed SRV under Scenario 2 will impact all ratepayers with a cumulative increase of 95% on total rates over the seven year period. The proposed SRV is 10% per year for seven years with 7.7% SRV in year 1 and 7.5% for each of the remaining years, and 2.3% rate peg for 2018/19 and 2.5% for each of the remaining years. The cumulative rate peg increase for the same period is 18.6%.

The following table illustrates the impact of proposed rate increase on the average land value for each rating category and sub-category. This represents a 95% cumulative increase (SRV and Rate peg increases) on the total average rate.

IMPACT OF AVERAGE RATES BY CATEGORY					
CATEGORY	Average Land Value 2017/18	Average Rates Per Property	Average Rates Year 1 SV	Average Rates Year 4 SV	Average Rates Year 7 SV
Farmland General	700,174	2,838	3,122	4,155	5,531
Farmland Other Rural	72,489	363	399	531	707
Farmland Intense	123,369	1,183	1,301	1,732	2,305
Farmland Average	438,314	1,946	2,140	2,848	3,791
Residential Balranald	40,536	299	329	438	583
Residential Euston	51,740	293	322	429	570
Residential General	20,488	189	208	277	368
Residential-Average	41,238	283	311	414	551
Business Balranald	44,059	1,395	1,534	2,042	2,718
Business Euston	113,600	2,352	2,587	3,443	4,583
Business Mining	41,473	470	517	688	916
Business – Rural	8,706	288	317	422	562
Business Average	35,597	960	1,056	1,406	1,871
Total Average	159,973	861	947	1,260	1,678

In terms of affordability Council's current average rates are considerably below most of its neighbouring Councils as illustrated in the following table.

Category	Balranald Shire 17/18	Hay Shire Year 7 Rate Peg	Wentworth Year 7 Rate Peg	Balranald Year 7 SRV

Balranald Shire Council
Agenda Extra-Ordinary Meeting Wednesday 8th February 2018

Farmland	1,946	4,900	1,875	3,791
Residential	283	708	886	551
Business	960	1,991	1,349	1,871

The 2012/13 Comparative Information on NSW Local Government – Measuring Local Government Performance report shows Councils’ average rates are largely lower than the Group Average as detailed below. Also detailed below is the application of the annual rate peg from 2013/14 to 2017/18 to the 2012/13 averages.

	2012/13		2017/18	
Balranald Rate Categories	Balranald Council	Group Average	Balranald Council	Group Average
Residential Ave Rate	221	358	248	401
Business Ave Rate	749	694	838	777
Farmland Ave Rate	1,752	2,408	1,960	2,695

Councils current total ordinary rate base of \$1.33 million is small compared to its total annual operating expenditure of some \$13.7 million for 2017/18. When compared to neighbouring Councils, its ordinary rates base is the lowest, with Hay Shire Council at \$2.1 million, Wentworth Shire Council \$4.5 million and Murray River \$5.3 million. Council's low rate base coupled with its location and size significantly increases the cost of service delivery. As a consequence, there is the reality of Balranald Shire Council is also struggling with compliance and legislative obligations. Another consideration for Council is the ratepayers capacity to pay. A key indicator of capacity to pay is income earnings.

The 2016 census for median weekly incomes (people aged 15 and over) for the Balranald local area for personal income is \$624.9.

The following table illustrates the comparisons of median weekly incomes for Balranald LGA, NSW and Australia.

Median Weekly Incomes	Balranald LGA	New South Wales	Australia
Personal	624	664	662
Family	1,438	1,780	1,734
Household	1,174	1,486	1,438

Another key determinate of capacity and willingness to pay is the level of outstanding rates and charges. Council's outstanding rates and charges has significantly reduced from 17.6% in 2013 to 9.7% in 2017. This is coupled with Council's hardship provisions in debt collection policies and provides an indication of the ratepayers capacity to pay.

Further information relating to the Special Rate Variation can be found in Council's Long Term Financial Plan.