



Special Variation Application Form Part B

Name of Council

Application Form

2023-2024

Local Government >>



Enquiries regarding this document should be directed to a staff member:

Edward Jenkins (02) 9113 7774

Sheridan Rapmund (02) 9290 8430

The Independent Pricing and Regulatory Tribunal (IPART)

Further information on IPART can be obtained from [IPART's website](#).

Acknowledgment of Country

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders, past, present and emerging.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

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Council information

Council name

Walcha Council

Date submitted to IPART

2nd February 2023

About this application form

IPART has revised the Application Form to be completed by councils applying for a special variation (SV) to general income for 2023-24 under section 508(2) or 508A of the *Local Government Act 1993* (LG Act). The application form is in two parts:

- Special Variation Application Form Part A (separate Excel spreadsheet)
- Special Variation Application Form Part B (this MS Word document)

The SV Application Form Part B consists of:

- Description and Context Questions
- Criterion 1: Need for the variation
- Criterion 2: Community awareness and engagement
- Criterion 3: Impact on ratepayers
- Criterion 4: IP&R documents
- Criterion 5: Productivity improvements and cost containment strategies
- Criterion 6: Other relevant matters
- Council certification and contact information
- List of attachments

When completing this Application Form, councils should refer to the following:

- Apply for a SV or minimum rates (MR) increase page of IPART's [website](#)
 - Fact Sheet – Special Variations in 2023-24
 - Information paper – Special Variations in 2023-24
 - Information paper – Community awareness and engagement for special variations

The Office of Local Government (OLG) [SV Guidelines](#) issued in November 2020.

Preparing your application

How much information should a council provide?

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.

The amount of information that a council provides will be a matter of judgement for the council, but it should be sufficient for us to make an evidence-based assessment of the application. Generally, the extent of the evidence should reflect the size and complexity of the variation sought.

Attaching supporting material

We encourage councils when filling in this Application Form to present data in tables or summaries and include full versions of documents as attachments. Responses in the text boxes should clearly cross-reference where the information is located in the supporting documents attached to the council's application. Extracts included in the responses in this application from Integrated Planning & Reporting framework (IP&R) documents and consultation material should be succinct and selected for relevance and significance.

Confidential content in supporting material

IPART will post all applications (excluding confidential content) on the IPART website. Examples of confidential content are those parts of a document which disclose the personal identity or other personal information pertaining to a member of the public, or a document such as a council working document that does not have formal status, or a document which includes commercial-in-confidence content.

Councils should ensure supporting documents are redacted to remove confidential content where possible, or clearly marked as **CONFIDENTIAL**. To protect confidential details in submissions from ratepayers, either redact or submit as a confidential attachment (see List of attachments).

Submitting the application online

Applications must be submitted through IPART's Council Portal by close of business on Friday, 3 February 2023.

- A file size limit of 10MB applies to the Application Form Part B.
- For supporting documents (Attachments) a file size limit of 400MB applies to public documents, and another 200MB to confidential documents.

Contact Arsh Suri on (02) 9113 7730 for assistance with using the Council Portal.

Publishing the council's application

Councils should also publish their application on their own website for the community to access.

Description and Context

These questions seek information not tied to a specific criterion in the OLG guidelines. Councils should provide a response where the Question is relevant to its application.

Question 1: What is the type and size of the special variation the council is applying for?

In the checkbox and Table 1, please indicate the type of the proposed SV - section 508(2) or 508A the council is requesting and:

- specify the percentage increases in each of the years in which the SV is to apply,
- the cumulative increase for a section 508A SV, and
- whether the SV is to be permanent or temporary.

A year is within the SV period if it is a year in which the council is proposing an increase of income that is not the rate peg. For example, if a proposal was for a permanent SV of 10% in each year of the next 2-years then 2023-24 and 2024-25 would be within the SV period. If the proposal was for a temporary SV of 8% for 2023-24 to be retained in the rate base for 5 years, the SV period would be 2023-24 only.

Provide select the proposed SV type using the checkbox and complete Table 1.

Special variation type	<input type="checkbox"/> Section 508(2)	<input checked="" type="checkbox"/> Section 508A
Permanent or Temporary	<input checked="" type="checkbox"/> Permanent	<input type="checkbox"/> Temporary

Table 1 The council's proposed special variation

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Is this year in the SV period?	yes	yes	yes	no	no	no	no
Percentage increase (including the rate peg)	36.5%	8%	7%	X.X%	X.X%	X.X%	X.X%
Cumulative percentage increase over the SV period for s 508A (including the rate peg)	36.5%	47.42%	57.74				

Note: Please leave the percentage increase value blank for years that are outside of the SV period.

Note 2: The cumulative percentage increase is the total increase in rates over the SV period. For example, a permanent multi-year SV of 10% in 2023-24 and 15% in 2024-25 would be a cumulative increase of 26.5% over the SV period.

Question 2: What is the key purpose of the requested special variation?

In the **text box** indicate at the highest level (that is, the shortest possible summary) the key purpose(s) of the proposed SV. The purposes could include one, or a combination of:

- improving financial sustainability
- maintaining existing services and service levels generally
- providing new or enhanced services or service levels for specific council operations

- implementing new projects or activities, e.g. environmental works
- reducing infrastructure backlogs for asset maintenance and/or renewals
- investing in new assets
- contributing to projects of regional significance
- meeting special cost pressures faced by the council
- meeting the shortfall where contributions for local infrastructure are capped.

This section should also include an outline of the key steps undertaken in reaching a decision to make an application.

The purpose of the SRV is to become financially sustainable, maintain service levels wherever possible, and be able to proceed with planned asset renewals despite a challenging operating environment.

Question 3: Is the council proposing to increase minimum rates in conjunction with the special variation? Yes (Not to exceed statutory limit)

Complete this question if the council proposes to increase minimum ordinary or special rates in conjunction with the SV for 2023-24.

Councils may have to submit a separate application for an increase to MR in addition to applying for the SV.

A separate MR increase application is needed in the following circumstances:

- The council is currently charging a minimum ordinary rate *at or below the statutory limit*, and intends, as part of implementing the SV, to apply a lower, higher or the same percentage increase as the requested SV percentage, which would result in a minimum rate in any rating category or sub-category *exceeding the statutory limit* for the first time.
- The council is already charging a minimum ordinary rate *above the statutory limit*, and the council is seeking to increase a MR by a percentage *higher than* the proposed SV percentage increase for any year.
- The council proposes to charge a special rate (other than a water supply or sewerage special rate) above \$2.
- The council already has approval from IPART to charge a special rate (other than a water supply or sewerage special rate) above \$2 and proposes to increase the amount of that rate.

In these situations, councils should complete Minimum Rate Application Form Part B 2023-24 (Word document) available on our website [here](#).

Councils **do not need** to submit a separate MR increase application if, in conjunction with the special variation, the proposed increase to minimum rates would result in minimum rates in all rating categories and/or sub-categories still being *at or below the statutory limits*.

