Independent Pricing and Regulatory Tribunal
New South Wales

SPECIAL VARIATION APPLICATION
LIVERPOOL PLAINS SHIRE COUNCIL
FROM 2021-22

Final Report

May 2021

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The Independent Pricing and Regulatory Tribunal (IPART)

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Tribunal Members

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1 Executive Summary

In recent years, Liverpool Plains Shire Council's (the council) financial performance has been worsening. It has not had sufficient funds for necessary asset maintenance and renewals. To improve its financial sustainability and to provide funds to maintain and renew deteriorating assets, the council has applied for a special variation (SV) to permanently increase its general income by 8% per year (inclusive of the rate peg) from 2021-22 to 2023-24.[i] This is a total increase over the three years of 26%.

IPART has approved a 2-year temporary increase of 8% per year (inclusive of the rate peg) in 2021-22 and 2022-23, to be removed from the rate base on 1 July 2023. In total, this is a temporary increase over the two years of 16.6%. In these two years, the council will be able to identify and implement productivity and cost containment strategies to improve its long-term financial sustainability.

Impact on council's income

Purpose

- Enhance financial sustainability
- Provide asset maintenance and renewals funding

$1.4m

Additional income
above the rate peg over the next 2 years

The council's additional income will go towards maintaining and renewing its deteriorating assets, which was identified as a priority by its community. The SV will be applied across all rating categories.

Impact on rates

	Residential	Business	Agriculture	Mining
Liverpool Plains Shire Council	+16.6%	+16.6%	+16.6%	+16.6%

Many public submissions raised concerns about the proposed higher rates, however this needs to be balanced against the council's need to deliver services to its ratepayers on an ongoing basis.

We assessed the council's application against the Guidelines issued by the Office of Local Government and determined that it partially met the criteria.

Largely demonstrated

Financial Need

The council's financial position will continue to deteriorate even with the additional income from the special variation, and it needs funds to maintain its assets.

Largely demonstrated

Community awareness

While the council used a wide range of consultation methods to engage with the community, some concerns were raised regarding the timing and organisation of the consultation sessions.

Partly demonstrated

Reasonable impact on ratepayers

The impact of the rate increase is significant, particularly given the community's capacity to pay. However this must be balanced against the council's need for funding to maintain assets and provide services to the required standard.

Partly demonstrated

IP&R documentation

The council did not revise its Delivery Program or Operational Plan to include the extent of the general fund increase under its proposed special variation.

Not demonstrated

Productivity Improvement and Cost Containment

The council does not have a good track record of implementing and delivering savings and has not identified concrete productivity and efficiency plans.
If the council decides to apply for a subsequent special variation, it must show it has implemented productivity improvements and effective cost saving strategies.

2 Liverpool Plains Shire Council's application

The council has applied for an SV to increase its general income by a cumulative 25.97% over 3 years from 2021-22 to 2023-24. The proposed SV is evenly spread across the period, with an 8.0% increase each year (rate peg inclusive). The application is for an increase that remains permanently in the rate base. The council indicated the increase would be applied across all rating categories.[ii]

2.1 Purpose

The purpose of the proposed SV is to improve the council's financial sustainability and to fund the maintenance and renewal of deteriorating assets. The council also states the SV will reduce its significant reliance on grant funding for asset renewals.[iii]

2.2 Need

The council identified improved financial sustainability as one driver of the SV application. The council's net operating result was -$6.39 million in the 2019-20 financial year and -$2.14 million in the prior year.[iv] The council proposes the additional rate revenue will prevent the General Fund from entering into a cash deficit.[v]

The council also expects the SV will assist with funding required asset maintenance and renewals specified in its Asset Management Plan and Capital Works Plan.[vi] This would help address a key priority identified in the Community Strategic Plan, which is the desire for infrastructure to be "well planned and maintained" to satisfy current and future needs.[vii] The council has only completed 56% of necessary asset renewals over the past 5 years.[viii] This is significantly below the OLG performance benchmark of greater than 100%.

2.3 Significance of proposal

The council's application would mean a cumulative increase in its PGI of $14.1 million above what the assumed rate peg would deliver over 10 years. This represents 13.8% of the council's total cumulative PGI over the 10 year period (see Table 2.1). Under the proposed SV, the PGI in 2023-24 will be $9.71 million and the increase in PGI above the rate peg would be $2.84 million (see Table 2.2).

Table 2.1 Permissible general income (PGI) of Liverpool Plains Shire Council from 2021-22 to 2030-31 under the proposed SV

Cumulative increase in PGI above rate peg ($m)	Total PGI over 10 years ($m)	SV revenue as a percentage of total PGI over 10 years (%)
14.1	102.1	13.8

Note: The above information is correct at the time of the council's application (February 2021).

Source: Liverpool Plains Shire Council, *Application Part A*, Worksheets 1 and 4 and IPART calculations.

Table 2.2 Permissible general income (PGI) of Liverpool Plains Shire Council from 2021-22 to 2023-24 under the proposed SV

Year	Increase proposed (%)	Cumulative increase approved (%)	Increase in PGI above rate peg ($'000)	Cumulative increase in PGI ($'000)	PGI ($'000)
Adjusted notional income 1 July 2021					7,708
2021-22	8.00	8.00	463	617	8,325
2022-23	8.00	16.64	932	1,283	8,991
2023-24	8.00	25.97	1,450	2,002	9,710
Total cumulative increase				3,901	
Total above rate peg			**2,844**		

Note: The information in the Table is correct at the time of the council's application (February 2021).

Source: Liverpool Plains Shire Council, *Application Part A*, Worksheets 1 and 4 and IPART calculations.

The council would fund the proposed SV by increasing rates for all rating categories. The average increase for residential ratepayers would be $67 per annum and for business ratepayers the average yearly increase would be $172. Farmland ratepayers would experience a $385 increase in their average yearly rates, and mining ratepayers would see an average increase of $9,518 per year.

The council stated that the community has the capacity to pay the higher rates proposed, as its current average residential, business, and farmland rates are lower than the group 10 average (see Section 4.4).

2.4 Resolution by the council to apply for a special variation

The council resolved to apply for the proposed SV on 3 February 2021. Four councillors were in favour and one councillor was against the resolution.[ix]

3 IPART's approach to assessment and community engagement

IPART assesses special variation applications from councils under delegation from the Minister for Local Government, under s506, s508 and s508A of the *Local Government Act 1993*. As part of our process we accept written submissions from interested stakeholders from the time councils first notify us of their intention to apply for a special variation, until three weeks after applications have been received.

3.1 Criteria for assessing council applications

The criteria for assessing applications are set by the Office of Local Government (OLG) in special variation and minimum rate guidelines. The guidelines are intended to help councils in preparing an application to increase general income, by means of a special variation.

A special variation allows a council to increase its general income above the rate peg. Special variations can be either for a single year or over multiple years and can be temporary or permanent.

IPART applies the criteria in the guidelines to assess councils' applications. In brief, the six criteria for a special variation include:

- the need for, and purpose of a different revenue path for the council's General Fund must be clearly set out and explained in the council's IP&R documents
- there must be evidence that the community is aware of the need for and extent of a proposed rate rise
- the impact on affected ratepayers must be reasonable
- the relevant IP&R documents must be exhibited (where required) approved and adopted by the council
- the IP&R documents or the council's application must explain and quantify the productivity improvements and cost containment strategies of the council
- any other matter that IPART considers relevant.

More detail on the criteria is available in Appendix A and the OLG Guidelines. We also provide comprehensive guidance on our approach to assessing special variation applications in fact sheets and information papers available on our website. Additionally, we publish information for councils on our expectations of how to engage with their community on any proposed rate increases above the rate peg.

3.2 Stakeholder submissions to IPART

In the first instance, we expect councils to be responsible for engaging with their communities so that ratepayers are fully aware of any proposed special variations and the full impact on them. This is one of the criteria we use to assess council applications as outlined above.

However, as part of our process, we also accept written submissions directly from stakeholders. Our submission portal is accessible to stakeholders from the time councils first notify us of their intention to apply for a special variation, until three weeks after applications have been received.

We consider all stakeholder submissions as well as all information received from councils in making our final decision on each special variation application.

3.2.1 Summary of submissions received by IPART for Liverpool Plains Shire Council

IPART received 182 online submissions on the council's notification letter and 3 online submissions after we had published its application. We also received 5 email and letter submissions from different ratepayers. One email submission also included a petition. Only one submission was in favour of the SV provided the council reports where the money is spent, the remainder were opposed to the SV.

Key issues and views raised in these submissions were:

- the affordability of proposed rate increases especially for pensioners, people with limited incomes and farmers as well as the effects of COVID-19 and droughts
- the council should look at ways to become more efficient and productive, and find cost savings before it increases rates
- the community consultation meetings were inadequate as meetings were conducted during the holiday period and there were difficulties participating during the meeting
- the services and infrastructure such as roads, water ways and buildings are inadequate
- there were claims of previous financial mismanagement.

We considered all submissions as part of our assessment of the council's application against the criteria in the OLG Guidelines.

See Chapter 4 for further discussion on submissions to IPART and how they have been considered as part of our assessment of the council's application.

4 IPART’s special variation assessment

To make our decision, we assessed the council’s application against the criteria in the OLG Guidelines as outlined in Chapter 3.

While the criteria for all types of SVs are the same, the OLG Guidelines state that the extent of evidence required for assessment of the criteria can alter with the scale and permanence of the SV proposed.

4.1 Our special variation assessment

We found that the council’s application did not fully meet all of the criteria set out in the OLG Guidelines. The council did not demonstrate it met the productivity improvement and cost containment strategies criterion and there were shortcomings in how the other criteria were addressed. Given the council’s need to become more financially sustainable and fund the maintenance and renewal of its infrastructure assets, we consider on balance that partially approving this application is appropriate.

The council’s forecasts demonstrate there is a financial need to increase its recurrent revenue above the rate peg to improve financial sustainability. The forecast Operating Performance Ratio (OPR) continues to be below the OLG benchmark beyond 2029-30 with or without the SV revenue. As at 2029-30, the council’s net debt to income ratio is expected to be -128.6% under the Baseline with SV expenditure Scenario.

The infrastructure backlog ratio is expected to further deteriorate without the SV. A deteriorating infrastructure backlog ratio would inhibit the council’s ability to satisfy community expectations of well-maintained infrastructure. The council’s infrastructure renewals ratio is also expected to further deteriorate with or without the SV. The forecast ratio consistently falls below the OLG benchmark of greater than 100%.

On balance, the council largely demonstrated that its community was sufficiently aware of the need for, and extent of, the proposed rate increase. The council did not adequately communicate the total increase for the average ratepayer by rating category on a percentage basis. However, the council clearly communicated the rates increases in dollar terms for each year over the proposed 3-year SV period. The council’s consultation material did not outline or discuss any ongoing efficiency measures it has implemented or any progress made towards implementing these. However, we recognise this was a new requirement added for OLG’s 2021-22 SV Guidelines.

We found the impact of the proposed SV on ratepayers would be significant given the community's capacity to pay and the resulting higher rates. Currently, average residential, business and mining rates are lower than the average for Group 10 councils and the weighted average for neighbouring councils. After the proposed SV increase is applied, the average residential, business and farmland rates will increase considerably and will be above the Group 10 average. The council's SEIFA rating indicates it is relatively disadvantaged, suggesting the community's capacity to pay is relatively low. However we acknowledge the council has a hardship policy in place.

