



7 November 2023

Dear Councillor,

Your attendance is requested at an Extraordinary Council Meeting of the Blayney Shire Council to be held in the Chambers, Blayney Shire Community Centre on Thursday, 9 November 2023 at 6.00pm for consideration of the following business -

- (1) Livestreaming Video and Audio Check
- (2) Acknowledgement of Country
- (3) Recording of Meeting Statement
- (4) Apologies for non-attendance
- (5) Disclosures of Interest
- (6) Public Forum
- (7) Mayoral Minute
- (8) Confirmation of Minutes - Ordinary Council Meeting held on 17.10.23
- (9) Matters arising from Minutes
- (10) Reports of Staff
 - (a) Executive Services

Mark Dicker
General Manager

Meeting Calendar 2023 / 2024

November

| <u>Time</u> | <u>Date</u> | <u>Meeting</u> | <u>Location</u> |
|-------------|------------------|---|------------------|
| 6.00pm | 9 November 2023 | Extraordinary Council Meeting | Community Centre |
| 5.00pm | 16 November 2023 | Disability Inclusion Working Group | Online |
| 6.00pm | 21 November 2023 | Council Meeting | Community Centre |
| 8.30am | 22 November 2023 | Orange 360 Board Meeting | Orange |
| 9.00am | 22 November 2023 | Audit, Risk and Improvement Committee Meeting | Community Centre |
| 9.00am | 23 November 2023 | Central NSW JO Board Meeting | Sydney |
| 9.00am | 24 November 2023 | Country Mayors | Sydney |

December

| <u>Time</u> | <u>Date</u> | <u>Meeting</u> | <u>Location</u> |
|-------------|------------------|--|------------------|
| 8.30am | 8 December 2023 | Mining and Energy Related Councils Meeting | Sydney |
| 10.00am | 13 December 2023 | Central Tablelands Water Meeting | Canowindra |
| 6.00pm | 19 December 2023 | Council Meeting | Community Centre |

January

| <u>Time</u> | <u>Date</u> | <u>Meeting</u> | <u>Location</u> |
|-------------|-----------------|-----------------|------------------|
| 6.00pm | 23 January 2024 | Council Meeting | Community Centre |

INDEX OF REPORTS OF THE BLAYNEY SHIRE COUNCIL MEETING
HELD ON THURSDAY 9 NOVEMBER 2023

| | |
|---|-----------|
| MAYORAL MINUTE | 5 |
| 01) Mayoral Minute - Minute's Silence to Acknowledge the Passing of John Davis | 5 |
| CONFIRMATION OF MINUTES | 6 |
| 02) Minutes of the Previous Council Meeting held 17 October 2023 | 6 |
| EXECUTIVE SERVICES | 11 |
| 03) Special Rate Variation - Community Engagement and Public Exhibition | 11 |

LIVE STREAMING OF COUNCIL MEETINGS

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By speaking at the Council Meeting you agree to be livestreamed and recorded. Please ensure that if and when you speak at this Council Meeting that you ensure you are respectful to others and use appropriate language at all times.

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01) MAYORAL MINUTE - MINUTE'S SILENCE TO ACKNOWLEDGE THE PASSING OF JOHN DAVIS

Author: Councillor Scott Ferguson

File No: GO.ME.3

ITEM:

Councillors will hold a minute's silence to acknowledge the passing of former Mayor and Councillor John Davis OAM. John served the community as a Councillor from 1987 to 2004 including Mayor from 1994 to 2004.

Enclosures (following report)

Nil

Attachments (separate document)

Nil

02) MINUTES OF THE PREVIOUS COUNCIL MEETING HELD 17 OCTOBER 2023**Department:** Executive Services**Author:** General Manager**CSP Link:** 2. Build the Capacity and Capability of Local Governance and Finance**File No:** GO.ME.3**Recommendation:**

That the Minutes of the Ordinary Council Meeting held on 17 October 2023, being minute numbers 2310/001 to 2310/013 be confirmed.

MINUTES OF THE BLAYNEY SHIRE COUNCIL ORDINARY MEETING HELD IN THE CHAMBERS, BLAYNEY SHIRE COUNCIL COMMUNITY CENTRE, ON 17 OCTOBER 2023, COMMENCING AT 6.00PM

Present: Crs S Ferguson (Mayor), A Ewin, C Gosewisch, J Newstead, M Pryse Jones, B Reynolds and D Somerville (Deputy Mayor)

General Manager (Mr M Dicker), Director Corporate Services (Mr A Franze), Director Planning & Environmental Services (Mr A Muir) and Executive Assistant to the General Manager (Mrs L Ferson)