To respond to this question, councils need only to provide the summary information required in the **question box**.

IPART will rely on data in the SV Application Form Part A and the MR Increase Application Form Part A for detailed information about how the proposed SV would increase minimum amounts of rates.

If the increase applies to an ordinary rate, complete this section

Does the council have an ordinary rate(s) subject to a minimum amount? Yes

Does the council propose to increase the minimum amount of its ordinary rate(s) above the statutory limit for the first time? No

Which rates will the increases apply to?

If the increase will apply to only some subcategories, specify

Does the council propose to increase the minimum amount of its ordinary rate(s)? if so, by what percentage? a different percentage
23.045% - Increase minimum rate from \$479.50 to \$590 the maximum allowed taking into account the 2023-24 rate peg of 3.7%

What will the minimum amount of the ordinary rate(s) be after the proposed increase? \$590lick to enter amount

Has the council submitted an application for a minimum rate increase? No

If the increase applies to a special rate, complete this section

Does the council propose to increase the minimum amount of a special rate above the statutory limit? No

What will the minimum amount of the ordinary rate(s) be after the proposed increase? \$not applicable

Has the council submitted an application for a minimum rate increase? No

The council must ensure that it has submitted MR Increase Application Form Parts A and Part B, if required.

Question 4: Does the council have an expiring special variation?

If the council has an expiring SV, IPART requires additional information to ensure the Instrument approving a new SV accurately calculates the amount the council has to remove from its general income before applying any adjustment to the council's general income which may be approved.

OLG's SV Guidelines specify that councils must contact OLG to confirm the calculation of the amount to be deducted from the council's general income for the expiring SV.

Complete this question if the council has a temporary SV which is due to expire:

- on 30 June 2023, or
- at the end of a later year in the period the requested SV would apply.

The council must calculate the amount to be removed from general income when the SV expires in accordance with the method explained in Attachment 1 to the SV Guidelines. It should also seek confirmation of this calculation from OLG and attach OLG's advice to the Application Form.

Provide the information as requested in the question boxes.

Does the council have an SV which is due to expire on 30 June 2023?	No
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Does the council have an SV which is due to expire at some time during the period for which the new SV is being requested?	No
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If Yes to either question:

a. When does the SV expire?

b. What is the percentage to be removed from the council's general income?	Not applicable
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c. What is the dollar amount to be removed from the council's general income?	Not applicable
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Has OLG confirmed the calculation of the amount to be removed?	Not applicable
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Attachments required:

- Instrument(s) approving any SV which expires at the end of the current financial year or during the period covered by the proposed SV.
- OLG advice confirming calculation of the dollar amount to be removed from general income as a result of the expiring SV.

Question 5: Does the council have an existing (ongoing) section 508A special variation which applies in 2023-24?

Complete this question if the council has an existing section 508A multi-year SV instrument which approves an increase to general income above the rate peg for 2023-24 and future years within the period covered by the council's SV application.

If the council has an ongoing section 508A SV and is seeking additional changes to general income during the term of that existing SV, IPART will need to vary the original instrument if the additional SV is approved, rather than issuing an additional SV instrument to apply for 2023-24 (or later years).

The council should understand that by completing this application form and seeking a further change to the council's revenue path, it is, in effect, applying to IPART to vary the original instrument.

IPART will assess the application using the same criteria (see Criteria 1 to 6 in this SV Application Guide and the SV Guidelines), as for any application for a new SV.

While IPART's assessment will typically focus on the additional percentage increase sought, we may also consider whether it is appropriate to maintain the existing component of the section 508A SV, especially in light of any circumstances which are materially different from those in place when the original increase was approved.

OLG's SV Guidelines (Section 6) set out the list of factors which IPART may take into account when assessing an SV application, one of which is compliance with conditions in instruments approving previous SVs. When assessing applications for SVs in 2023-24, IPART will also take into consideration the council's compliance with conditions in instruments approving SVs in the previous five years.

The council's application should be clear about whether the information provided is in relation to the incremental increase being sought or the total cumulative increase that would be reflected in a varied instrument if the additional increase is approved.

Supporting documents could include extracts from annual reports or any other publications in which compliance with the terms of the SV has been reported to ratepayers.

Does the council have a section 508A multi-year SV instrument that applies in 2023-24?	No
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If yes to the above question, in the text box:

- Specify the percentage increase(s) and duration of the SV.
- Outline the council's actions in complying with conditions in the instrument approving the original SV.
- Describe any significant changes relevant to the conditions in the instrument since it was issued.

Not applicable

Attachments required:

- A copy of the SV instrument.
- A declaration by the General Manager as to the council's compliance with the conditions specified in the SV instrument.
- Supporting documents providing evidence of the council's actions to comply with the conditions in the instrument.

Question 6: Has IPART approved a special variation for the council in the past five years?

When assessing applications for SVs in 2023-24 IPART will take into consideration the council's compliance with conditions in SV instruments approved in the previous five years. OLG's SV Guidelines (Section 6) sets out additional factors which IPART may take into account when assessing an SV application, one of which is compliance with conditions in instruments approving previous SVs.

Complete this question only if IPART has approved an SV for the council in the past five years.

You **do not need** to complete the text box for this question if the relevant information has been provided in the council's response to Question 5.

Supporting documents could include extracts from annual reports or any other publications in which compliance with the terms of the SV has been reported to ratepayers.

Does the council have a section 508(2) or 508A SV which IPART has approved in the past five years?	No
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If yes to the above question, in the text box, for each SV approved in the past five years, briefly:

- Specify the type of SV and the increase to general income approved.
 - Outline the council's actions in complying with conditions in the SV instrument(s).
 - Describe any *significant* changes relevant to the conditions in the SV instrument(s) since it was issued.
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Not applicable.

Attachments required:

- A copy of the relevant instrument(s) approving SVs issued by IPART in the past five years.

- A declaration by the General Manager as to the council's compliance with the conditions specified in the SV instrument(s).
- Supporting documents providing evidence of the council's actions to comply with the conditions in the instrument(s).

Question 7: Does a project to be funded by the special variation require a capital expenditure review?

Complete **the question box** if the council intends to use any of the additional general income the council would receive if IPART approves the SV to undertake major capital project(s) which require a capital expenditure review.

OLG's [Capital Expenditure Guidelines](#) require a capital expenditure review for projects that are not exempt and cost in excess of 10% of council's annual ordinary rates revenue or \$1 million (GST exclusive), whichever is greater.

A capital expenditure review is a necessary part of a council's capital budgeting process and should have been undertaken as part of the IP&R requirements in the preparation of the Community Strategic Plan and Resourcing Strategy.

Is a capital expenditure review required for a project to be funded by the proposed SV r in accordance with OLG's Capital Expenditure Guidelines?	No
If Yes, has a review been done and submitted to OLG?	
If yes, has the review been included as an attachment to this application?	