The Integrated Planning and Reporting (IP&R) criterion was partly demonstrated. The council's documentation did not contain sufficient information on the proposed SV. However, documents were appropriately exhibited, approved and adopted by the council. The combined Delivery and Operational Plan only contained brief commentary around the council's intention to develop an SV application.

The council did not outline its strategic approach to improving efficiency, productivity and containing costs. The council did not consider or quantify future efficiency measures in its Long Term Financial Plan (LTFP). We acknowledge the council engaged an external consultant to investigate productivity and efficiency savings and will review initiatives in the consultant's report. The council has not adequately addressed this criterion and as part of planning for a further special variation we would expect it to better consider productivity and cost containment strategies.

Our assessment of the council's application against each criterion is discussed in further detail in the sections below.

4.2 Financial need for the proposed special variation

This criterion examines the council's financial need for the proposed SV. The OLG Guidelines require the council to clearly articulate and identify the need for, and purpose of, a different revenue path for its General Fund. This includes that:

- the council sets out the need for and purpose of the proposed SV in its IP&R documents, including its Delivery Program, LTFP and Asset Management Plan where appropriate
- relevant IP&R documents should canvas alternatives to the rate rise
- the council may include evidence of community need/desire for service levels or projects.

IPART uses information provided by the council in its application to assess the impact of the proposed SV on the council's financial performance and financial position, namely the council's forecast operating performance and net cash (debt).

Where relevant, IPART also uses information provided by the council to assess its need for the proposed SV to reduce its infrastructure backlog and/or increase its infrastructure renewals, by assessing the council's infrastructure backlog ratio and infrastructure renewals ratio.

Generally, we would consider a council with a consistent operating surplus to be financially sustainable. The council's forecast operating result shows whether the income it receives covers its operating expenses each year. We consider that the most appropriate indicator of operating performance is the Operating Performance Ratio (OPR).

The OPR measures whether a council's income funds its costs and is defined as:

$$OPR^{1} = \frac{Total\ operating\ revenue - operating\ expenses}{Total\ operating\ revenue}$$

Based on the council's application and LTFP (where appropriate), we calculate forecasts under three scenarios:

1. **The Proposed SV Scenario –** which includes the council's proposed SV revenue and expenditure.
2. **The Baseline Scenario** – which shows the impact on the council's operating and infrastructure assets' performance without the proposed SV revenue and expenditure.
3. **Baseline with SV expenditure Scenario** – which includes the council's full expenses from its proposed SV, without the additional revenue from the proposed SV. This scenario is a guide to the council's financial sustainability if it still went ahead with its full expenditure program included in its application, but could only increase general income by the rate peg percentage.

We consider that a council's average OPR over the next 10 years should be 0% or greater, as this is typically the minimum level needed to demonstrate financial sustainability. An OPR consistently well above 0% would bring into question the financial need for an SV. We note that other factors, such as the level of borrowings and/or investment in infrastructure, may affect the need for a council to have a higher or lower operating result than the OLG breakeven benchmark.

While the OPR is a good guide to a council's ongoing financial performance (or sustainability), we may also consider a council's financial position, and in particular its net cash (or net debt).[2] This may inform us as to whether the council has significant cash reserves that could be used to fund the purpose of the proposed SV. We examined the council's net cash position in 2021-22 and as a percentage of income to gauge its financial position.

1 Expenditure and revenue in the OPR measure are exclusive of capital grants and contributions, and net of gain/loss on sales of assets.

2 Net debt is the book value of the Council's gross debt less any cash and cash-like assets on the balance sheet. Net debt shows how much debt the Council has on its balance sheet if it pays all its debt obligations within its existing cash balances. Over time, a change in net debt is an indicator of the Council's financial performance and sustainability on a cash basis.

We note the OPR is a measure of the council's financial performance, measuring how well a council contains its operating expenditure within its operating income. As the ratio measures net operating results against operating revenue, it does not include capital expenditure. That is, a positive ratio indicates operating surplus available for capital expenditure. Therefore, we also further consider the impact of the proposed SV on the council's infrastructure ratios, where relevant to the council's application.

Where relevant, we consider the council's infrastructure backlog ratio, which measures the council's backlog of assets against its total written down value of its infrastructure. The benchmark set by OLG for the ratio is less than 2%.[x] It is defined as:

$$Infrastructure\ backlog\ ratio = \frac{Estimated\ cost\ to\ bring\ assets\ to\ a\ satisfactory\ standard}{Carrying\ value\ of\ infrastructure\ assets}$$

where the carrying value of infrastructure assets is the historical cost less accumulated depreciation.

Where relevant, we also consider the council's infrastructure renewals ratio, which assesses the rate at which infrastructure assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG for the ratio is greater than 100%.[xi] It is defined as:

$$Infrastructure\ renewals\ ratio = \frac{Infrastructure\ asset\ renewals^{3}}{Depreciation, amortisation\ and\ impairment}$$

4.2.1 Assessment of the council's IP&R documents and alternatives to the rate rise

The council's application did not indicate it assessed alternative funding sources. The LTFP only provided for an SV of successive 6.0% increases in 2021-22 and 2022-23 as the alternative.[xii] The combined Delivery Program and Operational Plan does not clearly specify the need for, and purpose of the proposed SV.

4.2.2 Assessment of the impact of the proposed SV on the council's financial performance and position

Under the Proposed SV Scenario, the council forecasts its operating performance to improve from -42.7% in 2021-22 to -31.9% in 2023-24. The council forecasts suggest operating deficits are expected to continue over the next 10 years. This indicates that the council is not sustainable over the long term if it proceeds with its proposed expenditure with or without receiving the additional proposed SV revenue.

The cumulative value of the forecast operating deficits (before capital grants and contributions) is -$60 million to 2029-30. The SV revenue would allow the council to improve its financial sustainability to a small extent and fund some infrastructure maintenance and renewal.

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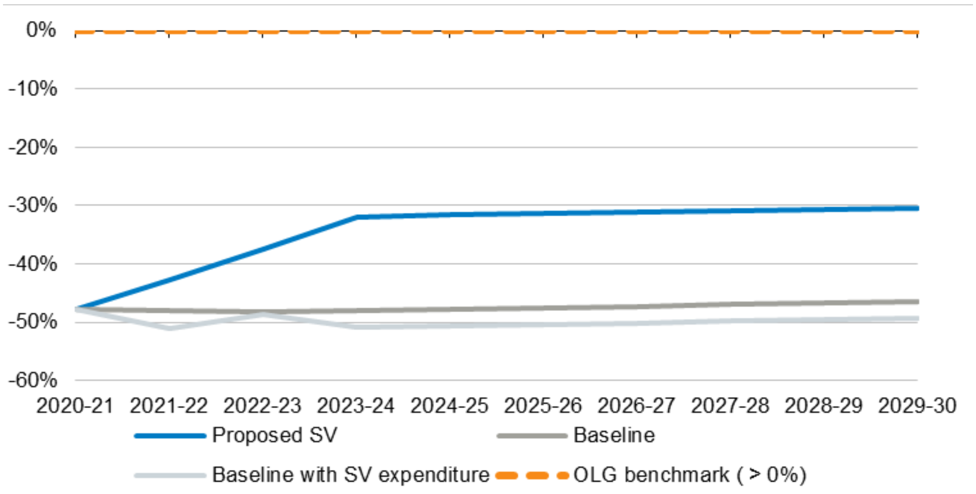
3 Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or refurbishment of old assets) that increases capacity/performance.

Under the Baseline Scenario, it forecasts sustained deficit ratios within the -46% to -48% range, as shown in Table 4.1 below. The cumulative value of these forecast operating deficits (before capital grants and contributions) is -$78 million to 2029-30 under this scenario.

Figure 4.1 Liverpool Plain Shire Council's Operating Performance Ratio (%) excluding capital grants and contributions (2020-21 to 2029-30)



Data source: Liverpool Plains Shire Council, *Application Part A*, Worksheet 8 and IPART calculations.

Table 4.1 Projected operating performance ratio (%) for Liverpool Plains Shire Council's proposed SV application (2021-22 to 2029-30)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Proposed SV	-42.7	-37.6	-31.9	-31.7	-31.4	-31.1	-30.9	-30.6	-30.4
Baseline	-48.1	-48.3	-48.0	-47.8	-47.5	-47.3	-47.0	-46.8	-46.5
Baseline with SV expenditure	-51.1	-48.7	-50.9	-50.6	-50.4	-50.1	-49.9	-49.6	-49.3

Source: IPART calculations based on Liverpool Plains Shire Council, *Application Part A*, Worksheet 8.

Our analysis indicates that over the next 5 years, the council's financial performance under each scenario results in an average OPR of:

- -35.1% under the Proposed SV Scenario
- -48.0% under the Baseline Scenario
- -50.3% under the Baseline with SV expenditure Scenario.

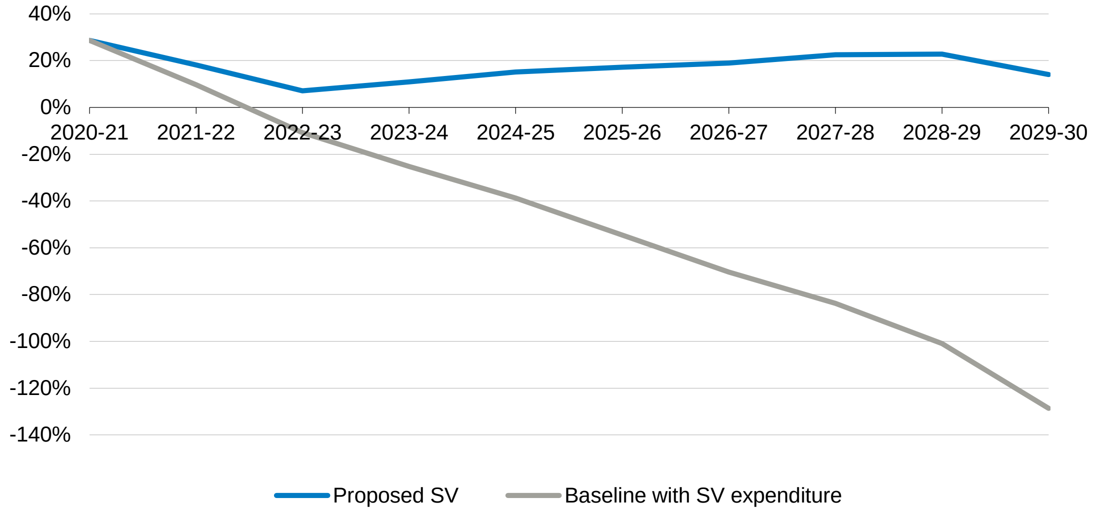
Impact on the council's net cash (debt)

We calculate the council's net cash is $4.8 million or 28.6% of income at 30 June 2021. Over the longer term, with the proposed SV revenue, the net cash to income ratio would remain positive under the Proposed SV Scenario.

Without the proposed SV, and assuming the council's expenditure is the same as under the Proposed SV Scenario, we estimate that the net cash to income ratio would decrease to 9.7% in 2021-22 and become negative from 2022-23 onwards.

As at 2029-30, the net cash to income ratio would be 14.0% under the Proposed SV Scenario and the net debt to income ratio would be -128.6% under the Baseline with SV expenditure Scenario.

Figure 4.2 Liverpool Plains Shire Council's net cash (debt) to income ratio (%) (2021-22 to 2029-30)



Data source: Liverpool Plains Shire Council, *Application Part A*, Worksheet 8 and IPART calculations.