ACKNOWLEDGEMENT OF COUNTRY**RECORDING OF MEETING STATEMENT****DISCLOSURES OF INTEREST**

The General Manager reported the following Disclosure of Interest forms had been submitted:

| Councillor /Staff | Interest | Item | Pg | Report | Reason |
|--------------------------|---------------------------------------|-------------|-----------|---|--|
| Mark Dicker | Non Pecuniary (Less than Significant) | 8 | 39 | Redmond Oval Licence: Department of Education (DA63/2021) | Parent of 2 children who attend Millthorpe Public School |

CONFIRMATION OF MINUTES**MINUTES OF THE PREVIOUS COUNCIL MEETING HELD 19 SEPTEMBER 2023****2310/001****RESOLVED:**

That the Minutes of the Ordinary Council Meeting held on 19 September 2023, being minute numbers 2309/001 to 2309/023 be confirmed.

(Newstead/Somerville)

CARRIED**MATTERS ARISING FROM THE MINUTES**

Cr Reynolds asked a question regarding the Skillset Board appointment at previous meeting.

The Mayor confirmed that the process is now a skills based process open to applications from the Community rather than member Councils nominating a representative following notification by Skillset. The Mayor acknowledged and apologised for the disconnect in communication and the tight timeframe for Cr Pryse Jones to submit her application. The Mayor apologised for any inconvenience caused and expressed support for Councillor Pryse Jones should she nominate.

EXECUTIVE SERVICES REPORTS**QUESTIONS TAKEN ON NOTICE AT THE PREVIOUS COUNCIL MEETING****2310/002****RESOLVED:**

That the questions taken on notice at the Ordinary Council Meeting held note 19 September 2023 and the subsequent response be received and noted.

(Gosewisch/Newstead)

CARRIED**QUARTERLY OUTSTANDING RESOLUTION REPORT****2310/003****RESOLVED:**

That Council note the Outstanding Resolution Report to September 2023.

(Ewin/Newstead)

CARRIED**RISK WORK HEALTH AND SAFETY QUARTERLY REPORT****2310/004****RESOLVED:**

That Council note the Risk, Work Health and Safety Report for the quarter to 30 September 2023.

(Reynolds/Ewin)

CARRIED

CORPORATE SERVICES REPORTS**REPORT OF COUNCIL INVESTMENTS AS AT 30
SEPTEMBER 2023****2310/005****RESOLVED:**

That Council;

1. Note the report indicating Council's investment position as at 30 September 2023.
2. Note the certification of the Responsible Accounting Officer.

(Newstead/Gosewisch)

CARRIED**INFORMATION TECHNOLOGY QUARTERLY REPORT****2310/006****RESOLVED:**

That Council note the Information Technology report for the quarter to 30 September 2023.

(Gosewisch/Newstead)

CARRIED**QUARTERLY REPORT ON SOLAR ANALYTICS****2310/007****RESOLVED:**

That Council note the Solar Analytics report for the quarter ending 30 September 2023.

(Reynolds/Somerville)

CARRIED**REDMOND OVAL LICENCE: DEPARTMENT OF EDUCATION
(DA63/2021)****2310/008****RESOLVED:**

That Council:

1. Acting in its capacity as Crown Reserve Manager, consent to a licence being issued to Minister for Education and Early Learning for a period of one (1) year for part of Crown Reserve R29953 (part Lot 235 DP 750384) known as Unnamed Reserve (Redmond Oval).
2. Acting in its capacity as Crown Reserve Manager, apply a licence fee of \$579 (including GST) per annum being the statutory minimum rental prescribed.
3. Endorse the General Manager to finalise the Licence agreement terms with the Minister for Education and Early Learning.
4. Authorise the Mayor and General Manager to sign and execute the Licence and affix the Council Seal if required.

(Gosewisch/Somerville)

CARRIED

DISCLOSURES OF INTEREST BY COUNCILLORS AND DESIGNATED PERSONS

2310/009

RESOLVED:

That the “Disclosures by Councillors and Designated Persons” Returns for the period ending 30 June 2023, as tabled be received.

(Reynolds/Newstead)

CARRIED**STEPHEN WARD SCHOLARSHIP COMPLETION REPORT**

2310/010

RESOLVED:

That Council note the completion report by AR Bluett Scholarship Awardee 2021, Glenn Newman.

(Newstead/Gosewisch)

CARRIED**INFRASTRUCTURE SERVICES REPORTS****INFRASTRUCTURE SERVICES MONTHLY REPORT**

2310/011

RESOLVED:

That Council note the Infrastructure Services Monthly Report for October 2023.

(Ewin/Gosewisch)

CARRIED**FUNDING DEED EXECUTION: SEWER STRATEGIC PLANNING**

2310/012

RESOLVED:

That Council:

1. Note successful funding from NSW Department of Planning and Environment Funding Agreement for \$255,838.50 for the Blayney Strategic Plan for Sewerage Services.
2. Note the engagement of NSW Public Works Advisory for the preparation of the Blayney Council Strategic Plan for Sewerage Services (Contract 9/2023) for \$351,798.00 (excluding GST) and subject to variations.