Question 8: Does the council have deferred general income increases available to it?

Complete **the question box** if council has decided not to apply the full percentage increases to general income available to it in one or more previous years under sections 506, 508(2) or 508A of the LG Act.

Section 511 of the LG Act was amended in 2020 to allow councils to catch-up any deferred general income increases over a period of 10 years.

In assessing this criterion, IPART will take into account whether a council has a large amount of revenue yet to be caught up over the next several years, and it should explain in its application how that impacts on its need for the SV.

Does the council have deferred general income increases available to it from one or more previous years under section 511 of the LG Act?	No
If Yes, has the collection of this additional income been included in the Council's Long Term Financial Plan (LTFP)?	Not applicable

In the text box explain:

a. The quantum, rationale and timing of any deferred increases in general income.

Not applicable

b. When council plans to catch up on the deferred general income through the catch up provisions and whether this been included in the LTFP.

Not applicable

c. How does this deferred income impact on the council's need for the SV and its cumulative impact on ratepayers' capacity to pay?

Not applicable

Criterion 1 – Need for the Special Variation

Criterion 1 in the SV Guidelines is:

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 canvass 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:

- 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/projects and limited council resourcing alternatives.

Evidence could also include the analysis of the 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.

The response to this criterion should summarise the council's case for the proposed SV. It is necessary to show how the council has identified and considered its community's needs, as well as alternative funding options (to a rates rise). You should include extracts from, or references to, the IP&R document(s) that demonstrate how the council meets this criterion.

Information and financial analysis contained in the council's IP&R documents and its application should demonstrate the financial need for the proposed SV. IPART will undertake its own analysis of the council's financial performance under scenarios with and without the SV, as explained in Box 1. The council's response to criterion 1 should use the terminology included in Box 1

Box 1 IPART analysis of financial need using information in the council's application for a special variation

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 in relation to its operating result and infrastructure spending.

Based on the Council's application and LTFP (where appropriate), we calculate financial 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. **The 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.

Case for special variation – How did the council establish the need for the special variation?

In the table below, please provide a short summary of what the council published in its IP&R documents that show that the council meets each component of criterion 1. Please also provide a reference to where in the IP&R documents this evidence can be found. The answers to these questions should explain:

- How the council identified and considered the community's needs and desires in relation to matters such as levels of service delivery and asset maintenance and provision.
- How the decision to seek higher revenues above the rate peg was made.
- Which other options were examined, such as changing expenditure priorities or using alternative modes of service delivery.
- Why the proposed SV is the most appropriate option: for example, typically other options would include introducing new or higher user charges and/or an increase in loan borrowings, public private partnerships or joint ventures.
- How the proposed SV affects the LTFP forecasts for the General Fund, and how this relates to the need the council identified. Our assessment will also consider the assumptions which underpin the council's LTFP forecasts.
- If the need for the expenditure is not required to meet a financial need, the council should provide evidence of the community's desires for the services or assets to be funded by the proposed SV and its willingness to pay for them.

If the council has **an ongoing SV**, while the response should focus on the additional percentage increase to general income being sought, it should also specify:

- How the council has implemented the program of expenditure funded by the existing SV income.
- Whether any circumstances relating to the financial need for the additional revenue changed since it was approved, for example the council has received grant funding or income from other sources for the project.
- How changed circumstances have given rise to the need for an additional increase to general income.
- How closely revenue and expenditure in past years matched the projections made in the council's LTFP when applying for the original, and if relevant, the reasons for any significant differences.

Where the council **proposes to increase the minimum amount of rates** in conjunction with the SV, the responses to the questions should include information about the MR increases where relevant. However, the council should explain its rationale for increasing minimum rates above the statutory limit when completing the MR Increase Application Form Part B in relation to criterion 1: Rationale.

Table 2 Criterion 1 components

Criteria	Evidence of meeting this criterion from the council's IP&R documents	Reference to IP&R documents
<p>The need for, and purpose of, a different revenue path for the council's General Fund (as requested through the SV) is clearly articulated and identified in the council's IP&R documents</p>	<p>The need for the additional revenue is clearly articulated in our LTFP. Without an increase to rates there would be substantial deficits all of the way through to 2032 for the General Fund. This would be extremely problematic given that current unrestricted cash levels stand at <i>negative</i> \$2.087 million (i.e. there is no unrestricted cash left). With the proposed SRV we hope to realise slim surpluses (excluding capital grants) from 2025 onwards peaking with a General Fund operating ratio of 1.76% in 2026. We realise that these surpluses are still lower than might be desired, but we did not feel that the community could bear greater than the proposed SRV. Notably, our LTFP and decision making around the SRV were informed by a comprehensive review of financial sustainability by Professor Drew, Professor Miyazaki and Professor Ferreira using world's best practice empirical techniques such as panel regression. The public was invited to presentations by Professor Drew as part of the SRV process and the aforementioned reports by the professors were available in full prior to the display of the IP&R documentation.</p>	<p>See LTFP as well as the Financial Sustainability Report, Council Debt Capacity Report, Walcha Council Efficiency Report, Walcha Council Capacity to Pay Report, and the Report on Community Engagement. All of these aforementioned reports prepared by Professors Drew, Miyazaki and Ferreira formed an important part of the community engagement and were drawn on extensively in the preparation of IP&R documents. Professor Drew can be contacted on profdrew@iinet.net.au for further information, should this prove helpful to IPART.</p>
<p>In establishing need for the SV, the relevant IP&R documents should canvass alternatives to the rate rise.</p>	<p>Alternatives were canvassed in our community engagement for the SRV which preceded the development and public display of the IP&R documentation. The community indicated in the surveys and community forum that they were not prepared to accept lower services and infrastructure, especially with respect to road infrastructure (which is by far our largest burden; see the Community Engagement Report). Moreover, in the Community Engagement Report we show that the far majority of residents did not believe it morally acceptable to fund Council operations through debt. Indeed, 75% of people accepted that the proposed SRV – outlined as Scenario 2 in the LTFP – was the best option for the community <i>prior</i> to intensive period of additional engagement. Following the community engagement, the proportion of people agreeing with the proposed SRV -Scenario 2 from the IP&R documents – rose to 93 percent.</p>	<p>LTFP as well as the aforementioned reports that were pivotal to our engagement and review of IP&R.</p>
<p>In demonstrating this need councils must indicate the financial impact in their LTFP</p>	<p>As can be seen from the LTFP without a SRV Council would not be financially sustainable and indeed solvency may become a pressing issue. This fact is confirmed in the comprehensive reports produced by Professors Drew, Miyazaki and Ferreira. Even with the large SRV proposed only slim surpluses are projected. Scenario 1 presents the Baseline Scenario, and Scenario 2 the Proposed SV Scenario. Notably, even under the Proposed SV Scenario things will be very tight.</p>	<p>LTFP as well as the aforementioned reports that informed our IP&R process.</p>