Our analysis indicates that over the next 5 years, the council's net cash to income ratio averages:

- 13.7% under the Proposed SV Scenario
- -23.9% under the Baseline with SV Expenditure Scenario.

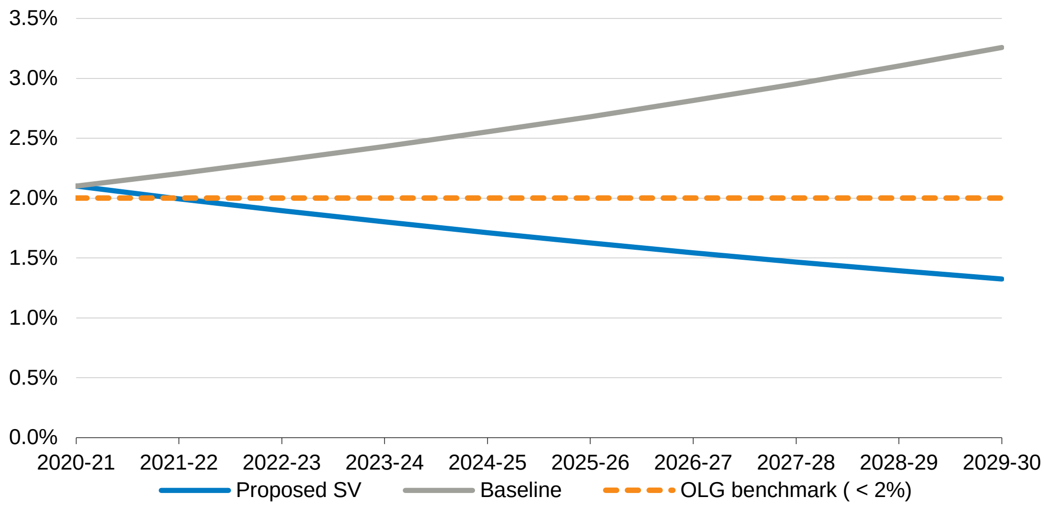
Impact on the council's infrastructure backlog ratio

The council indicated in its application that the SV revenue of $1.527 million over 3 years will be used for maintenance of local infrastructure such as grading unsealed local roads.[xiii] The council estimates an infrastructure backlog ratio of 2.2% in 2021-22 without the SV, which is close to the OLG benchmark of less than 2%. However given that historically the council has not monitored the condition of all asset classes, these estimates of the infrastructure backlog ratio may not be accurate.

Under the Proposed SV Scenario, the council's infrastructure backlog would fall compared to the Baseline Scenario. The Proposed SV Scenario forecasts the infrastructure backlog ratio to decrease to 1.3% in 2029-30, whereas this will be 3.3% under the Baseline Scenario. The infrastructure backlog ratio is only forecast to meet the OLG benchmark of less than 2% if the proposed SV is granted.

The council's forecast backlog ratio over 10 years under the Proposed SV and Baseline Scenarios is shown in Figure 4.3 and Table 4.2 below.

Figure 4.3 Liverpool Plains Shire Council's infrastructure backlog ratio (%) (2020-21 to 2029-20)



Data source: Liverpool Plains Shire Council, *Application Part A*, Worksheet 9.

Table 4.2 Projected infrastructure backlog ratio (%) for Liverpool Plains Shire Council's proposed SV application (2021-22 to 2029-30)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Proposed SV	2.0	1.9	1.8	1.7	1.6	1.5	1.5	1.4	1.3
Baseline	2.2	2.3	2.4	2.6	2.7	2.8	3.0	3.1	3.3

Source: Liverpool Plains Shire Councils, *Application Part A*, Worksheet 9.

Our analysis indicates the over the next 5 years, the council's infrastructure backlog ratio averages:

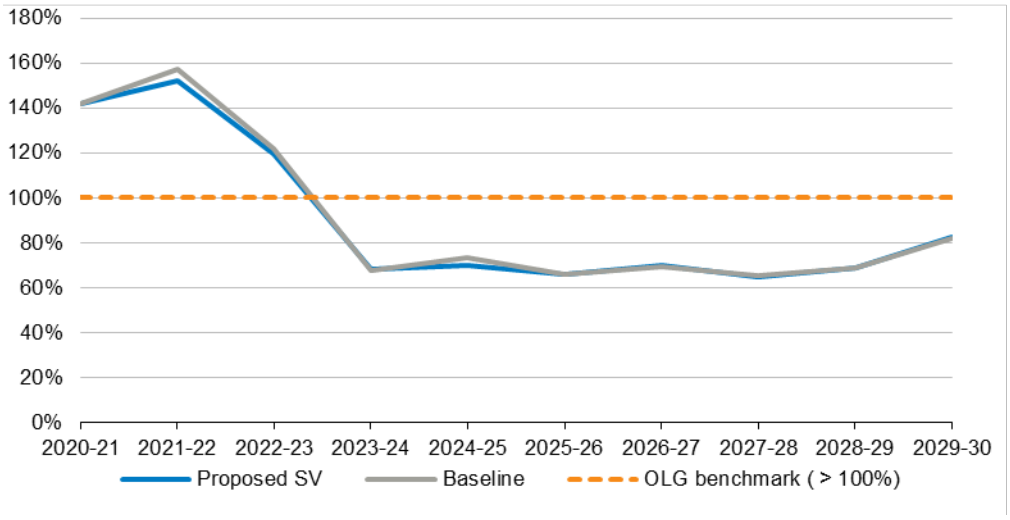
- 1.8% under the Proposed SV Scenario
- 2.4% under the Baseline Scenario.

Impact on the council's infrastructure renewals ratio

The council's application proposes the SV revenue will be used to reduce its reliance on grant funding for renewal of its assets.

Figure 4.4 and Table 4.3 illustrate the projected infrastructure renewals ratio under the Proposed SV and Baseline Scenarios. The council will not meet the OLG benchmark of greater than 100% over the period to 2029-30 under either the Proposed SV or Baseline Scenarios. The peak in the council's renewals ratio to 2023-24 is attributed to significant renewal works proposed in the next few years such as the Quipolly Water Project, Quirindi Sewer Treatment Plant, Quirindi Swimming Pool upgrade and 2 bridge renewals.[xiv]

Figure 4.4 Liverpool Plains Shire Council's infrastructure renewals ratio (%) (2020-21 to 2029-30)



Data source: Liverpool Plains Shire Council, *Application Part A*, Worksheet 9.

Table 4.3 Projected infrastructure renewals ratio (%) for Liverpool Plains Shire Council's proposed SV application (2021-22 to 2029-30)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Proposed SV	151.9	119.7	68.4	70.0	66.0	70.0	64.9	69.0	82.7
Baseline	157.4	121.9	67.6	73.1	65.8	69.3	65.2	68.7	81.9

Source: Liverpool Plains Shire Councils, *Application Part A*, Worksheet 9.

Our analysis shows that in 5 years, the Council's infrastructure renewals ratio averages:

- 95.2% under the Proposed SV Scenario
- 97.2% under the Baseline Scenario.

Submissions from the community to IPART

Several submissions commented on the council's financial mismanagement in the past and indicated that rates are already high. A few submissions raised the idea of a potential amalgamation. Given the council's poor financial performance, infrastructure and asset renewals ratios, we consider financial need has been established. We note the council did not explore other alternatives to the rate rise in its SV proposal nor did it consider productivity improvements and cost containment strategies.

Submissions also expressed the view that roads and transport assets were deteriorating and inadequate services were provided in different areas of the Local Government Area (LGA). Poor quality roads and assets is consistent with our analysis of the council's infrastructure backlog and renewals ratios, which are not expected to meet OLG benchmarks. However, we also acknowledge that flooding during January and July 2020 could have hampered the council's efforts to repair or maintain roads in a timely way.[xv] Furthermore, the council's transportation asset management plan explained that asset conditions were not monitored historically.[xvi]

4.2.3 Overall assessment of the council's financial need

We found that the council largely demonstrated that it met this criterion.

The council's forecast under the Baseline with SV expenditure Scenario shows that if it proceeds with the expenditure included in its application (but without the additional income from the proposed SV), its OPR would average –50.3% over 5 years, reaching –49.3% in 2029-30. This suggests there is a strong financial need for the council to increase its recurrent revenue above the rate peg to be financially sustainable.

Under the Proposed SV Scenario (with SV revenue and expenditure), our analysis shows that the council's OPR over 5 years averages -35.1% and its forecast OPR in 2029-30 will still not meet the OLG benchmark of greater than or equal to zero. We consider that the proposed SV revenue marginally improves the council's financial sustainability and allows some asset maintenance and renewal.

We forecast that the council will have a net cash position of $4.8 million at 30 June 2021. The council's application indicates that of the total $34.0 million in cash, cash equivalents and investments it held at 30 June 2020:

- $26.1 million was externally restricted
- $6.8 million was internally restricted
- $1.1 million was unrestricted.[xvii]

This suggests that a significant balance of the council's cash and investments are committed to other purposes, and are not available for discretionary use to fund part of the council's proposed SV expenditure. Accordingly, the net cash position of the council does not reduce the financial need for the proposed SV.

Under the Proposed SV Scenario, the council forecasts its infrastructure backlog ratio to decrease to 1.3% in 2029-30. Under the Baseline Scenario, the council forecasts the infrastructure backlog ratio to increase to 3.3% in 2029-30. The infrastructure backlog ratio would be below the 2% OLG benchmark under the proposed SV. However we note that the council is behind in its infrastructure renewals and historically asset condition was not monitored by the council, which brings in to question the accuracy of these infrastructure backlog ratio forecasts.

The infrastructure renewals ratio under both scenarios is forecast to decline to below the OLG benchmark of 100% in 2023-24. Without the SV, the council assessed there will be a renewal funding shortfall of $11.74 million for its transportation assets and $7.77 million for its buildings and recreation asset.[xviii]

Therefore taking all factors into account, we have determined that the council is in financial need for the proposed SV to enhance its financial sustainability and fund its asset maintenance and renewals.

4.3 Community engagement and awareness

The OLG Guidelines outline consultation requirements for councils when proposing an SV application. Specifically:

- The council's Delivery Program and LTFP should clearly set out the extent of the General Fund rate rise under the proposed SV. In particular, councils need to communicate the full cumulative increase of the proposed SV in percentage terms, and the total increase in dollar terms for the average ratepayer, by rating category (see Section 4.4 for this assessment).
- The consultation should include a brief discussion of the council's ongoing efficiency measures in explaining the need for this SV.
- The council's community engagement strategy for the proposed SV must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occurred.

Ultimately, we consider evidence that the community is aware of the need for, and extent of, a rate rise. That is, whether the consultation conducted by the council with ratepayers has been effective.

In this section, we assess the consultation process, including the clarity of the consultation, the timeliness of the consultation, and whether an effective variety of engagement methods were used to reach as many ratepayers as possible across all relevant rating categories.

We also examine the effectiveness of any direct community engagement and any council response to community feedback.

4.3.1 Assessment of consultation with the community

The council has published a Community Engagement Strategy which was developed in collaboration with CT Management Group Pty Ltd.[xix] It used this to guide and inform the consultation it carried out in relation to the proposed SV.