(Reynolds/Ewin)

CARRIED**PLANNING AND ENVIRONMENTAL SERVICES REPORTS****DEVELOPMENT ASSESSMENT QUARTERLY REPORT**

2310/013

RESOLVED:

That the development assessment quarterly report be received and noted.

(Gosewisch/Ewin)

CARRIED

There being no further business, the meeting concluded at 6.51pm.

The Minute Numbers 2310/001 to 2310/013 were confirmed on 9 November 2023 and are a full and accurate record of proceedings of the Ordinary Meeting held on 17 October 2023.

Cr S Ferguson
MAYOR

Mr M Dicker
GENERAL MANAGER

03) SPECIAL RATE VARIATION - COMMUNITY ENGAGEMENT AND PUBLIC EXHIBITION

Department: Executive Services

Author: General Manager

CSP Link: 2. Build the Capacity and Capability of Local Governance and Finance

File No: RV.FC.2

Recommendation:

That Council

1. Endorse the updated 2024/25 – 2033/34 Long-Term Financial Plan (LTFP) as part of the Updated Resourcing Strategy, appended at *Attachment 2*, for public exhibition until 15 December 2023.
2. Endorse the commencement of community consultation on a potential application to the Independent Pricing and Regulatory Tribunal for a proposed permanent Special Rate Variation (SRV) of;
 - a) 26.5 per cent in 2024-25 (including the forecasted rate peg of 3.5 per cent), representing a cumulative Special Variation of 26.5 per cent over one year, which is the Scenario 2 - Sustainability – One-year SRV option in the updated Long Term Financial Plan. **Or**
 - b) 14 per cent in 2024-25 (including the forecasted rate peg of 3.5 per cent) and 14 per cent in 2025-26 (including the forecasted rate peg of 2.5 per cent), representing a cumulative Special Variation of 30 per cent over two years, which is the Scenario 3 - Sustainability – Two-year SRV option in the updated Long Term Financial Plan. **Or**
 - c) 10 per cent in 2024-25 (including the forecasted rate peg of 3.5 per cent), 10 per cent in 2025-26 (including the forecasted rate peg of 2.5 per cent) and 10 per cent in 2026-27 (including the forecasted rate peg of 2.5 per cent), representing a cumulative Special Variation of 33.1 per cent over three years, which is the Scenario 4 - Sustainability – Three-year SRV option in the updated Long Term Financial Plan.
3. Endorse the revised 2023-24 to 2026-27 Delivery Program and 2023-24 Operating Plan (DP/OP), appended at *Attachment 7*, for public exhibition until 15 December 2023.
4. Receive a further report regarding community consultation undertaken to determine any final application to be made to the Independent Pricing and Regulatory Tribunal for a Special Rate Variation.

Reason for Report:

To obtain Council endorsement to enable community consultation to commence regarding a potential application to the Independent Pricing and Regulatory Tribunal for a proposed permanent Special Rate Variation (SRV).

Report:

Background

Council's 2021/22 Operational Plan adopted on 28 June 2021, included multiple forecast deficits in both the Delivery Program and 10-year Long Term Financial Plan (LTFP).

Consequently, in late 2021, the Blayney Cabonne & Orange Alliance (BCO) sought to undertake a joint initiative to seek expertise to undertake a financial sustainability review of all member councils.

Sourcing specialists with proven experience for this exercise proved difficult resulting in Blayney Shire Council going alone in May 2022.

Council undertook a quotation process in June 2022 and proceeded to engage LG Solutions to undertake an independent strategic financial review of Council's financial position and sustainability. Council received the Financial Sustainability Review in September 2022.

This review was high level and identified 45 actions for Council to investigate. A Working Group was then formed comprising; 3 Councillors, Senior Management Executive and Chief Financial Officer to review and broaden recommendations where required and develop an action plan.

Council was able to action 25 recommendations from the LG Solutions Strategic Financial Review. However, ultimately as part of the 2023/24 - 2026/27 Delivery Program and 2023/24 Operational Plan preparation over March to May 2023, it became clear Council could not readily address the repeated projected deficits within the LTFP.

Council identified the ongoing challenge of costs growing faster than revenue and that Council would have to review and significantly reduce service levels to continue to be financially sustainable or seek measures to increase funding, including by way of a SRV.

When adopting its 2023/24 to 2026/27 Delivery Program and 2023/24 Operational Plan on 27 June 2023, having regard to the projected deficits, Council specifically resolved (resolution number 2306/E005);

“2. Note that the 2023/24 Operational Plan forecasts a Net Operating Result before Capital Items of (\$1.08m) deficit (\$1.27m deficit for General Fund and \$194k surplus for Sewer Fund) and continued deficits thereafter throughout Council's Delivery Plan and Long-Term Financial Plan.