<p>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/projects and limited council resourcing alternatives.</p>	<p>IP&R documents reflect the various reports and consultations conducted by Council, Professor Drew and his team. Council currently has negative unrestricted cash of over \$2 million which is clearly a situation that cannot be allowed to persist. Moreover, the fact that Walcha has never had an SV, means that current rate levels significantly lag peers and capacity to pay (the latter is best illustrated by the Capacity to Pay econometric exercise that informed our consultations and IP&R documentation). Community clearly indicated that there was a high level of dissatisfaction with current infrastructure – particularly roads – and that they were not able to cope with cuts to spending in this area. Moreover, 93 percent of people who attended our consultations – which heavily informed our IP&R documents – agreed that the proposed SV was the best option for the community. By virtue of its remoteness, aged population, and low growth Walcha has very limited opportunities to derive funding from elsewhere or reduce costs, JV and PPP simply are not options in rural areas such as Walcha. Extensive shared service arrangements already exist. Some options for additional revenues were cited in the reports and supported in community engagements – such as a fairer distribution of FAG grants to better accord with the intent of the legislation, as well as the need to rate the extensive state forest reserves that put immense pressure on road infrastructure – however, these options are outside of the control of Council (that is, they are matters requiring state or federal government intervention).</p>	<p>Please see AMP along with the aforementioned reports that informed our IP&R process – most notably the Report on Community Engagement.</p>
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<p>Evidence could also include the analysis of the council's financial sustainability conducted by Government agencies</p>	<p>In 2013 TCorp categorised Walcha's sustainability as 'weak' with a 'negative' outlook. At the time it was suggested that Walcha needed to complete an SV, but this was not progressed. This somewhat synecdochical assessment of Walcha's financial sustainability by TCorp (2013), based on just ten metrics, has been brought up-to-date by Professor Drew, Prof Miyazaki, and Prof Ferreira with a review of over fifty metrics along with world's best practice sophisticated econometric and data envelopment modelling. These widely acknowledged experts from Australia and abroad concluded that financial sustainability at Walcha was 'grim' and requires urgent redress.</p>	<p>Please see the five reports which informed our IP&R processes and documentation produced by Professor Drew and his team of acknowledged world authorities on the matter of financial sustainability.</p>
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<p>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 SV.</p>	<p>Walcha has fully applied previous increases.</p>	
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Note: Reference to IP&R documents should include Application attachment number, document Name, section reference, page reference. For example: Attachment 3, Council LTFP, section 3.2, pp 20-25.

Financial sustainability of the council – What will be the impact of the proposed special variation?

The proposed SV may be intended to improve the council’s underlying financial position for the General Fund, or to fund specific projects or programs of expenditure, or a combination of the two. We will consider evidence about the council’s current and future financial sustainability and the assumptions it has made in coming to a view on its financial sustainability.

In the **table**, the council’s response should explain:

- The council’s understanding of its current state of financial sustainability, its long-term projections based on alternative scenarios and assumptions about revenue and expenditure.
- Any external assessment of the council’s financial sustainability (e.g. by auditors, NSW Treasury Corporation), indicating how such assessments of the council’s financial sustainability are relevant to supporting the decision to apply for an SV.
- The council’s view of the impact of the proposed SV on its financial sustainability.

Table 3 Council’s financial sustainability

Item	Description	Reference to IP&R documents
Improve the councils underlying financial position for the general fund	As indicated by Professors Drew, Miyazaki and Ferreira, Walcha Council is not financial sustainable. Moreover, the aforementioned professors have described its situation as ‘grim’ and in need of ‘urgent redress’. This sophisticated and comprehensive assessment of financial sustainability largely concurs with TCorp’s (2013) assessment of ‘weak’ with a ‘negative’ outlook. As demonstrated by Scenario 2 – Proposed SV Scenario – from the LTFP even with the requested significant increase to rates only slim surpluses are possible, emerging 2025 and peaking in 2026 (operating ratio 1.41%). Outer years, from 2029 onwards, will revert to small and increasing deficits. Anything less than the requested SV may place the solvency of Council in jeopardy. Council has worked hard with the community to strike a balance between what is desirable and necessary, on the one hand, and what the community has capacity to absorb, on the other. Notably, following our community engagement – which informed our IP&R documents – 93 percent of residents agreed that the proposed SV was the best option.	LTFP. Please also review the five reports produced by Professor Drew, Prof Miyazaki and Prof Ferreira which informed our IP&R, and community engagement. The reports were all made available in full to the community and Professor Drew presented his work in person at nine forums where he and Council answered community questions and received feedback. There can be little doubt that the community is strongly supportive of the need to improve financial sustainability and the proposed methods for doing so.
And / Or		
Fund specific programs of expenditure	Walcha is in no position to fund new services nor infrastructure and this has been made clear to the community. The SV is purely designed to arrest otherwise large deficits in forward projections and address the concerning negative unrestricted cash situation.	Please see LTFP, AMP and the five aforementioned reports that informed our IP&R.
<i>Other [please overwrite cell to add other item]</i>		

This SV is purely designed to arrest large deficits that are otherwise indicated in forward projections and mitigate negative unrestricted cash.

Note: Reference to IP&R documents should include Application attachment number, document Name, section reference, page reference. For example: Attachment 3, Council LTFP, section 3.2, pp 20-25.

Financial indicators – What will be the impact of the proposed special variation on key financial indicators over the 10-year planning period?

In the text box please give a brief explanation on how the proposed SV would affect the council's key financial indicators (for the general fund, over the 10-year planning period):

The proposed SV – whilst substantial – still will not allow Council to meet some of the benchmarks mandated for the General Fund. The operating ratio will turn positive in 2024 through to 2028, peaking at just 1.41 percent. The Debt Service ratio was fine even without the SRV, but as the more sophisticated empirical work of Professor Drew and colleagues shows the ratio is likely to be quite misleading. The Walcha Council Debt Capacity Report – and associated econometric work – demonstrates that Walcha Council will exceed its comfortable debt capacity after the new borrowings for essential plant and equipment have been fully drawn. Walcha Council will satisfy the own source revenue ratio benchmark from 2024-25 onwards, however, as noted in the reports by Professor Drew, Miyazaki and Ferreira, achievement of this arbitrary benchmark is more a reflection of insufficient grant allocations than anything else. Asset Renewal ratios are exceeded in the early years by a considerable margin as Council catches up on backlogs and delivers grant funded infrastructure. However, in the absence of new grant funds being received Council expects to undershoot this benchmark from 2024-25 onwards.

In sum, the proposed SV represents intensive work with the community to strike a balance between financial sustainability dictates, on the one hand, and affordability needs on the other. Notably, 93 percent of the community who attended our extensive community engagement agreed that the proposal represented the best balance between these competing demands.

In Table 5 please provide the councils key financial indicators.