Process and content

The material the council prepared for ratepayers on its proposed SV contained most of the elements needed to ensure ratepayers were well informed and able to engage with the council during the consultation process. Specifically, the council communicated:

- the impact of the proposed average rate increase to ratepayers in dollar terms across various categories of ratepayers
- increases with and without the rate peg across various categories of ratepayers
- the average annual rate increase over the 3 years in dollar terms, for each affected rating category
- what the proposed SV would fund
- the average rates compared to other councils with the proposed SV and rate peg only increases.

The council's consultation material did not outline or discuss any ongoing efficiency measures it has implemented or any progress made towards implementing these. However, we recognise the council has made some minor cost savings (see Section 4.6). This was a new requirement added for OLG's 2021-22 SV Guidelines. In future years we expect that councils seeking SVs will also communicate to their community how they intend to achieve efficiency savings to mitigate or partially mitigate a need for additional income through SVs.

Clarity

The council's consultation material was largely clear in its presentation of the proposed SV and not likely to confuse ratepayers about the need for the proposed rate increase. The council's stipulated total rate increase per year included the rate peg.

Timeliness

The council resolved to carry out community consultation on its proposed SV from December 2020 to January 2021.[xx] This consultation period provided opportunity for ratepayers to be informed and engaged on the proposed SV.

Engagement methods used

The council provided reasonable opportunities for community feedback, and used a variety of methods to engage with its community, including:

- a letter from the Mayor and General Manager to all ratepayers[4]
- three flyers – a general flyer, rates flyer and services flyer[5]
- a dedicated SV website (*OurSay Liverpool Plains*) including key IP&R documentation and Frequently Asked Questions (FAQs)

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4 This letter details the reasons why the council is applying for an SV; to maintain public infrastructure assets and current service standards. There is details of the proposed SV percentage and states the website where the community can provide feedback.

5 The general flyer was distributed to notify the community of the proposed SV application. Information included details of community information sessions, an overview of impact of the SV on rates, and what the funds will be used for.
The rates flyer provided tables showing the impact of the SV on average rates by rate category.
The services flyer conveyed council's limited sources of revenue and explained how the council will use the funds from the proposed SV on services.

- social media (Facebook) posts – 13 posts published during December 2020 and January 2021[6]
- media releases published on the council website and distributed to media organisations[7]
- newspaper advertisements in the Quirindi Advocate
- telephone surveys
- online surveys
- community information sessions held in early January.[xxi]

The range of engagement methods used by the council provided sufficient opportunity for ratepayers to be informed and engaged on the proposed SV. We note community information sessions were held on 4 January 2021 to 7 January 2021.[xxii] Holding sessions during the Christmas and New Year break could have depressed ratepayer engagement with the council.

The council communicated the full cumulative increase under the proposed SV in both percentage terms and average rate impact per ratepayer category. Consultation materials did not specify the weekly dollar rate impact per ratepayer category.[xxiii]

We consider the methods stated above were reasonable for communicating the impact of the proposed SV to the community.

4.3.2 Assessment of outcomes of consultation with the community

Although this criterion does not require the council to demonstrate community support for the proposed SV, the council is required to consider the results of community consultation in preparing its application.

The council received 14 written submissions in relation to its proposed SV during the consultation period, of which the majority were not supportive of the proposed SV.[xxiv] The main reasons for opposition were:

- affordability, in particular with reference to drought
- insufficient notice given for community consultation sessions
- claims of wasting funds and funds not used equitably and economically
- lack of consideration for community wants

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6 The first post was made on 17 December 2020 and last post on 17 January 2021.

7 Council's media distribution list is as follows:
- Quirindi Advocate;
- Northern Daily Leader;
- ABC Radio New England/North West;
- ABC Radio Upper Hunter;
- Radio 2TM Tamworth;
- Radio 9.29FM Tamworth;
- Community Radio 2YOUFM - 88.9FM Tamworth/ 96.3FM Liverpool Plains;
- Prime 7 TV;
- NBN TV;
- Channel 10 New England/North West.

- examples of roads which required repair
- need for a financial plan. [xxv]

In addition, the online survey on the council website from 23 December 2020 to 19 January 2021 reported that 19% of respondents preferred the proposed rate rise.[xxvi]

The council also conducted a telephone survey from 6 January to 12 January 2021, where 25% of respondents preferred the proposed rate rise.[xxvii]

Submissions from the community to IPART

We received submissions that raised concerns over the timing of the consultation which was over the Christmas holiday period and in early January. Sessions in Wallabadah, Currabubula, Spring Ridge and Willow Tree were conducted from 10am to 11.30am.[xxviii] We consider this could have also depressed attendance as this timeslot coincides with standard work hours. Furthermore, we understand the letters informing ratepayers of the community consultation were not necessarily delivered in a timely way.[8] [xxix]

There was also some concern expressed regarding the organisation of the community consultation meetings. Specifically, submissions indicate there were instances where it was difficult for attendees to hear presenters speaking and instances where some questions were not answered.

We note the council only received 14 submissions on its proposed SV compared to the 192 submissions sent to IPART, meaning we received 13 times more submissions than the council. IPART may have captured the opinions of those who could not participate due to the timing of the council's consultation.

We examined the variety of methods the council undertook to communicate with ratepayers and seek their feedback, as discussed in Section 4.3.1. We found that the quality and extent of the council's consultation largely met the criterion in OLG's SV Guidelines.

4.3.3 Overall assessment of community engagement and awareness

We found that the council largely demonstrated that it met this criterion.

IPART received a large number of submissions compared to those sent to the council. This could indicate the community consultation timeframe may have been too short. However, we have reviewed all submissions and captured relevant community concerns in our assessment of the council's application.

We note that the council did not adequately communicate the total increase for the average ratepayer by rating category on a percentage basis. However, it clearly communicated the rates increases in dollar terms for each year over the proposed 3-year SV period.

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8 One submission indicated they received the letter from the council on 30 December 2020.

If future community consultation sessions are conducted over the Christmas break, we recommend the council extend its overall consultation period.

Overall, we acknowledge the council did make an effort to ensure that its community was sufficiently aware of the need for, and extent of, the proposed rate increase.

4.4 Impact on affected ratepayers

The OLG Guidelines require that the impact of the proposed SV on affected ratepayers must be reasonable, having regard to the current rate levels, the existing ratepayer base and the proposed purpose of the variation. Specifically, the Delivery Program and LTFP should:

- clearly show the impact of any rate rises upon the community
- include the council's consideration of the community's capacity and willingness to pay rates
- establish that the proposed rate increases are affordable, having regard to the community's capacity to pay.

Section 4.5 of this report considers the council's Delivery Program and LTFP.

The focus of this criterion is to examine the impact the proposed SV would have on ratepayers, and in particular consider the reasonableness of the rate increase in the context of the purpose of the proposed SV.

In this section, we:

- consider how the council has assessed the impact on ratepayers of the proposed SV and how it addressed affordability concerns
- undertake our own analysis of the reasonableness of the proposed rate increase by considering the average growth in the council's rates in recent years, how the council's average rates compare to similar councils and other socio-economic indicators such as median household income and SEIFA ranking.

In its application, the council indicated that it intended to increase rates evenly for each rating category.

The council has calculated that:

- the average residential rate would increase by 26%, to $972 after the 3 years
- the average business rate would increase by 26%, to $2,502 after the 3 years
- the average farmland rate would increase by 26%, to $5,600 after the 3 years
- the average mining rate would increase by 26%, to $138,501 after the 3 years. [xxx]

Table 4.4 sets out the council's estimates of the expected increase in average rates in each main ratepayer category.

Table 4.4 Indicative annual increases in average rates under Liverpool Plains Shire Council's proposed SV (2020-21 to 2023-24)

Ratepayer Category	2020-21	2021-22	2022-23	2023-24	Cumulative increase
Residential rate $	772	834	900	972	
$ increase		62	67	72	200
% increase		8.0	8.0	8.0	26.0
Business rate $	1,986	2,145	2,317	2,502	
$ increase		159	172	185	516
% increase		8.0	8.0	8.0	26.0
Farmland rate $	4,446	4,801	5,186	5,600	
$ increase		356	384	415	1,155
% increase		8.0	8.0	8.0	26.0
Mining rate $	109,947	118,742	128,242	138,501	
$ increase		8,796	9,499	10,259	28,554
% increase		8.0	8.0	8.0	26.0

Note: 2020-21 is included for comparison. The average rate is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category and includes the ordinary rate and any special rates applying to the rating category.

Source: Liverpool Plains Shire Council, *Application Part A*, Worksheet 5a.

4.4.1 Assessment of the council's consideration of impact on ratepayers

The council did not adequately compare its average rates with other regional councils or examine socioeconomic data such as its SEIFA index ranking, 2016 Census data and outstanding rates and charges ratio to assess the impact on ratepayers or their capacity to pay. It concluded that its ratepayers have the capacity to pay but are not willing to pay the increased rates under the proposed SV. [xxxi]

The council has a hardship policy to assist residents and pensioners that are experiencing financial hardship. The policy provides assistance by accepting an arrangement for payment of rates and charges over a period, writing off interest on rates and charges incurred, extending the pension concession to a ratepayer, or waiving or reducing rates for pension concession ratepayers.[xxxii]

4.4.2 IPART's consideration of impact on ratepayers

To assess the reasonableness of the impact of the proposed SV on ratepayers, we examined the council's SV history and the average annual growth in rates in various rating categories. We found that since 2011-12 to 2021-22:

- the council has applied for and been granted the following special variation:
  - in 2014-15, a 1-year permanent increase of 12.5% used to improve the council's financial sustainability and reduce its infrastructure backlogs
- the average annual growth in residential, business, farmland rates was 3.9%, 5.7% and 2.4%, respectively between 2010-11 and 2020-21, which compares with the average annual growth in the rate peg of 2.5% over the same period

- the average annual growth in mining rates was 4.1% between 2011-12 and 2020-21 which also compares with the average annual growth in the rate of 2.5% over the same period.

We also compared 2018-19 rates and socio-economic indicators for the LGA with those of OLG Group 10 and neighbouring councils as shown in Table 4.5 and Table 4.6.

Table 4.5 Comparison of rates and socio-economic indicators with neighbouring councils and Group 10 councils' averages (2018-19)

Council (OLG Group)	Average residential rate ($)[a]	Average business rate ($)	Average farmland rate ($)	Average mining rate ($)	Median annual household income ($)[b]	Ratio of average rates to median income (%)	Outstanding rates ratio (%)	SEIFA Index NSW Rank [c]
Gunnedah (11)	907	4,740	4,493	245,000	65,335	1.4	4.1	46
Warrumbungle (10)	589	1,599	2,918	.	45,781	1.3	8.4	21
Upper Hunter (11)	809	865	3,567	92,000	64,761	1.2	10.5	67
Tamworth Regional (4)	1,027	3,109	1,872	9,000	61,529	1.7	3.4	53
Liverpool Plains (10)	**722**	**926**	**4,180**	**89,250**	**53,811**	**1.3**	**8.1**	**15**
Group 10 average	751	1,507	2,714	150,151	54,526	1.4	7.6	-

[a] The average residential rate (ordinary and special) is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category. The table does not capture increases from any SVs granted to councils in 2019-20.

[b] Median annual household income is based on 2016 ABS Census data.

[c] This is the SEIFA index of Relative Socio-economic Advantage and Disadvantage. The highest possible ranking is 128 which denotes a council that is least disadvantaged in NSW.

Source: OLG, Time Series Data 2018-19; ABS, *Socio-economic Indexes for Areas (SEIFA) 2016*, March 2020; ABS, 2016 Census DataPacks, General Community Profile, Local Government Areas, NSW, *Median Weekly Household Income* and IPART calculations.