- 8. Endorse commencement of the Special Variation application process, noting;**
 - a. Council in 2022 undertook a Strategic Financial Review (completed by LG Solutions) to review Council's long term financial sustainability and must now consider a Special Variation application.**
 - b. Council must ensure it has sufficient revenue to:**

- *Improve financial sustainability by eliminating the General Fund operating deficits;*
 - *Deliver the services adopted within its Integrated Planning and Reporting documents;*
 - *Provide sufficient funding to meet asset renewal funding requirements and appropriately manage the infrastructure backlog;*
 - *Meet compliance obligations under the Local Government Act 1993 (NSW) and other forms of legislation;*
 - *Address continual financial implications mandated and/or cost shifting from the NSW Government;*
 - *Address Council's unsustainable reliance on mining rate income (current and future) and develop strategies to reduce this reliance.*
- c. *Council will engage a specialist local government finance consultant to review and prepare all necessary documentation required for the potential Special Variation application.*
- d. *Progression of the Special Variation application will be subject to further Council approval and a future community engagement process as per the requirements of the Office of Local Government and the Independent Pricing and Regulatory Tribunal (IPART) with a view to making application for the 2024/25 financial year. “*

Council proceeded to engage Morrison Low, a multidisciplinary management consultancy, who specialise in providing financial modelling to local government across Australia. Morrison Low (ML) are considered specialists in assisting NSW Councils in making application to the NSW Independent Pricing and Regulatory Tribunal (IPART).

ML have undertaken an independent financial assessment of Blayney Shire Council's 10-year LTFP seeking to identify financial improvements and minimise any SRV that might be required.

They reviewed and updated Council's 10-year LTFP (*Attachment 2*) using best practice modelling with a particular focus on forecasting required asset maintenance figures to ensure Council can afford to maintain its current asset base in a satisfactory condition into the future.

ML have also prepared a Background Paper (*Attachment 1*), an Organisational Sustainability Improvement Plan (*Attachment 5*) and a Capacity to Pay report (*Attachment 3*).

Following the ML review and modelling, the Background Paper states;
“In its 2023-24 to 2026-27 Delivery Program and 2023-24 Operational Plan, Council identified its ongoing challenge of costs growing faster than revenue. In response, Council has recently completed a further financial sustainability review to identify opportunities to address this issue.

The revenue increases and cost savings identified in the review will not fully address growing deficits in the long term financial plan. Council must determine whether to review and reduce service levels to continue to be financially sustainable or seek an increase in funding, including by way of a Special Variation.

Unfortunately, it is not possible for Council to ‘do nothing’. A range of difficult decisions are needed to address the financial outlook for Council’s General Fund. This is critically important because the General Fund provides for all Council services apart from sewerage and domestic waste, and the funding available supports the maintenance of critical assets such as roads, bridges, pathways, kerbs, stormwater drains, parks and gardens and public buildings.”

Accordingly, as part of this process, Council is required to slightly update the Financial Sustainability Update section (from p.8) in its current 2023/24-2026/27 Delivery Program (DP) to reflect the recent progress since adoption on 27 June 2023. No other changes have been made, however the DP/OP is required to be re exhibited.

Note: whilst Council is exhibiting an updated LTFP including proposed SRV, the current DP cannot be altered for 2024/25 onwards because it is not known at this stage whether Council will proceed with the SRV application.

Additionally, following community engagement of the SRV, if Council resolves to proceed to make application to IPART for an SRV (which would commence on 1 July 2024), Council will be required to prepare two (2) separate Delivery Programs and Operational Plans for exhibition in May 2024 (with and without SRV) because Council will not be informed by IPART of any SRV outcome until May 2024 (after the exhibition period of the DP/OP).

Following the ML review and modelling, an updated LTFP (2024/25 to 2033/34) has been developed and included as part of a revised Resourcing Strategy that outlines sustainability options to Council (*Attachment 2*).

It should be noted that the General Fund figures in the LTFP exclude the Domestic Waste Management Unit (DWM), as nett income cannot subsidise other operations within General Fund, however these are included in the Consolidated figures. For transparency and reference, the DWM reports for each scenario, encompassing the Income Statement, Balance Sheet and Cashflow, are appended to this report (*Attachment 4*).

Both the updated DP/OP and LTFP have been prepared in accordance with the *Integrated Planning and Reporting Guidelines* issued by the Office of Local Government and prescribed under the Act.

Council regularly reviews its operations, and actively identifies and implements initiatives to ensure that it is containing costs and finds efficiency gains, so that it can provide value for money to the community.