Table 5 Council financial indicators

Ratio	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Operating performance ratio excluding capital items	3.0%	-9%	-0.08%	0.43%	1.41%	0.76%	0.44%	-0.75%	-1.21%
Own source revenue ratio	38.9%	32.80%	58.77%	59.55%	61.59%	62.54%	61.97%	62.65%	61.83%
Building and asset renewal ratio	240.1%	135.7%	252.0%	93.2%	96.5%	98.0%	102.9%	101.0%	102.2%
Infrastructure backlog ratio	2.7%	2.8%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Asset maintenance ratio	58.7%	60.8%	61.2%	61.7%	62.0%	62.3%	62.5%	62.7%	62.9%
Debt service ratio	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%

Unrestricted current ratio	4.35x	1.65x	2.27x	1.04x	1.64x	2.31x	2.94x	3.23x	3.70x
Rates and annual charges ratio	4.55%	5%	5%	5%	5%	5%	5%	5%	5%

Table Other criterion 1 attachments

Attachment number	Name of document	Page references ^a
1	Walcha Council Financial Sustainability Report	
2	Community Engagement Report	
3	Walcha Council Efficiency Report	
4	Walcha Council Debt Capacity Report	
5	Walcha Council Capacity to Pay Report	

Criterion 2 – Community awareness and engagement

Criterion 2 in the SV Guidelines is:

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 special variation 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. The 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.

To complete the questions for criterion 2 provide relevant extracts of the IP&R documents that set out the rate rises under the proposed SV and attach relevant samples of the council's consultation material.

The response should provide details and examples to demonstrate the clarity of information presented in the consultation materials, including information about:

- The need for the proposed SV.
- Specific programs or projects, levels and types of services, investment in assets and the options for funding them by rate increases.
- The proposed cumulative rate increases including the rate peg for each major rating category (in both percentage and dollar terms), particularly where the increase is to be applied differentially across ratepayer categories (i.e. rates will not increase uniformly by the SV percentage).
- The annual increase in average rates that will result if the proposed SV is approved in full (and not just the increase in daily or weekly terms).
- The size and impact on rates where an existing SV will continue, expire, be renewed or replaced at the end of the current financial year or during the period when the requested SV will apply.
- The rate levels that would apply without the proposed SV (clearly showing the impact of any expiring SV).
- Outlining evidence of residents and ratepayers being aware of the proposed SV.
- Outcomes could include the number of people reached by mail outs, the number of attendees at events and participants in online forums, the number of submissions made, surveys or feedback forms completed, as well as evidence of media reports and other indicators of public awareness of the council's SV intentions.
- Explaining how the community responded and the feedback the council received about its proposal.

The response should indicate how participants responded to any surveys, particularly the level of support for specific programs or projects, levels and types of services, investment in assets, as well as the options proposed for funding them by rate increases. Where the council has received submissions from the community relevant to the proposed SV, the application should set out the views expressed in those submissions.

Although this criterion does not require the council to demonstrate community support for the proposed SV, it is required to consider the results of the community consultation in preparing the application. The response should identify and document any action taken, or which will be taken, to address issues of common concern within the community about the proposed SV.

Some councils will need to provide additional information in their response to demonstrate how consultation material explained to the community details about the proposed SV and its impact on rates to reflect the specific circumstances of their application, for example:

- If the council is **renewing or replacing an expiring SV**, information was provided about the purpose, and duration of the expiring SV, the original and current percentage of general income the SV represents, whether the new SV is temporary or permanent, the amount of any *additional* increase above the rate peg being requested, and that if the proposed SV is not approved (i.e. only the rate peg applies), the year-on-year change in rates would be lower, or that rates may fall
- If the council **has an existing (ongoing) section 508A SV** and is applying for an *additional SV*, how the consultation material explained details about the existing SV, its size and duration, and the impact on rate levels when it does expire, as well as the impact on rate levels and annual increases with and without the additional SV.
- If the council proposes to **increase minimum rates**, the increase to minimum amounts, and any change to the proportion of ratepayers on the minimum rate for all relevant rating categories which would occur as a result of the SV.
- Where the council intends to **make any changes to the rating structure in 2023-24** in conjunction with the proposed SV, such as changes to subcategories and adjusting ad valorem rates following new land valuations, the need for or purpose of the change and its impact was explained to the community.

How did the council engage with the community about the proposed special variation?

In the table below please provide evidence as to how the councils community engagement met criterion 2.

Table 4 Evidence of council's community engagement meeting criterion 2

Criteria	Evidence of meeting this criterion	Reference to application supporting documents
<p>Evidence that the community is aware of the need for and extent of a rate rise.</p>	<p>Walcha Council mailed out 1,579 Fact Sheets and surveys (to all residents), had 92 conversations with community at listening posts, provided 67 minutes of video to explain the SRV, travelled some 300km to present at nine community forums and also conducted post-meeting surveys. In addition, the four reports of Professor Drew and colleagues – Financial Sustainability, Capacity to Pay, Efficiency, and Debt Capacity – were made publicly available in full. These activities and reports largely informed our IP&R process.</p> <p>98% of surveys returned stated that people understood the effect of the SV on the average ratepayer. 92% of survey respondents indicated that they were aware of the need for the proposed SV. 98% of respondents agreed that they had been made aware of the options to obtain further information.</p> <p>149 people attended the community forums (excluding staff). The ABS state that the population of Walcha is 3,018 people.</p>	<p>Please see the Report on Community Engagement Prepared by Professor Drew, Professor Miyazaki and Professor Ferreira.</p>
<p>The Delivery Program and LTFP should clearly set out the extent of the General Fund rate rise under the SV, for the average ratepayer, by rating category.</p>	<p>The Fact Sheets were produced to conform with the Guidelines for Community Engagement and conform closely to the exemplars provided by IPART. Tables were produced for the three major categories of ratepayers according to the prescribed format and were posted out to each ratepayer and explained in detail at community forums and in the supporting videos. These Fact Sheets have been appended to the DP and LTFP on public exhibition.</p>	<p>Please see the Fact Sheets mailed to every resident and appended to the relevant IP&R documents.</p>
<p>The council 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.</p>	<p>We have precisely followed the format of the tables as presented in the Community Engagement Guidelines. We extended the tables out to Year 5 even though the proposed SV only runs three years. This is in accordance with the Community Engagement Guidelines.</p>	<p>Please refer to the Fact Sheets mailed to each resident which informed the IP& R documents.</p>

<p>The council's community engagement strategy for the SV must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occur.</p>	<p>We mailed out Fact Sheets and surveys to every resident in the Walcha local government area. We also conducted 9 community forums and travelled almost 300km to do so. At the community forums people heard from Professor Drew directly and were able to ask as many questions as they liked of him and the Councillors (who all attended) as well as the senior executive. The full four reports of Professors Drew, Miyazaki and Ferreira were made publicly available. In addition, we produced 67 minutes of video uploaded to YouTube that have received over one hundred views. The council website directed community to these resources. The Mayoral column in the local newspaper also directed residents to these resources as did the Mayor in his various interviews on the local radio.</p>	<p>Please refer to the Report on Community Engagement, <i>ibid.</i></p>
<p>Explain the action, if any, the council took in response to feedback from the community</p>	<p>Most feedback to the Council was extremely positive with 93 percent of residents attending the community forums agreeing with the proposed SV. Full details of comments and responses are detailed in the Community Engagement report already referenced. Indeed, a large number of comments from community called for the 'IPART to please grant the SRV in full', or something to this effect. People at Walcha do not like the prospect of paying extra taxation but recognise that it is a necessary and responsible thing to do.</p>	<p>Please refer to the Report on Community Engagement, <i>ibid.</i></p>

Note: Reference to application supporting documents should include Application attachment number, document Name, section reference, page reference. For example: Attachment 7, Community mailout leaflet, section 1, pp 1-3.