Table 4.6 Comparison of Liverpool Plains Shire Council, neighbouring councils and Group 10 councils' average rates (2018-19)

Rate category	Liverpool Plains Shire Council	Group 10 councils	Neighbouring councils	Difference between Liverpool Plains Shire Council and Group 10 councils (%)	Difference between Liverpool Plains Shire Council and neighbouring councils (%)
Residential	722	751	935	-4.0	-22.8
Business	926	1,507	2,721	-38.6	-66.0
Farmland	4,180	2,714	2,872	54.0	45.5
Mining	89,250	150,151	166,875	-40.6	-46.5

Note: All averages are weighted averages, weighted by the number of assessments.

Source: OLG, Time Series Data 2018-19; ABS, *Socio-economic Indexes for Areas (SEIFA) 2016*, March 2020; ABS, 2016 Census DataPacks, General Community Profile, Local Government Areas, NSW, *Median Weekly Household Income* and IPART calculations.

Based on 2018-19 data, we found that the council's:

- average residential rates were lower than the average for Group 10 and neighbouring councils
- average business rates were lower than the average for Group 10 and neighbouring councils
- average farmland rates were higher than the average for Group 10 and neighbouring councils
- average mining rates were lower than the average for Group 10 and neighbouring councils
- average rates to income ratio without the SV was similar to the average for Group 10 councils, and lower than some neighbouring councils
- outstanding rates ratio was slightly higher than the average for Group 10 councils
- SEIFA ranking indicates that the council is more disadvantaged than most neighbouring councils.

Table 4.7 Comparison of Liverpool Plains Shire Council, neighbouring councils and Group 10 councils' average rates under final year of proposed SV (2023-24)

Rate category	Liverpool Plains Shire Council	Group 10 councils	Neighbouring councils	Difference between Liverpool Plains Shire Council and Group 10 councils (%)	Difference between Liverpool Plains Shire Council and neighbouring councils (%)
Residential	972	848	1,055	14.6	-7.9
Business	2,502	1,702	3,073	47.0	-18.6
Farmland	5,600	3,065	3,243	82.7	72.7
Mining	138,501	169,548	188,433	-18.3	-26.5

Note: All averages are weighted averages, weighted by the number of assessments.

Source: OLG, Time Series Data 2018-19; ABS, *Socio-economic Indexes for Areas (SEIFA) 2016*, March 2020; ABS, 2016 Census DataPacks, General Community Profile, Local Government Areas, NSW, *Median Weekly Household Income* and IPART calculations.

We also compared the council's average rate levels with the proposed SV applied, to the OLG Group 10 average[9] rate levels over the proposed 3-year SV period and found that the council's:

- average residential rate in 2023-24 with the proposed SV is higher than the estimated average residential rates of OLG Group 10 councils but lower than neighbouring councils
- average business rate in 2023-24 with the proposed SV is higher than the estimated average business rates of OLG Group 10 councils but lower than neighbouring councils
- average farmland rate in 2023-24 with the proposed SV is higher than the estimated average business rates of OLG Group 10 councils and neighbouring councils
- average mining rate in 2023-24 with the proposed SV is lower than the estimated average business rates of OLG Group 10 councils and neighbouring councils.

IPART has also examined the proportion of total income generated from each ratepayer category. This is displayed in Table 4.8 below.

Table 4.8 Liverpool Plains Shire Council's proportion of total rate income paid by each rating category

Ratepayer category	Total number of assessments	Revenue	Proportion of total revenue
Residential	2,950	2,277,650	29.5%
Business	275	545,217	7.1%
Farmland	1,000	4,445,747	57.7%
Mining	4	439,787	5.7%

Source: Liverpool Plains Shire Council, *Application Part A*, Worksheet 2 and IPART calculations.

Income derived from farmland ratepayers accounts for the majority of rate revenue received by the council. The average farming rate is already above the Group 10 average and weighted average of neighbouring councils.

Submissions from the community to IPART

Many submissions we received commented on the affordability of the proposed higher rates. We note the council has a hardship policy for ratepayers experiencing financial hardship (see section 4.4.1 for further details).

9 Based on the 2018-19 data obtained from OLG, IPART has performed calculations to increase the OLG Group 10 average rate levels by the rate peg each year from 2019-20 to 2021-22 to allow for the comparison of Liverpool Plains Shire Council's proposed average rate levels with the SV over the proposed SV period.

4.4.3 Overall assessment of the impact on affected ratepayers

We found that the council partly demonstrated that it met this criterion.

We consider the impact of the proposed SV on the council's ratepayers would be significant given:

- the council's proposed average rates with the SV would be above the estimated average rate levels for OLG Group 10 councils by the end of the proposed SV period (i.e. 2023-24) for the majority of rating categories
- for the farmland rating category, which already contributes the greatest share of rates revenue, the council's proposed average rates with the SV would be significantly higher than the estimated average rate levels for both OLG Group 10 councils and neighbouring councils by the end of the proposed SV period
- the community's capacity to pay, given its SEIFA ranking indicates a higher level of disadvantage compared to most of its neighbouring councils.

However, this impact on ratepayers needs to be considered in the context of the need the council has for additional revenue to enable it to maintain its assets to the standard expected by ratepayers, and to allow it to continue to provide the services its ratepayers require. Therefore on balance we consider that the council has partly demonstrated that it met this criteria.

4.5 Integrated Planning and Reporting documents

The IP&R framework provides a mechanism for councils and the community to engage in important discussions about service levels and funding priorities and to plan in partnership for a sustainable future. The IP&R framework therefore underpins decisions on the revenue required by each council to meet the community's needs.

The OLG Guidelines require the council to exhibit, approve and adopt the relevant IP&R documents before submitting an application for a proposed SV, to demonstrate adequate planning.

The relevant documents are the Community Strategic Plan, Delivery Program, LTFP and, where applicable, Asset Management Plan. Of these, the Community Strategic Plan and Delivery Program require (if amended) public exhibition for 28 days (and re-exhibition if amended). The OLG Guidelines require that the LTFP be posted on the council's website.

In this section, we assess whether the council has included the proposed SV in its IP&R framework as outlined in Criterion 1 to 3 of the OLG Guidelines and exhibited, approved and adopted its IP&R documents.

According to the OLG Guidelines, the elements that should be included in the IP&R documentation are:

- the need for, and purpose of, the proposed SV
- the extent of the general fund rate rise under the proposed SV

4.5.1 Assessment of content of IP&R documents

The need for, and purpose of, the proposed SV

The council presented the need for and purpose of the proposed SV in its LTFP.[xxxiii] The council presented an alternative scenario reflecting another SV implementation.[xxxiv] The alternative was a 6.0% rate increase in 2021-22 and a further 6.0% rate increase in 2022-23.[xxxv] This alternative was presented with forecast revenue and expenditure that differed from the council's proposed SV.[xxxvi] A baseline scenario is also presented in the LTFP, which reflected the council's business as usual model.

The council's Combined Delivery Program and Operational Plan did not clearly present the need and purpose nor canvas alternatives to the rate rise.

The extent of the general fund rate rise under the proposed SV

The council's LTFP included the year-on-year percentage increase for the duration of the proposed SV however did not state the full cumulative percentage increase.[xxxvii] The Combined Delivery Program and Operational Plan did not include the full cumulative increase in percentage terms and annual dollar increases for an average ratepayer according to rating category.[xxxviii] The Plan did not present annual dollar increases for ratepayers by rating category.

4.5.2 Assessment of the exhibition, approval and adoption of IP&R documents

The LTFP was revised to reflect the amended draft Asset Management Plan and financial position of the council. The Asset Management Plan and the LTFP were publicly exhibited from 16 December 2020 to 22 January 2021 and adopted on 3 February 2021.[xxxix] The council advertised the availability of these documents for public comment on the council's website and online consultation platform, OurSay Liverpool Plains.[xl]

The original delivery program was adopted on 28 June 2017 and placed on the council website on 4 July 2017 while the Operational Plan 2020-21 was exhibited from 8 May 2020 to 8 June 2020 and adopted by the council on 17 June 2020.[xli] We also noted the combined Delivery Program 2017-2021 and Operational Plan 2020-2021 was revised in 2020 to outline the council's intention and briefly explain the need to apply for an SV. The documentation did not communicate nor quantify the impact of the rate rise to the community and did not explicitly include the extent of the general fund rise under the proposed SV.

4.5.3 Overall assessment of the IP&R documents

We found that the council partly demonstrated that it met this criterion.

We consider that, on balance, the council's IP&R documents contain some information relating to the proposed SV, and they have been appropriately exhibited, approved and adopted by the council.

4.6 Productivity improvements and cost containment strategies

The OLG Guidelines require councils to explain the productivity improvements and cost containment strategies that have been realised in past years and are expected to be realised over the proposed SV period.

Councils are required present their productivity improvements and cost containment strategies in the context of ongoing efficiency measures and indicate if the estimated financial impact of the ongoing efficiency measures have been incorporated in the council's LTFP.

Achieving cost savings through improved productivity can reduce the need for, or extent of, the increase to general income needed through a proposed SV.

Drawing on our experience in past years, IPART has placed a stronger emphasis on this criterion and how councils demonstrate that they have met it. Councils are required to provide evidence of strategies and activities and robust data quantifying the efficiency gains from productivity improvements in their operations and asset management, as well as cost-saving and revenue-raising initiatives.

In this section we consider the council's strategic approach to improving its productivity and efficiency, its achievements and proposals, and their impact on the council's operational results.

4.6.1 Assessment of efficiency gains achieved

The council was assessed as not fit for the future.[xlii] Historically, the council has not implemented the majority of initiatives from the Fit for the future improvement plan. The council's forecasts for attaining the benchmarks for the sustainability criteria[xliii] [10], in particular the operating performance ratio and own source revenue ratios were contingent on the following:[xliv]

- improved efficiency levels
- approved application for an SV from 2017-18 for 3 years.[xlv]

The council's application however did illustrate cost containment initiatives undertaken in recent years. In particular, it has reduced the cost of:

- day care centre operating expenditure from $746,360 to $633,222
- IT operations from $478,882 to $423,248
- library operating expenditure from $419,922 to $365,807
- recreation centre expenditure from $352,881 to $301,651

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[10] To achieve the Fit for the Future (FFTF)'s benchmark for operating performance ratio, a council's percentage should be "greater than or equal to break-even average over 3 years".
To achieve the FFTF's benchmark for own source revenue ratio, a council's percentage should be "greater than 60% average over 3 years".
According to the FFTF Improvement Plan, the council did not achieve the FFTF benchmark.

- procurement related operating expenditure from $151,630 to $128,569.[xlvi]

Cumulatively, the savings amount to $297,178. These savings represent 1.14% of income from continuing operations in 2020. While we consider these savings are a positive sign that the council has commenced pursuing cost containment strategies, they have had minimal positive financial impact given the extent of the council's financial performance issues.

4.6.2 Assessment of strategies in place for future productivity improvements

The council engaged CT Management Group Pty Ltd to review council's organisation structure and develop a service efficiency and improvement plan. The council's General Manager has started a review to assess future productivity improvements and efficiencies, however financial impacts of any efficiency initiatives have not been explained or estimated yet. [xlvii]

None of the proposed initiatives have been factored into the council's LTFP. We understand the council will review the recommendations presented by CT Management Group Pty Ltd.

The council should endeavour to better explain and quantify productivity improvements and cost containment strategies if planning further special variation applications.