ML has confirmed that Council has already found a total \$690,000 per year in financial benefits, one off benefit of \$1 million, some \$4 million in cashflow grant funded asset renewal projects not requiring Council funds, in addition to extensive additional efficiency and productivity gains and improvements in operational sustainability. These benefits are already built into Council's base case in its LTFFP.

As part of the Organisation Sustainability Improvement Plan, Council has first sought to identify further savings and cost containment opportunities. As a result, Council identified, costed and prioritised 26 improvements, which it will be implementing over the next three to four financial years.

There are an additional 12 improvement opportunities identified that need to be further assessed and costed before implementing, which are not included in the draft LTFFP.

The Organisational Sustainability Review and Improvement Plan (*Attachment 5*) lists all past and present productivity and cost containment initiatives that Council has implemented. Additionally, it lists a number of future productivity and cost containment initiatives that will be required to be reviewed and considered.

Even with these initiatives, to ensure its ongoing financial sustainability, Council has needed to consider its options for increased revenue to cover growing costs and is requiring consideration of a Special Rate Variation.

The LTFFP includes four (4) financial modelling scenarios. In addition to a base case scenario, the LTFFP models three (3) sustainability scenarios, which outline three (3) SRV options to address Council's ongoing financial sustainability. The three (3) SRV options were designed to ensure Council can successfully:

- Generate an operating surplus, before capital income,
- Fully fund all required asset renewals and maintenance,
- Return to and maintain a positive unrestricted cash position, and
- Deliver all improvement program initiatives.

The SRV options in the three (3) sustainability scenarios are largely similar; the key difference is the number of years required to implement the full extent of the additional rates income required for financial sustainability.

Table 1, below, summarises the four (4) scenarios, Figure 1 shows the 4 scenarios:

| Table 1: Special Variation options considered by Council | | | | |
|--|---------|---------|---------|-------------------------|
| SRV Options | 2024-25 | 2025-26 | 2026-27 | Comparison over 3 years |
| 1. Base Case | 3.5% | 2.5% | 2.5% | 8.7% |
| 2. Sustainability – One-year SRV | 26.5% | 2.5% | 2.5% | 32.9% |
| 3. Sustainability – Two-year SRV | 14.0% | 14.0% | 2.5% | 33.2% |
| 4. Sustainability – Three-year SRV | 10.0% | 10.0% | 10.0% | 33.1% |

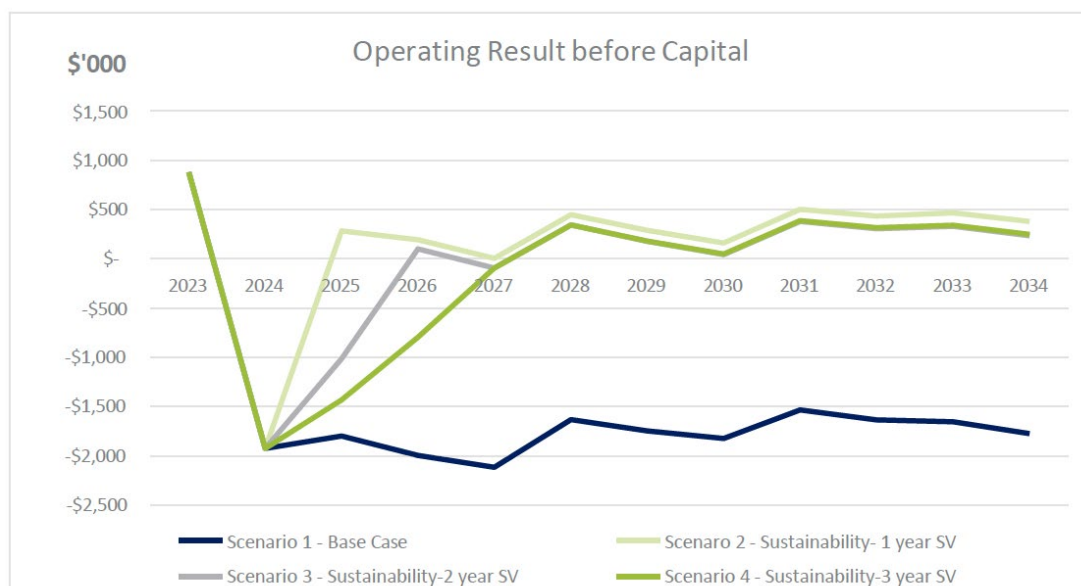


Figure 1 – 4 potential scenarios modelled

All 3 SRV scenarios balance Council's need to be financially sustainable, with all 3 trending in this proximity from 2027 onwards.


Council under each scenario would move from a forecast deficit of -\$1.43m in 2025, to a small surplus in 2028 and continued small surpluses to 2034.