In the text box below, provide any other details about the councils: consultation strategy, timing or materials that are not captured in Table 4.

Council started the conversation very early in the year and conducted extensive community events from the beginning of October. This is a small town with a very strong community spirit where news travels fast. It is extremely unlikely that anyone was not aware of the proposal. Most people were very supportive of the Council in taking this step as detailed in the Community Engagement Report. Relatively low numbers at forums are a sign that people largely accept the proposal, as also indicated by the feedback on the returned surveys. Numbers at forums are also a reflection of Walcha's low population, dispersed over vast tracks of farmland.

In the text box below, please provide any other details about the community's involvement in, engagement with or support of the proposed SV not captured in Table 4.

Please see the Community Engagement Report for full details and times of the various events conducted. It is notable that when we launched the engagement exercise the next year's rate cap had not been advised. At the community forums we advised people of the rate cap which had been published after the posting of the Fact Sheets. We showed people the marginal difference made by the announced rate cap and also produced a video to explain this change.

In Table 5 please list out any other attachments that the council has relied on to respond to criterion 2 not otherwise detailed in Table 4.

Table 5 Other criterion 2 attachments

Attachment number	Name of document	Page references ^a
2	Community Engagement Report	
6	Fact Sheet	
7	First Survey (based on Fact Sheet)	
8	Post Community Forum Survey	

9

You Tube videos available at: <https://www.walcha.nsw.gov.au/council/financial-sustainability-review.aspx>

a. If document is only relevant in part.

Criterion 3 – Impact on ratepayers

Criterion 3 in the SV Guidelines is:

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 Delivery Program and Long Term Financial Plan should:

- clearly show the impact of any rate rises upon the community
- demonstrate 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.

This Application Form asks four questions for criterion 3. Councils should provide evidence to demonstrate:

1. the **impact on rates** of the proposed SV, including the **impact on minimum amounts** of any ordinary or special rate
2. how the council considered that the proposed rate rises were **affordable, having regard to ratepayers' capacity and willingness to pay**
3. how the council **addressed concerns about affordability** in determining the special variation is applied for, and
4. the council's plans for **addressing hardship** ratepayers may experience in meeting their obligations to pay rates in the future.

As well as considering the evidence provided by the council to demonstrate that the proposed rate increase is affordable for its community, IPART will undertake its own analysis of affordability by considering a range of data, including:

- the average growth in the council's rates in recent years, including previous SV increases
- how the council's average rates, current and under the proposed SV, compare with those in similar councils, and
- socio-economic indicators such as median household income, average rates to income ratio, outstanding rates ratio and SEIFA ranking.

The council's response to criterion 3 should also indicate how the required information is reflected in the Delivery Program and Long Term Financial Plan.

Is the impact on rates of the proposed special variation reasonable?

Although much of the quantitative information we need on the impact of the proposed SV on rate levels will already be contained in Worksheets 5a and 5b of SV Application Form Part A, the response to this question should clearly set out:

- the impact on rates across the council's rating structure should the SV be approved, compared with
- the rate levels which would apply if the SV is not approved.

This information should be provided in a table indicating average rates in 2023-24, and then both the dollar and percentage increase for each rating category and subcategory for each year of the proposed SV, and the cumulative increases for the whole period.

A simple table is sufficient where the council intends to apply the proposed SV percentage increase in general income to all rating categories and subcategories.

The approach is likely to be more complex where the council is applying an increase differentially across ratepayer categories or making any changes to the rating structure in 2023-24. In this case, the council's response should explain the basis for allocating the increase to general income among the ratepayers and how the rating structure would be different from that which would apply if the SV is not approved, and why. This information will be relevant to our assessment of the reasonableness of the impact on ratepayers.

If relevant, the council's response should also indicate the impact of any other anticipated changes (e.g. receipt of new valuations) in the rating structure, or any changes to other annual ratepayer charges such as for domestic waste management services. Please provide the councils response in the text box below.

It might be noted that we sent out the original tables in the Fact Sheet before the coming year's rate cap was known and hence we used the 2.50 percent assumption advised by IPART. The tables below have been updated to reflect the coming years' rate cap. We were able to use the new tables in the community engagements and also made a video explaining the difference and its effect. The proposed SV is applied to all categories the same and there is no change to the minimum rate.

The next land valuations have only just been completed and we expect to receive same from the Valuer General shortly. Some increases were made to water, sewer, and waste charges in the last operational plan which are currently applied. We are not presently considering large increases to fees and charges for the 2023-24 financial year.

Farmland Category

Proposed Rates	Base Year	Year 1	Year 2	Year 3	Year 4	Year 5	Cumulative Increase
Financial Year	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	
Farmland Category							
Average rate under assumed rate peg	4142.75	4296.03	4403.43	4513.52	4626.36	4742.02	599.27
Annual increase under rate peg (%)		3.70	2.50	2.50	2.50	2.50	14.47
Average rate after proposed SRV	4142.75	5654.85	6107.24	6534.75	6698.12	6865.57	2722.82
Annual increase with SRV (%)		36.50	8.00	7.00	2.50	2.50	65.72
Cumulative impact of SRV above Base year levels		1512.10	1964.49	2392.00	2555.37	2722.82	

Difference between SRV and rate peg only scenarios		1358.82	1703.81	2021.23	2071.76	2123.56	
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Residential Category

Proposed Rates	Base Year	Year 1	Year 2	Year 3	Year 4	Year 5	Cumulative Increase
Financial Year	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	
Residential Category							
Average rate under assumed rate peg	526.83	546.32	559.98	573.98	588.33	603.04	76.21
Annual increase under rate peg (%)		3.70	2.50	2.50	2.50	2.50	14.47
Average rate after proposed SRV	526.83	719.12	776.65	831.02	851.79	873.09	346.26
Annual increase with SRV (%)		36.50	8.00	7.00	2.50	2.50	65.72
Cumulative impact of SRV above Base year levels		192.29	249.82	304.19	324.96	346.26	