Based on our analysis in section 4.2.2, we identified the council's operating performance ratio is projected to be consistently below the OLG benchmark. We calculated that for the council to achieve a break-even OPR in 3 years, a rate increase every year of over 25% (SV above the rate peg) would be required without considerable cost reductions being achieved.

Table 4.9 Liverpool Plains Shire Council series of linear SV's needed to reach an Operating Performance Ratio of 0%

	2021-22	2022-23	2023-24	2024-25	2025-26
SV above the rate peg	25.68%	25.18%	25.18%	0.00%	0.00%
Total rate increase	27.68%	27.68%	27.68%	2.50%	2.50%
Operating performance ratio	-31.5	-15.5	0.0	0.4	0.8

Source: IPART calculations.

Even with the proposed SV, the council will not achieve the OPR benchmark set by OLG nor achieve financial sustainability in the medium to long term. We recommend the council closely review and implement efficiencies identified in the review it has recently carried out.

4.6.3 Assessment of performance indicators for the council

We also examined a range of indicators which measure the council's level of efficiency in its operations and asset management, show how its efficiency has changed over time, and how its performance compares with that of similar councils.

Our assessment also included consideration of whether there is any scope for the council to achieve further productivity savings. We examined selected performance indicators in Table 4.10 and Table 4.11 below. Our analysis focuses on labour costs, which is the second biggest cost incurred by the council, after depreciation and amortisation expenses.[xlviii]

Table 4.10 Trends in selected performance indicators for Liverpool Plains Shire Council, 2015-16 to 2018-19

Performance indicator	2015-16	2016-17	2017-18	2018-19	Compound annual growth (%)
FTE staff (number)	101	114	114	111	3.2
Ratio of population to FTE	77	69	69	71	-2.5
Average cost per FTE ($)	81,653	77,719	79,061	83,514	0.8
Employee costs as % of operating expenditure (General Fund only) (%)	35	36	32	32	

Note: Except as noted, data is based upon total council operations that include General Fund, Water & Sewer and other funds, if applicable.

Source: OLG, unpublished data and IPART calculations.

We note that from 2015-16 to 2018-19:

- the number of FTE staff increased and has remained relatively steady since then
- the average cost per FTE has been relatively consistent
- employee costs as a percentage of operating expenditure was the highest in 2016-17, but has since fallen.

Table 4.11 Select comparative indicators for Liverpool Plains Shire Council, 2018-19

	Liverpool Plains Shire Council	OLG Group 10 Average	NSW Average
General profile			
Area (km2)	5,082	9,060	5,530
Population	7,893	7,224	62,400
Socio-economic/capacity to pay indicators			
Median annual household income, 2016 ($)[a]	53,811	54,526	77,484
Average residential rates to median income, 2016 (%)	1.3	1.4	1.5
SEIFA, 2016 (NSW rank: 128 is the least disadvantaged)[b]	15		
Outstanding rates and annual charges ratio	8.1	7.6	4.4
Productivity (labour input) indicators[c]			
FTE staff	111	112.3	376
Ratio of population to FTE	71.1	64.3	166.0
Average cost per FTE ($)	83,514	78,896	94,358
Employee costs as % of operating expenditure (General Fund only) (%)	32	36	39
General Fund operating expenditure per capita ($)	3,303	3,173	1,315

[a] Median annual household income is based on 2016 ABS Census data.

[b] The Socio-Economic Indexes for Areas (SEIFA) is a measure that ranks areas based on their socio-economic conditions. The Australian Bureau of Statistics (ABS) ranks the NSW Local Government Areas in order of their score, from lowest to highest, with rank 1 representing the most disadvantaged area and 128 being the least disadvantaged area. IPART has referred to the Index of Relative Socio-economic Advantage and Disadvantage (IRSAD) for our assessment, one of the component indexes making up the SEIFA.

[c] Data includes General Fund, Water & Sewer and other funds, if applicable (unless noted otherwise). There are difficulties in comparing councils using this data because councils' activities differ widely in scope and they may be defined and measured differently between councils.

Note: Except as noted, data is based upon total council operations for General Fund only.

Source: OLG, Time Series Data 2018-2019, OLG, unpublished data; ABS, Socio-Economic Indexes for Areas (SEIFA) 2016, March 2020, ABS, 2016 Census DataPacks, General Community Profile, Local Government Areas, NSW, Median Weekly Household Income and IPART calculations.

We also found that for 2018-19, the council has one FTE per 71 residents. This is fewer staff than the average for OLG Group 10 councils, which is one FTE per 64 residents. We note that across the state the average is one FTE per 166 residents however this reflects the ratios of large metropolitan councils with higher population densities. Given Liverpool Plains Shire Council is a small (in terms of population) regional council, we consider the Group 10 average to be a more suitable benchmark.

We also looked at the council's operating expenditure per capita and found that it is higher than the NSW average, but close to the average for Group 10 councils, which we consider the more relevant comparator. These performance indicators only provide a high level overview of the council's productivity at a point in time and additional information would be required to accurately assess whether there is scope for the council to achieve future productivity/cost savings.

Submissions from the community to IPART

Some submissions expressed that the council did not show the community steps undertaken to increase productivity and efficiency. Furthermore, there was a comment stating "overall financial sustainability has not improved since the fit-for-future assessments"[xlix].

4.6.4 Overall assessment of productivity improvements and cost containment strategies

We found that the council did not demonstrate that it met this criterion.

The council has not adopted a range of strategies to achieve productivity improvements and cost savings. It has partially quantified the cost savings from the last few years, and we would encourage the council to build further on these.

While the council does not have active cost containment and efficiency strategies in place, we acknowledge it will consider the Service Efficiency and Improvement Plan findings in late April. The council is planning to undertake a continuous review of the strategies from the consultant's report in order to improve efficiency in its operations. We recommend the council undertake a thorough review of efficiency measures to help improve its overall financial sustainability as part of considering its funding options for the future.

4.7 Request for further information from the council

4.7.1 Correspondence between IPART and the Liverpool Plains Shire Council

Following our preliminary assessment of the council's application, we issued a letter to the council on 14 April 2021 seeking comment regarding the permanent nature and the period of the SV.[l] The council's reply letter stated:

- a 3-year timeframe will enable management to work with councillors to carry out cost containment strategies and efficiency improvements before applying for a future SV
- it preferred a permanent SV but alternatively a 3-year temporary SV would suffice.[li]

4.7.2 Assessment of council's response regarding the period of the SV

We considered the council's response and decided on a 2-year SV to be retained in the rate base temporarily for 2 years. Two years is sufficient time to fully assess its current financial circumstance including the potential for implementing efficiency and productivity measures before deciding to apply for an SV in the future. We noted the council's infrastructure backlog ratio is likely to be 9% rather than its baseline forecast of between 2.2 and 3.3% in its application.[lii]

The impact of our partial approval will be explained in Section 5.

5 Our decision

We have decided to partially approve the proposed SV, for a temporary increase of 8.0% each year in 2021-22 and 2022-23, or 16.6% cumulative over the two years. This increase to rates would be removed at the end of the two year period.

We have attached conditions to this decision, including that the council uses the income raised from the SV for purposes consistent with those set out in its application, as outlined in Box 5.1.

Box 5.1 IPART Decision –Liverpool Plains Shire Council

Approved Special Variation: percentage increases to general income

	2021-22	**2022-23**
Increase above the rate peg – temporary	6.0%	5.5%
Rate peg[a]	2.0%	2.5%
Total increase[b]	**8.0%**	**8.0%**

a The rate peg of 2.5% for future years is assumed and may vary with the setting of the rate peg by IPART in September each year.

b The approved SV percentage will not change to reflect the actual rate peg in future years.

The approved increase is retained in the council's general income base temporarily.

We have attached conditions with respect to this special variation increase as set out below.

Conditions attached

IPART's approval of the council's application for a special variation over the period 2021-22 to 2022-23 is subject to the following conditions:

- The council uses the additional income from the Special Variation for the purposes of funding asset maintenance and renewal and improving financial sustainability as outlined in the council's application and listed in Appendix B.
- The council reports in its annual report for each year between 2021-2022 and 2022-23 on:
  - the program of expenditure that was actually funded by the additional income
  - the actual revenues, expenses and operating balance against the projected revenues, expenses and operating balance, as outlined in the Long Term Financial Plan provided in the council's application, and summarised in Appendix C
  - any significant variations from its proposed expenditure as forecast in the current Long Term Financial Plan and the reasons for such variation
  - expenditure consistent with the council's application and listed in Appendix B, and the reasons for any significant differences from the proposed expenditure
  - the outcomes achieved as a result of the actual program of expenditure.

The approved variation to general income is the maximum amount the council may increase its income by in 2021-22 and 2022-23.

5.1 Impact on the council

Our decision means that the council may increase its general income over the 2-year SV period from $7.71 million in 2021-22 to $8.99 million in 2022-23. On 1 July 2023, the council must reduce its general income to what it would have been without the two consecutive 8% temporary increases. The council's PGI can then only increase up to the annual rate peg unless we approve a further SV.[11]

Table 5.1 shows the percentage increases we have approved, and estimates the annual increases in the council's general income incorporating adjustments that will occur.

Table 5.1 Permissible general income (PGI) of Liverpool Plains Shire Council from 2021-22 to 2022-23 arising from the approved SV

Year	Increase approved (%)	Cumulative increase approved (%)	Increase in PGI above rate peg ($'000)	Cumulative increase in PGI ($'000)	PGI ($'000)
Adjusted notional income 1 July 2021					7,708
2021-22	8.00	8.00	463	617	8,325
2022-23	8.00	16.64	932	1,283	8,991
Total cumulative increase approved				1,899	
Total above rate peg			**1,394**		

Note: The information in Table 5.1 is correct at the time of the council's application (February 2021).

Source: Liverpool Plains Shire Council, *Application Part A*, Worksheets 1 and 4 and IPART calculations.

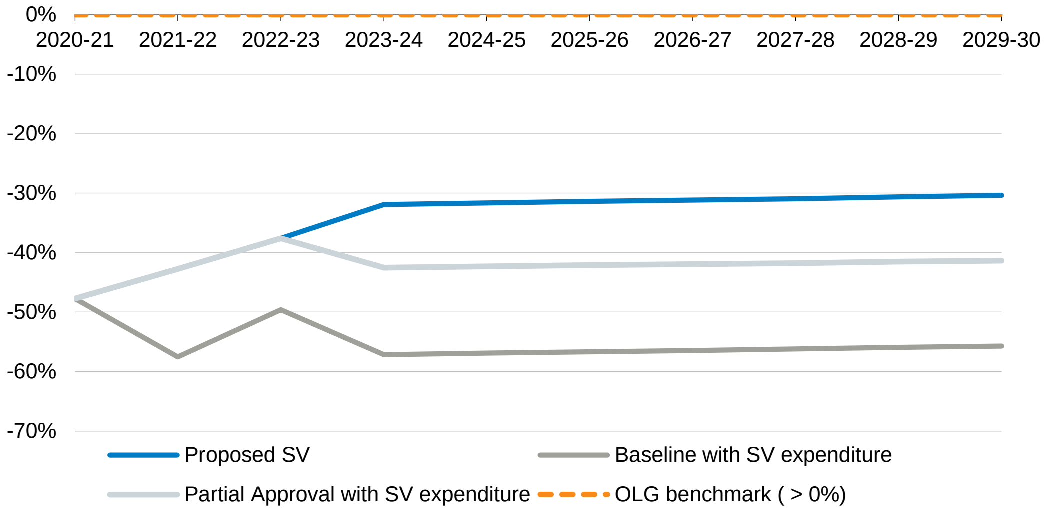
We estimate that over the 2 years from 2021-22 to 2023-23, the council will collect an additional $1.39 million in rate revenue compared with the increase limited to the assumed rate peg.