Whichever scenario is chosen, Council would apply to the Independent Pricing and Regulatory Tribunal (IPART) for a permanent cumulative rate increase of approximately 33 per cent. If secured, this SRV would assist Council in maintaining surpluses, meeting operating expenditure, and ensuring sufficient investment in infrastructure.


Table 2 provides an indication of the annual rates increase likely to be experienced by ratepayers in each category paying average rates.


Table 2 is based on scenario 4, which provides for the most gradual phase in of the SRV.

Table 2: Scenario 4 – 3 year SRV

| Residential Rates | Year | Average Rate | Annual Average Increase | Per Week Increase |
|---|---------|--------------|-------------------------|-------------------|
|  | Current | \$757 | | |
| | 2024-25 | \$833 | \$76 | \$1.46 |
| | 2025-26 | \$916 | \$83 | \$1.60 |
| | 2026-27 | \$1,008 | \$92 | \$1.77 |

| Farming Rates | Year | Average Rate | Annual Average Increase | Per Week Increase |
|---|---------|--------------|-------------------------|-------------------|
|  | Current | \$3,323 | | |
| | 2024-25 | \$3,655 | \$332 | \$6.38 |
| | 2025-26 | \$4,021 | \$366 | \$7.04 |
| | 2026-27 | \$4,423 | \$402 | \$7.73 |

| Business Rates | Year | Average Rate | Annual Average Increase | Per Week Increase |
|---|---------|--------------|-------------------------|-------------------|
|  | Current | \$1,285 | | |
| | 2024-25 | \$1,414 | \$129 | \$2.48 |
| | 2025-26 | \$1,555 | \$141 | \$2.71 |
| | 2026-27 | \$1,711 | \$156 | \$3.00 |

| Mining Rates | Year | Rate Charge | Annual Increase |
|---|---------|----------------|------------------|
|  <i>Cadia Valley Operations</i> | Current | \$4.87 million | |
| | 2024-25 | \$5.36 million | \$487,295 |
| | 2025-26 | \$5.9 million | \$536,024 |
| | 2026-27 | \$6.49 million | \$589,626 |



Additional and more detailed information on the proposed SRV is contained in the following documents attached to this report:

- Special Rate Variation Background Paper,
- Capacity to Pay Report appended to the LTFP.

Community Engagement:

In making an application for an SRV Council must demonstrate that it has effectively informed and consulted the community on the possibility of an SRV, including impact of both the proposed SRV as well as not applying for an SRV. Accordingly, a Community Engagement Plan has been developed to form the basis for this community consultation process (refer *Attachment 6*).

The Community Engagement Plan outlines the various consultation tools that will be used to inform and consult the community about the proposed SRV. Consistent with Council’s Community Engagement Strategy, it is proposed that a suite of print and face-to-face consultation mechanisms be used to support the delivery of the community consultation.

The community consultation will commence Friday, 10 November 2023 and conclude Friday, 15 December 2023 (35 days). Following conclusion of that process, a report on the community engagement based on feedback received during that process will be prepared and submitted to Council for consideration at an Ordinary Meeting scheduled for 23 January 2023. This report is independently considered, checked and verified by IPART.

Should Council proceed in making application to IPART for an SRV, IPART will seek its own community feedback separate from Council’s processes and invite submissions from members of the public. This process is typically undertaken in the subsequent February/March.

The community engagement process will use a variety of techniques and media and provide comprehensive information so that by the end of the consultation period, the community have been informed and provided opportunity able to express their views about the financial sustainability decisions facing Council.

This Community Engagement Plan is supported by the following detailed action plan, including engagement activities, and will produce a summary report of the engagement outcomes for Council’s consideration.

The proposed list of drop-in sessions are identified in the following table.

| Location | Venue | Date | Time |
|-------------------|--------------------------------|------------------------|---------------------------|
| Millthorpe | Golden Memories Museum | Thursday, 16 November | 9am to 11am 4pm to 7pm |
| Blayney | Blayney Shire Community Centre | Monday, 20 November | 3pm to 6pm |
| Newbridge | Brian Bennett Pavilion | Wednesday, 22 November | 4pm to 7pm |
| Lyndhurst | Lyndhurst Hall | Thursday, 23 November | 4pm to 7pm |
| Blayney | Blayney Shire Community Centre | Monday, 27 November | 9am to 11am 4pm to 7pm |
| Neville | Neville Hall | Wednesday, 29 November | 4pm to 7pm |
| Mandurama | Mandurama Hall | Thursday, 30 November | 4pm to 7pm |
| Carcoar | Carcoar School of Arts | Friday, 1 December | 4pm to 7pm |

Timeline

The timeline for the SRV process is identified in the following table.