Difference between SRV and rate peg only scenarios		172.80	216.67	257.04	263.46	270.05	
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Business Category

Proposed Rates	Base Year	Year 1	Year 2	Year 3	Year 4	Year 5	Cumulative Increase
Financial Year	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	
Business Category							
Average rate under assumed rate peg	879.82	912.37	935.18	958.56	982.53	1007.09	127.27
Annual increase under rate peg (%)		3.70	2.50	2.50	2.50	2.50	14.47
Average rate after proposed SRV	879.82	1200.95	1297.03	1387.82	1422.52	1458.08	578.26
Annual increase with SRV (%)		36.50	8.00	7.00	2.50	2.50	65.72
Cumulative impact of SRV above Base year levels		321.13	417.21	508.00	542.70	578.26	
Difference between SRV and rate peg only scenarios		288.58	361.85	429.26	439.99	450.99	

Overall Effect on Notional Rates Income

Proposed Rates	Base Year	Year 1	Year 2	Year 3	Year 4	Year 5	Cumulative Increase
Financial Year	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	
Baseline Scenario							
Total Notional Rates Income (\$'000) under assumed rate peg (no SRV)	3697.00	3833.79	3929.63	4027.87	4128.57	4231.79	534.79
Annual Increase under rate peg (%)		3.70	2.50	2.50	2.50	2.50	14.47
Proposed SRV							
Total Notional Rate Income (\$'000) after proposed SRV	3697.00	5046.41	5450.12	5831.63	5977.42	6126.85	2429.85
Annual Increase with SRV (%)		36.50	8.00	7.00	2.50	2.50	65.72
Cumulative impact of SRV above Base Year levels		1349.41	1753.12	2134.63	2280.42	2429.85	
Difference between SRV and rate peg only scenarios		1212.62	1520.48	1803.75	1848.84	1895.07	

How has the council considered affordability and the community's capacity and willingness to pay?

The council's response in the text box below should provide evidence to establish:

- That the proposed SV is reasonable in the context of the current rate levels, ratepayer base and its purpose.
- How the council considered the community's capacity and willingness to pay, and that the rate increases would be affordable for the community.

Evidence about capacity to pay could include a discussion of such indicators as SEIFA rankings, land values, average rates, disposable incomes, the outstanding rates ratio and rates as a proportion of household/business/farmland income and expenditure, and how these measures relate to those in comparable or neighbouring council areas.

As many of these measures are highly aggregated, it may also be useful to discuss other factors that could better explain the impact on ratepayers affected by the proposed rate increases.

While councils should consider the affordability of the proposed rate increases for **all** affected ratepayers, in some circumstances, particularly where the increase will not be uniform for all ratepayers, councils should explain how the **affected** ratepayer capacity to pay was considered. This could apply, for example, where:

- The council intends to **apply the increase differentially across ratepayer categories**.
- The council intends to **make changes to the rating structure in 2023-24** in conjunction with the proposed SV.
- The proposal would **increase minimum rates** by a significantly high percentage.

Please provide the councils response in the text box below.

The Walcha Council Capacity to Pay report prepared by Professors Drew, Miyazaki and Ferreira provides the most sophisticated and comprehensive analysis of capacity to pay possible.

The work commences with the expected review of average rate levels and explains why this data is misleading (because of skewing with reference to land values). Data is then provided which demonstrates that rates and charges outstanding have been consistently the lowest (or close to lowest) of the peer group. Following this a review of SEIFA is made however it is noted that significant information value is absent from the index because of the methodology employed by the ABS. Accordingly, a detailed review is then made of a number of relevant socio-economic variables on a disaggregated basis.

Thereafter, a close review is made of the agricultural industry which underpins the economy at Walcha, ABARES, Meat and Livestock Association (MLA) and Department of Primary Industries (DPI) data are all invoked to show that the commodities produced in the local government area are receiving record prices and are likely to do so for the foreseeable future. Combined with good rainfall and positive rainfall projections for the next twelve months there probably has never been a better time for the community to absorb additional rates.

A close review of business activity in Walcha is also made.

The main output of the report is a panel econometric exercise which precisely evaluates the capacity to pay of the people who reside in the local government area. This world's-best sophisticated empirical work demonstrates that the community in 2021 paid 15.55% less local government taxes than would be expected, on average, of a rural local government area with the precise characteristics of Walcha. Moreover, it was noted why an increase to average revenue effort would not be sufficient, with respect to significant shortfalls over many years. The Capacity to Pay Report demonstrates that the proposed increase, as articulated in this application, would place residents just within the top quartile of revenue effort as demonstrated by the econometric exercise. Otherwise stated, around a quarter of local governments in rural NSW extract greater revenue from their population than is proposed for Walcha (when calculated according to precise econometric methodologies reflective of the actual socio-economic indicators for the community).

It is the conclusion of the three professors that the community at Walcha does have capacity to pay the rates. Moreover, almost all of the surveys returned to council agreed with the proposed SV. We have reviewed the Hardship policy at council.

IPART is respectfully directed to the Walcha Capacity to Pay Report that should be read in conjunction with the Walcha Financial Sustainability Report.

The SV will be applied to all categories evenly. No changes to categories and the like are proposed for the 2023-24 financial year. The minimum rate will be set at the level prescribed by the the local government regulations.

How does the council intend to address hardship?

Does the council have a hardship policy?

Yes

If yes, is an interest charge applied to late rate payments?

Yes – interest is charged at 6% p.a. consistent with OLG circular 22-06. Council hardship policy provides for the possibility to write interest off, reduce interest charged or cease charging interest. Council has averaged less than one hardship application per year over recent times.

The response in the text boxes below should explain any measures the council has in place, or intends to introduce, measure for dealing with cases where ratepayers experience hardship in meeting their obligation to pay rates.

Evidence can relate to a formal hardship policy which the council has adopted, and/or processes the council has in place, or intends to implement. The response should explain who the potential beneficiaries are and how they are or will be assisted. Alternatively, the response should explain why no such measures are proposed.

The council should also indicate whether the hardship policy or other measures are referenced in the council's IP&R documents (with relevant page reference or extract provided). Please provide the councils response in the text boxes below.

-
- a. Explain the measures the council proposes to use to reduce the impact of the proposed SV on vulnerable ratepayers, or alternatively, explain why no measures are proposed.

Council has recently reviewed its' Hardship Policy. As can be seen from the outstanding rates and charges data and the Capacity to Pay Report, more broadly, there is little demand placed on the policy. Moreover, our econometric evidence suggests that the proposed SV would only place Walcha just within the top quartile of rural NSW councils with respect to precisely calculated revenue effort.

We have recently reviewed the Hardship Policy so that people approved under the hardship provisions can receive more tailored help with respect to their predicament. Interest is charged at 6%, well below CPI, which means that in real terms the debt will reduce (inflation as we write is considerably higher at 7.8%). This is in accordance with OLG circular 22-06.