11 General income in future years cannot be determined with precision, as it will be influenced by several factors in addition to the rate peg. These factors include changes in the number of rateable properties and adjustments for previous under or over-collection of rates. The Office of Local Government is responsible for monitoring and ensuring compliance with the SV conditions.

This extra income can be used by the council to improve its financial sustainability, fund renewal of existing infrastructure assets and maintain its assets. To reiterate the assessment in Section 4.6.3, the approved SV will not solve the council's deteriorating financial performance. The council will need to combine effective productivity improvement strategies, investigate alternate sources of revenue and potentially apply for an appropriate SV in conjunction with containing costs to become financially sustainable and be able to adequately maintain its assets and service levels in the future.

Figure 5.1 depicts the projected operating performance ratio under our partial approval decision. The projected operating performance will continue to be below the OLG benchmark of greater than 0% as shown below. Our approval would still allow the council to fund the maintenance and renewal of infrastructure assets over the SV period.

Figure 5.1 Projected operating performance ratio (%) for Liverpool Plains Shire Council under three different scenarios (2021-22 to 2029-30) for a partially approved SV



Data source: Liverpool Plains Shire Council, *Application Part A*, Worksheets 8 and IPART calculations.

5.2 Impact on ratepayers

IPART sets the allowable increase in general income, but it is a matter for each council to determine how it allocates any increase across different categories of ratepayer, consistent with our determination and legislative requirements.

The impact on ratepayers based on our partial approval is shown in Table 5.2 below.

Compared to 2020-21 rate levels, by the end of the 2-year SV period:

- the average residential rate will increase by $128 (16.6%)
- the average business rate will increase by $331 (16.6%)
- the average farmland rate will increase by $740 (16.6%) and
- the average mining rate will increase by $18,295 (16.6%).

Table 5.2 Indicative annual increases in average rates under Liverpool Plains Shire Council's approved SV (2021-22 to 2022-23)

Ratepayer Category	2020-21 (Current)	2021-22	2022-23	Cumulative increase
Residential rate $	772	834	900	
$ increase		62	67	128
% increase		8.0	8.0	16.6
Business rate $	1,986	2,145	2,317	
$ increase		159	172	331
% increase		8.0	8.0	16.6
Farmland rate $	4,446	4,801	5,186	
$ increase		356	384	740
% increase		8.0	8.0	16.6
Mining $	109,947	118,742	128,242	
$ increase		8,796	9,499	18,295
% increase		8.0	8.0	16.6

Note: 2020-21 is included for comparison. The average rate is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category and includes the ordinary rate and any special rates applying to the rating category. The increases are adjusted in proportion to the proposed increases for each ratepayer category.

Source: Liverpool Plains Shire Council, *Application Part A*, Worksheet 5a and IPART calculations.

However, we note that as our approval is for a temporary SV, at the end of the two year period, rates will on average be decreased by the component of the rate increase above the rate peg unless the council applies for a further SV.

Compared to 2020-21 rate levels, the portion of the increase above the rate peg by the end of the 2-years is:

- $93 (11.6%) for the average residential ratepayer
- $240 (11.6%) for the average business ratepayer
- $537 (11.6%) for the average farmland ratepayer and
- $13,293 (11.6%) for the average mining ratepayer.

A Assessment criteria

Criterion 1 – Financial need

The need for, and purpose of, a different revenue path for the council's General Fund (as requested through the special variation) is clearly articulated and identified in the council's IP&R documents, in particular its Delivery Program, Long Term Financial Plan and Asset Management Plan where appropriate.

In establishing need for the special variation, the relevant IP&R documents should canvas alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan applying the following two scenarios[12]:

- Baseline scenario – General Fund revenue and expenditure forecasts which reflect the business as usual model, and exclude the special variation, and
- Special variation scenario – the result of implementing the special variation in full is shown and reflected in the General Fund revenue forecast with the additional expenditure levels intended to be funded by the special variation.

The IP&R documents and the council's application should provide evidence to establish this criterion. This could include evidence of community need/desire for service levels/project and limited council resourcing alternatives. Evidence could also include analysis of council's financial sustainability conducted by Government agencies.

In assessing this criteria, IPART will also take into account whether and to what extent a council has decided not to apply the full percentage increases available to it in one or more previous years under section 511 of the Local Government Act. If a council has a large amount of revenue yet to be caught up over the next several years, it should explain in its application how that impacts on its need for the special variation.

12 Page 71, IP&R Manual for Local Government "Planning a Sustainable Future", March 2013

Criterion 2 – Community awareness

Evidence that the community is aware of the need for and extent of a rate rise. The Delivery Program and Long Term Financial Plan should clearly set out the extent of the General Fund rate rise under the special variation. In particular, councils need to communicate the **full cumulative increase** of the proposed SV in percentage terms, and the total increase in dollar terms for the average ratepayer, by rating category. Council should include an overview of its ongoing efficiency measures and briefly discuss its progress against these measures, in its explanation of the need for the proposed SV. Council's community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occur. The IPART fact sheet includes guidance to councils on the community awareness and engagement criterion for special variations.[13]

Criterion 3 – Impact on ratepayers is reasonable

The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. The council's Delivery Program and Long Term Financial Plan should:

- clearly show the impact of any rate rises upon the community,
- include the council's consideration of the community's capacity and willingness to pay rates, and
- establish that the proposed rate increases are affordable having regard to the community's capacity to pay.

In assessing the impact, IPART may also consider:

- Socio-Economic Indexes for Areas (SEIFA) data for the council area; and
- Whether and to what extent a council has decided not to apply the full percentage increases available to it in one or more previous years under section 511 of the Local Government Act.

Criterion 4 – IP&R documents are exhibited

The relevant IP&R documents[14] must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation to its general income. It is expected that councils will hold an extraordinary meeting if required to adopt the relevant IP&R documents before the deadline for special variation applications.

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13 https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/For-Councils/Apply-for-a-specialvariation-or-minimum-rate-increase

14 The relevant documents are the Community Strategic Plan, Delivery Program, and Long Term Financial Plan and where applicable, Asset Management Plan. Of these, the Community Strategic Plan and Delivery Program require (if amended), public exhibition for 28 days. It would also be expected that the Long Term Financial Plan (General Fund) be posted on the council's web site.

Criterion 5 – Productivity improvements and cost containment strategies

The IP&R documents or the council's application must explain and quantify the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation period.

Councils should present their productivity improvements and cost containment strategies in the context of ongoing efficiency measures and indicate if the estimated financial impact of the ongoing efficiency measures have been incorporated in the council's Long Term Financial Plan.

Any other matter that IPART considers relevant.

The criteria for all types of special variation are the same. However, the magnitude or extent of evidence required for assessment of the criteria is a matter for IPART.

B Expenditure to be funded from the special variation above the rate peg

Table B.1 and Table B.2 show the council's proposed expenditure of the SV funds over the next 10 years under its application.

The council intends to use the additional SV revenue above the rate peg of $14.06 million over 10 years to fund:

- $12.26 million on capital expenditure and
- $1.8 million on operating expenditures to maintain current service levels.

Under our approved SV, the council will receive additional revenue above the rate peg of $1.39 million over 2 years (see Table 5.1).

As a condition of IPART's approval, the council will indicate in its Annual Reports how its actual expenditure compares with its program of expenditure under the approved SV.

Table B.1 Liverpool Plains Shire Council – Revenue and proposed expenditure over 10 years related to the proposed SV (2021-22 to 2030-31) ($000)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Total
SV revenue above assumed rate peg	**463**	**932**	**1,450**	**1,486**	**1,523**	**1,561**	**1,600**	**1,640**	**1,681**	**1,723**	**14,060**
Funding for operating expenditures to maintain current service levels	0	225	0	225	225	225	225	225	225	225	**1,800**
Funding for capital expenditure	463	707	1,450	1,261	1,298	1,336	1,375	1,415	1,456	1,498	**12,260**
Total expenditure	**463**	**932**	**1,450**	**1,486**	**1,523**	**1,561**	**1,600**	**1,640**	**1,681**	**1,723**	**14,060**

Note: Numbers may not add due to rounding. Total SV expenditure equals funding for increased operating expenditures plus funding for capital expenditure. The council's proposed expenditure program related to the proposed SV is detailed in Table B.2.

Source: Liverpool Plains Shire Council, *Application Part A,* Worksheet 6.

Table B.2 Liverpool Plains Shire Council – Proposed 10-year expenditure program related to the proposed SV (2021-22 to 2030-31)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Total over 10-years
Operating expenditure											
Grading unsealed local roads to meet existing services	0	150,000	0	150,000	150,000	150,000	150,000	150,000	150,000	150,000	1,200,000
Additional maintenance of rural roads	0	75,000	0	75,000	75,000	75,000	75,000	75,000	75,000	75,000	600,000
Total operating expenditure	0	225,000	0	225,000	225,000	225,000	225,000	225,000	225,000	225,000	1,800,000
Cumulative operating expenditure	0	225,000	225,000	450,000	675,000	900,000	1,125,000	1,350,000	1,575,000	1,800,000	
Capital expenditure on renewals											
Roadwork and renewal of urban streets	0	140,442	0	684,493	796,643	759,722	803,753	913,759	954,766	926,798	5,980,376
Additional bitumen resealing	392,504	292,504	0	392,504	392,504	392,504	392,504	392,504	392,504	392,504	3,432,536
Culverts, causeways, drainage and footpath renewal	70,000	109,000	0	184,000	109,000	109,000	179,000	109,000	109,000	179,000	1,157,000
Renewal of community facilities	0	165,000	1,449,754	0	0	75,000	0	0	0	0	1,689,754
Total capital expenditure on renewals	462,504	706,946	1,449,754	1,260,997	1,298,147	1,336,226	1,375,257	1,415,263	1,456,270	1,498,302	12,259,666
Cumulative capital expenditure on renewals	462,504	1,169,450	2,619,204	3,880,201	5,178,348	6,514,574	7,889,831	9,305,094	10,761,364	12,259,666	

Note: Numbers may not add due to rounding.

Source: Liverpool Plains Shire Council, *Application Part A*, Worksheet 6.

C Liverpool Plains Shire Council's projected revenue, expenses and operating balance

As a condition of IPART's approval, the council is to report in 2021-22 and 2022-23 against its projected revenue, expenses and operating balance as set out in its LTFP (shown in Table C.1).

Revenues and operating results in the annual accounts are reported both inclusive and exclusive of capital grants and contributions. To isolate ongoing trends in operating revenues and expenses, our analysis of the council's operating account in the body of this report excludes capital grants and contributions.

Table C.1 Summary of projected operating statement for Liverpool Plains Shire Council under its proposed SV application (2021-22 to 2029-30) ($000)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Total revenue	27,959	26,672	23,259	24,485	24,264	24,777	24,783	25,231	25,678
Total expenses	25,293	25,773	26,171	26,582	27,001	27,432	27,864	28,304	28,754
Operating result from continuing operations	2,666	899	-2,912	-2,097	-2,737	-2,655	-3,081	-3,073	-3,076
Net operating result before capital grants and contributions	-7,572	-7,039	-6,335	-6,392	-6,451	-6,515	-6,584	-6,634	-6,696

Note: Numbers may not add due to rounding.