| Timeframes | Responsibility | Community Engagement Activity |
|--------------------------------------|-----------------------|--|
| 10 November 2023 to 15 December 2023 | Council | 35 days community engagement activity: <ul style="list-style-type: none"> • Community Drop-In Sessions. • Media Release. • Social Media. • Council Website / options / analysis / reports / FAQs. • Letter sent to all residents. • Online Submissions open. • Awareness through media. |
| 23 January 2024 | Council | Receive report on community feedback and recommendation on the preferred SRV option. Adopt the LTFP with the preferred SRV Option. |
| February 2024 – April 2024 | IPART | IPART independently conducted community engagement activity |
| April / May 2024 | Council | Draft 2024-25 OP and Draft 2024-25 to 2027-28 DP including Revenue Policy on public exhibition (28 days). |
| May / June 2024 | Council | Community Engagement Activity – DP/OP and Revenue Policy |
| May 2024 | IPART | IPART Final report on SRV Assessment |
| June 2024 | Council | Endorse final; 2024-25 OP including Revenue Policy and 2024-25 to 2027-28 DP |

Risk/Policy/Legislation Considerations:

Section 403 of the Local Government Act 1993 (the Act) requires Council to have a long-term strategy (called its resourcing strategy) for the provision of the resources required to perform its functions (including implementing the strategies set out in the community strategic plan).

The Office of Local Government provides guidelines for the preparation of an application for a special variation to general income which includes the criteria that IPART will assess in considering a council's SRV application.

IPART sets the rate peg and approves rate increases above the rate peg.

The Local Government Act 1993 sets out the following principles of sound financial management at Chapter 3, s.8B:

- a) *Council spending should be responsible and sustainable, aligning general revenue and expenses.*
- b) *Councils should invest in responsible and sustainable infrastructure for the benefit of the local community.*
- c) *Councils should have effective financial and asset management, including sound policies and processes for the following—*
 - (i) performance management and reporting,*
 - (ii) asset maintenance and enhancement,*
 - (iii) funding decisions,*
 - (iv) risk management practices.*
- d) *Councils should have regard to achieving intergenerational equity, including ensuring the following—*
 - (i) policy decisions are made after considering their financial effects on future generations,*
 - (ii) the current generation funds the cost of its services.*

It must be highlighted that the updated LTFP is based on a number of assumptions of which Council has no control. There are a number of other factors outside Councils control that could directly impact (positively and negatively) Council over the LTFP. Some of these factors are outlined below.

Financial Assistance Grants

In 2022/23 Council was paid in advance by 95% (\$3.46m) of the 2023/24 Financial Assistance Grant (FAG) allocation, an increase from the 75% advanced in the prior year. This is an operational grant which significantly distorted Council's 2023 operating result.

Council's net operating result for 2022/23 before capital grants and contributions was \$1.2m. If the FAG advance payment was removed, the net operating result would have been \$59k.

There is also a risk that at some point in time the Federal Government will cease advance payment of the FAG grant, potentially leaving a \$3.6m shortfall for Council in the year in which the advance payment is ceased.

Cost Shifting

Council has been significantly impacted by repeated mandated financial implications and/or cost shifting from the NSW Government. Two examples of this are;

- Rural Fire Service Assets:
 - Fleet - Council currently has assets;
 - Blayney (and shared) with a replacement value of \$7.9m

- Current written down value of \$1.1m
- Estimated depreciation in 2023/24 of \$212k
- Noting this figure is quickly declining (there are only 5 vehicles are less than 10 years old). If all vehicles are replaced simultaneously and/or in short succession depreciation would escalate to approximately \$700k p.a. in the LTFP.

Buildings - Council currently has assets with;

- Replacement value of \$2.8m
 - Current written down value of \$2.2m
 - Estimated depreciation in 2023/24 of \$53k
- Emergency Services Levy (ESL)
The ESL is a cost imposed on councils and the insurance industry to fund the emergency services budget in NSW. The majority is paid as part of insurance premiums, with a further 11.7 per cent picked up by councils and 14.6% by the State Government itself.

Council's Emergency Services Levy contribution for 2023/24 is \$484k (an increase of 36%) and goes towards the cost of; RFS, SES and NSW Fire & Rescue.

The 2023/24 contribution increase is compounded with the NSW Government advising in May 2023 it will no longer provide a subsidy for the Emergency Services Levy. Removal of the subsidy had an instant negative impact of \$128k to Council's 2023/24 OP.

Councils continue to be significantly impacted by mandated financial implications and/or cost shifting from the NSW Government. Noting in March 2023 a new Government was elected in NSW, in the lead up to the election it had indicated to Local Government that if elected, it would amend the Rual Fires Act to clarify that Local Government does not have to account for RFS assets. There has been no progress on this matter to date.

There has been a significant amount of work being undertaken on how to better fund emergency services within NSW. Again, there has been limited progress in this policy space though.