Source: Liverpool Plains Shire Council, *Application Part A*, Worksheet 8.

D Comparative indicators

Performance indicators

Indicators of council performance may be considered across time, either for one council or for a group of similar councils, or by comparing similar councils at a point in time.

Table D.1 shows how selected performance indicators for the council have changed over the four years to 2018-19. Table D.2 compares selected published and unpublished data about the council with the averages for councils in its OLG Group, and for NSW councils as a whole.

Table D.1 Trends in selected performance indicators for Liverpool Plains Shire Council (2015-16 to 2018-19)

Performance indicator	2015-16	2016-17	2017-18	2018-19	Compound annual growth (%)
FTE staff (number)	101	114	114	111	3.2
Ratio of population to FTE	77	69	69	71	-2.5
Average cost per FTE ($)	81,653	77,719	79,061	83,514	0.8
Employee costs as % of operating expenditure (General Fund only) (%)	35	36	32	32	

Note: Except as noted, data is based upon total council operations that include General Fund, Water & Sewer and other funds, if applicable.

Source: OLG, unpublished data and IPART calculations.

Table D.2 Select comparative indicators for Liverpool Plains Shire Council (2018-19)

	Liverpool Plains Shire Council	OLG Group 10 average	NSW average
General profile			
Area (km^2)	5,082	9,060	5,530
Population	7,893	7,224	62,400
General Fund operating expenditure ($m)	26.1	22.9	83.4
General Fund operating revenue per capita ($)	2,721	3,755	
Rates revenue as % General Fund income (%)	38.3	26.4	45.5
Own-source revenue ratio (%)	62.6	47.9	69.7
Average rate indicators[a]			
Average rate – residential ($)	722	751	1,139
Average rate – business ($)	926	1,507	5,709
Average rate – farmland ($)	4,180	2,714	2,627
Average rate – mining ($)	89,250	150,151	
Socio-economic/capacity to pay indicators			
Median annual household income, 2016 ($)[b]	53,811	54,526	77,484
Average residential rates to median income, 2016 (%)	1.3	1.4	1.5
SEIFA, 2016 (NSW rank: 128 is least disadvantaged)	15		
Outstanding rates and annual charges ratio	8.1	7.6	4.4
Productivity (labour input) indicators[c]			
FTE staff (number)	111	112.3	376
Ratio of population to FTE	71.1	64.3	166.0
Average cost per FTE ($)	83,514	78,896	94,358
Employee costs as % operating expenditure (General Fund only) (%)	32	36	39
General Fund operating expenditure per capita ($)	3,303	3,173	1,315

a Average rates equal total ordinary rates revenue divided by the number of assessments in each category.

b Median annual household income is based on 2016 ABS Census data.

c Except as noted, data is based upon total council operations, including General Fund, Water & Sewer and other funds, if applicable. There are difficulties in comparing councils using this data because councils' activities differ widely in scope and they may be defined and measured differently between councils.

Source: OLG, Time Series Data 2018-19, OLG, unpublished data; ABS, Socio-Economic Indexes for Areas (SEIFA) 2016, March 2020, ABS, 2016 Census DataPacks, General Community Profile, Local Government Areas, NSW, Median Weekly Household Income and IPART calculations.

Glossary

ABS	Australian Bureau of Statistics
Ad valorem rate	A rate based on the value of real estate.
Baseline Scenario	Shows the impact on the council's operating and infrastructure assets' performance without the proposed SV revenue and expenditure.
Baseline with SV expenditure Scenario	Includes the council's full expenses from its proposed SV, without the additional revenue from the proposed SV. This scenario is a guide to the council's financial sustainability if it still went ahead with its full expenditure program included in its application, but could only increase general income by the rate peg percentage.
General income	Income from ordinary rates, special rates and annual charges, other than income from other sources such as special rates and charges for water supply services, sewerage services, waste management services, annual charges for stormwater management services, and annual charges for coastal protection services.
IPART	The Independent Pricing and Regulatory Tribunal of NSW
Local Government Act	*Local Government Act 1993* (NSW)
Minimum rate	A minimum amount of the rate specified under section 548 of the *Local Government Act*, 1993.
OLG	Office of Local Government
OLG SV Guidelines	Guidelines for the preparation of an application for a special variation to general income.
OLG MR Guidelines	Guidelines for the preparation of an application to increase minimum rates above the statutory limit.

PGI	Permissible General Income is the notional general income of a council for the previous year as varied by the percentage (if any) applicable to the council. A council must make rates and charges for a year so as to produce general income of an amount that is lower that the PGI.
Proposed SV Scenario	Includes the council's proposed SV revenue and expenditure.
Rate peg	The term 'rate peg' refers to the annual order published by IPART (under delegation from the Minister) in the gazette under s 506 of the *Local Government Act 1993*.
SEIFA	Socio-Economic Indexes for Areas (SEIFA) is a product developed by the ABS that ranks areas in Australia according to relative socio-economic advantage and disadvantage. The indexes are based on information from the five-yearly Census. It consists of four indexes, the Index of Relative Socio-economic Disadvantage (IRSD), the Index of Relative Socio-economic Advantage and Disadvantage (IRSAD), the Index of Economic Resources (IER), and the Index of Education and Occupation (IEO).
SV or SRV	Special Variation is the percentage by which a council's general income for a specified year may be varied as determined by IPART under delegation from the Minister.

[i] Liverpool Plains Shire Council, *Application Part A*, Worksheet 1.
[ii] Liverpool Plains Shire Council, *Application Part B*, p 3.
[iii] Liverpool Plains Shire Council, *Application Part B*, p 3.
[iv] Liverpool Plains Shire Council, *Annual Report 2019-2020, Financial Statements 2020,* p 4.
[v] Liverpool Plains Shire Council, *Application Part B*, p 12.
[vi] Liverpool Plains Shire Council, *Application Part B*, p.15.
[vii] Liverpool Plains Shire Council, *Community Strategic Plan 2017-2027*, p 16.
[viii] Liverpool Plains Shire Council, *Application Part B*, p 10.
[ix] Liverpool Plains Shire Council, Council Meeting, 3 February 2021, Minutes p 3.
[x] Office of Local Government, *Improvement Proposal Reassessment Report Round 3*, June 2018, p 10.
[xi] Office of Local Government, *Improvement Proposal Reassessment Report Round 3*, June 2018, p 10.
[xii] Liverpool Plains Shire Council, *Long Term Financial Plan 2020-2030*, p 7.
[xiii] Liverpool Plains Shire Council, *Community Engagement Strategy and Outcomes Report*, p 122.
[xiv] Email to IPART, Director of Engineering Nathan Skelly, Liverpool Plains Shire Council, 11 March 2021.
[xv] Namoi Valley Independent, Flood damage: Liverpool Plains Shire Council counts cost of storms, accessed 9 March 2021 and Namoi Valley Independent, Liverpool Plains shire road closures update, accessed 9 March 2021.
[xvi] Liverpool Plains Shire Council, *Asset Management Plan Transportation*, p 22.
[xvii] Liverpool Plains Shire Council, *Application Part A,* Worksheet 7.
[xviii] Liverpool Plains Shire Council, *Asset Management Plan Transportation*, p 6 and Liverpool Plains Shire Council, *Asset Management Plan Buildings and Recreation* p 6.
[xix] Liverpool Plains Shire Council, *Application Part B*, p 19.
[xx] Liverpool Plains Shire Council, *Community Engagement Strategy and Outcomes Report*, p 3.
[xxi] Liverpool Plains Shire Council, *Community Engagement Strategy and Outcomes Report*, pp 12-21.
[xxii] Liverpool Plains Shire Council, *Community Engagement Strategy and Outcomes Report*, p 14.
[xxiii] Liverpool Plains Shire Council, *Community Engagement Strategy and Outcomes Report*, pp 16-136.
[xxiv] Liverpool Plains Shire Council, *Business Paper Ordinary Council Meeting Wednesday, 3 February 2021*, p 239.
[xxv] Liverpool Plains Shire Council, *Business Paper Ordinary Council Meeting Wednesday, 3 February 2021*, pp 379-396.
[xxvi] Liverpool Plains Shire Council, *Community Engagement Strategy and Outcomes Report*, p 23.
[xxvii] Liverpool Plains Shire Council, *Community Engagement Strategy and Outcomes Report*, p 21 and p 125.
[xxviii] Liverpool Plains Shire Council, Liverpool Plains Shire Council is currently consulting on a proposed Special Rate Variation (SRV), accessed 2 March 2021.
[xxix] Anonymous, submission to IPART, Liverpool Plains Shire Council, Application Notification Letter, p 9.
[xxx] Liverpool Plains Shire Council, *Community Engagement Strategy and Outcomes Report*, pp 122.
[xxxi] Liverpool Plains Shire Council, *Application Part B,* pp 28-29.
[xxxii] Liverpool Plains Shire Council, *Application Part B,* p 30 and Liverpool Plains Shire Council*, Liverpool Plains Shire Council Hardship Policy*, 27 June 2018, pp 2-4.
[xxxiii] Liverpool Plains Shire Council, *Long Term Financial Plan 2020-2030,* pp 7-9.
[xxxiv] Liverpool Plains Shire Council, *Long Term Financial Plan* 2020-2030, p 7.
[xxxv] Liverpool Plains Shire Council, *Long Term Financial Plan 2020-2030*, p 7.
[xxxvi] Liverpool Plains Shire Council, *Long Term Financial Plan 2020-2030*, pp 63-67.
[xxxvii] Liverpool Plains Shire Council, *Long Term Financial Plan 2020-2030,* pp 1-77.
[xxxviii] Liverpool Plains Shire Council*, Combined Delivery Program 2017-2021 and Operational Plan 2020-2021.*
[xxxix] Liverpool Plains Shire Council, *Business Paper – Ordinary Council Meeting on 3 February 2021*, p 20-21.

[xl] Liverpool Plains Shire Council, *Business Paper – Ordinary Council Meeting on 3 February 2021*, p 23.
[xli] Liverpool Plains Shire Council, *Application Part B*, p 36.
[xlii] Liverpool Plains Shire Council, *Application Part B*, p 9.
[xliii] Liverpool Plains Shire Council, *Fit for the Future An Agenda for Efficiency & Modernisation Improvement Plan Framework (Addendum to the LPSC Operational & Delivery Plans),* p 31.
[xliv] Liverpool Plains Shire Council, *Fit for the Future An Agenda for Efficiency & Modernisation Improvement Plan Framework (Addendum to the LPSC Operational & Delivery Plans),* p 31.
[xlv] Liverpool Plains Shire Council, *Application Part B*, p 9.
[xlvi] Liverpool Plains Shire Council, *Application Part B*, pp 41.
[xlvii] Liverpool Plains Shire Council, *Application Part B*, pp 41-42.
[xlviii] Liverpool Plains Shire Council, *Application Park A*, Worksheet 7.
[xlix] Pynsent, R, submission to IPART Liverpool Plains Shire Council, Application Notification Letter, Jan 2021, p 2.
[l] Email correspondence from IPART to Liverpool Plains Shire Council dated 14 April 2021, p 1.
[li] Email correspondence from Liverpool Plains Shire Council to IPART dated 22 April 2021, p 2.
[lii] Email correspondence from Liverpool Plains Shire Council to IPART dated 22 April 2021, p 1.