Mining Rate Income

Referring to Council's operating income, 50% of rating income comes from the mining rate category in 2023/24. This figure is forecast to rise to approximately 60% in the LTFP if the McPhillamys Gold Project (following issue of planning consent in 2023) proceeds to development.

The following risks are identified in relation to Council's mining rate category;

- A significantly high proportion of rating income being generated from 1 rating category (being 3 ratepayers) in the LTFP.

- It is unknown (also outside the control of Council) when the mining lease for McPhillamys Gold Project will be issued which allows a mining rate to be levied.
- Both Cadia and the McPhillamys mines currently have relatively short operational approvals (both to 2031 respectively) which are now within the current 10-year Long Term Financial Plan (LTFP).

Note: Council understands Cadia are in the process of preparing a new application to the NSW Department of Planning & Environment for the continuation of operations.

At the June 2023 Council meeting, Council identified;

- *“Council’s risk is heightened as an assumption has been made for issue of the mining lease for McPhillamys in quarter 4 of 2023/24 (however this is outside of Council’s control), and*
- *Council must seek to develop and implement strategies that diversifies its rating income distribution, which will in turn minimise reliance and risk exposure relating to the mining rate category over the 10-year LTFP”.*

Upon discussion with IPART, their direction was clear regarding any potential SRV application in which Council sought to reduce reliance from the Mining Rate category;

- If Council is aware of a potential rate income source (McPhillamys Gold Project), it must include a forecast of that rate income in the LTFP.

IPART would likely not approve any SRV application that assumed no mining rate income from McPhillamys mine, because;

- That would mean the SRV amount would be higher (as no revenue assumption has been included in LTFP) than Council potentially required.
- There is no ability for IPART to reduce an approved SRV if the McPhillamys mine does proceed.

The risk outlined by IPART is that, if no forecast revenue is included for McPhillamys and a high SRV amount is approved, then McPhillamys is issued a mining lease, Council receives an uplift in rate income. Council could then still levy the approved SRV in the future, while generating additional mine rates, with no input, control or restriction from IPART.

- In relation to the Cadia Gold Mine, until Council has greater certainty (e.g: if a future application for continuing operations is not approved) Council cannot seek to diversify its rating distribution by slowly increasing the Residential, Farmland and Business rating categories’ yields over time.

IPART were very clear in discussions with Council and ML that it must go with best known assumptions now and not forward plan for more than the 10-year LTFP.

In relation to the Mining category, if the McPhillamys mine has not commenced and/or there is a change to mining rate income from Cadia, Council will need to likely consider making a further SRV application in the near future (potentially within 3 years).

Grant Funding

Over the past 6 years, Council has been very proactive in obtaining many state and federal grants. In particular, over the past 4 years Council has benefited significantly from a NSW Government Grant Program called 'Resources for Regions', amounting to approximately \$21.4m.

Resources for Regions returned a very small (approx. 2%) of mining royalties collected by the NSW Government, and directly allocated those monies to 26 councils directly impacted by mining operations.

Disappointingly, in September 2023 the NSW Government ceased the Resources for Regions Grant funding program. This decision has directly removed an anticipated \$4m in annual grant funding from Blayney Shire Council.

It is noted that grant funding must be used for the specific purpose, as outlined in the grant guidelines and funding deeds, and is generally required to be expended for a capital purpose therefore prevented from being used for operational purposes.

Obtaining further grant funding is not a solution to creating a positive operating result in Council's General Fund. However, Council will seek to continue to identify grant opportunities for renewal projects in lieu of Council's own cash. The ML Organisational Sustainability Improvement Plan confirms this approach has benefited Council by approximately \$4 million dollars in 2022/23, freeing up cashflow proposed from General Fund.

Budget Implications:

A significant amount of work has been undertaken by ML, Council staff and Councillors in order to review and address Council's financial sustainability.

There is a budget allocation in the 2023/24 Operational Plan for specialist financial consulting.

Councillor and staff time will incur no additional expenditure allocated (general duties).

Consideration of the subsequent lodgment of an SRV application to IPART would be the subject of a further report to Council following the community engagement process.

Enclosures (following report)

Nil

Attachments (separate document)

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| 1 | Special Variation Background Paper | 12 Pages |
| 2 | Long Term Financial Plan 2023-2033 (Draft - Revised) | 60 Pages |
| 3 | Capacity to Pay Report | 39 Pages |
| 4 | Domestic Waste Management Financial Statements | 12 Pages |
| 5 | Organisational Sustainability Review and Improvement Plan | 17 Pages |
| 6 | Community Engagement Plan | 16 Pages |
| 7 | 2023-24 to 2026-27 Delivery Program and 2023-24 Operating Plan (Draft - Revised) | 89 Pages |