The Hardship Policy applies to non-commercial properties, in the first instance. However, the Hardship Committee has the discretion to extend its generous provisions to farmers, owners of commercial business properties and even landlords. The policy offers a range of remedies including the waiving of interest, establishment of a payment plan, and deferral of debt to a time when the property has been sold. Indeed, the policy also provides discretion 'to waive, reduce, or defer the payment' (Walcha Council, page 4). Moreover, pensioners who previously neglected to claim the pensioner discount can also be granted the discount retrospectively. These provisions are particularly generous when considered in light of both the small size of the Council and also its own significant financial challenges.

Notably, residents can apply for assistance at any time and can appeal any decision made by the Hardship Committee to the elected members of Council (who will subsequently deliberate on the matter in a closed meeting).

It might also be noted that the General Manager is currently investigating distributive equity at Walcha. He is due to report by the end of the 2023 calendar year. This is an imposing matter to investigate and requires extensive consultation hence the delay. If the investigation suggests that changes are indeed warranted, then the matter will be brought before the Council accordingly.

b. Indicate whether the hardship policy or other measures are referenced in the council's IP&R documents (with relevant page reference or extract provided).

The Hardship policy is currently under review which is mentioned in the appended survey as distributed to all rate payers. See page 81 of the Community Strategic Plan. We anticipate no material changes to this generous package of measures.

Table 6 Criterion 3 attachments

Council- assigned number	Name of document	Page references ^a
6	Fact Sheet	
5	Walcha Council Capacity to Pay Report	
10	Hardship Policy	

a. If document only relevant in part.

Has the council considered the impact of the SV in its IP&R documents?

In the table below provide evidence that the council met the reporting requirements of criterion 3 in tis delivery program and LTFP.

Table 7 Consideration of the proposed SV impact in IP&R documents

Criteria	Evidence of meeting this criterion from the council's IP&R documents	Reference to IP&R documents
The Delivery program and LTFP should:		
Clearly show the impact of any rises upon the community	Page 6 of the LTFP clearly articulates the reason for, and outcome of, the Financial Sustainability Review undertaken by the independent experts as engaged by Council. It further directs readers to the reports completed by the independent experts. In addition, the fact sheet and surveys as sent to all rate payers and community engagement meetings are appended. The parameters are included in the planning assumptions for both scenarios. Notably, we closely mirrored the table formats suggested in the Community Engagement Guidelines.	Page 6 LTFP (Financial Sustainability Review) Page 8 LTFP (Planning assumptions) Page 49-59 LTFP (Appended fact sheet and surveys) Page 26 DPOP (Financial Sustainability Review) Page 79 – 89 DPOP (Appended fact sheet and surveys)
Include the council's consideration of the community's capacity and willingness to pay rates	<p>Refer to item 5, Walcha Capacity to Pay Report, for detail. This, along with all reports completed by the independent experts were adopted by Council following a period of public exhibition. They are mentioned in both the LTFP and DP and direct users to the report as displayed on the Walcha Council Website.</p> <p>Notably, Council heard directly from the report authors and were provided extensive opportunities to ask questions and discuss alternative measures over two days of workshops conducted one week apart. In particular, Council received in-depth explanation of the Capacity to Pay Report and unanimously concurred with its findings and recommendations. Moreover, Council noted the overwhelming endorsement of the proposed increase schedule as highlighted in our Community Engagement Report.</p> <p>Key to Council deliberations was the pressing need for additional revenue, the comparative size of the impost compared to similar councils, the strong expressions of willingness and capacity to pay from the community, and also the very generous provisions in extant Hardship Policy.</p>	Page 6 LTFP (Directs readers to independent Capacity to Pay report) Page 26 DPOP (Financial Sustainability Review directs readers to independent Capacity to Pay report)
Establish that the proposed rate increases are affordable, having regard to the community's capacity to pay	This has been established and addressed in significant detail within the Capacity to Pay report completed by three of the leading professors in this field from Australia and abroad.	Page 6 LTFP (Directs readers to independent Capacity to Pay report) Page 26 DPOP (Financial Sustainability Review directs readers to independent Capacity to Pay report)

Council noted that the work presented to them was far more extensive and sophisticated than any other work that they had been able to find on previously submitted SRV applications. In particular, Councillors were very impressed by the rigorous examination of prevailing soft commodity conditions which largely underwrite the Walcha economy. It might be noted that many of the Councillors are actively engaged in the agricultural sector and therefore were in a good position to critically consume the report information. Both the IP&R and the LTFP direct users to this report.

Note: Reference to IP&R documents should include Application attachment number, document Name, section reference, page reference. For example: Attachment 3, Council LTFP, section 3.2, pp 20-25.

Criterion 4 – Exhibition of IP&R documents

Criterion 4 in the SV Guidelines is:

The relevant IP&R documents 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.

The formal requirements applying to IP&R documents are set out in the *Integrated Planning and Reporting Guidelines for Local Government in NSW* and the *Integrated Planning and Reporting Handbook for Local Councils in NSW*.

For the purposes of applying for an SV, councils should note:

- If amendments to an adopted **Delivery Program** or **Community Strategic Plan** are needed to incorporate or update information about the proposed SV, the draft documents should be re-exhibited for a period of 28 days, and adopted before the council submits its Application Form to IPART.
- The exhibition period should be scheduled so that there is an opportunity for the council to formally consider and resolve to adopt the revised documents. It will be expected that a council will hold an extraordinary general meeting, if necessary, to meet this requirement.
- The council should adopt a version of the **LTFP** which incorporates modelling of the proposed SV before the council submitting the application to IPART.
- When applying for a SV for 2023-24 councils do not need to prepare, exhibit or adopt the **Operational Plan for 2023-24**.
- If council has used supporting evidence from the **Operational Plan for 2023-24** to demonstrate how it satisfies other criteria, the council should also provide information about this document in its response to criterion 4.

Where the proposed SV is to fund asset management, the council's **Asset Management Strategy and Plan(s)** should be adopted before submitting the application to IPART.

What IP&R processes did the council use in determining to apply for a special variation?

In the text box indicate the progress of identifying the need for the SV being incorporated into the IP&R documents by providing information about community engagement and when key revisions were made to the IP&R documents.

Council relied heavily on the five documents prepared by Professors Drew, Miyazaki and Ferreira when updating their IP&R documentation. Council considered these documents over several days of workshops which included hearing directly from the report authors and Council Executive. Considerable emphasis was placed on the community feedback received via surveys and at the nine community forums which were attended by the Councillors and council executive.

The Asset Management Plan was placed on public exhibition from 15th December through to 13th January upon which the original resolution in December provided for automatic adoption pending no submissions. No submissions were received.

The Long-Term Financial Plan was placed on public exhibition from 15th December through 13th January upon which the original resolution in December provided for automatic adoption pending no submissions. No submissions were received.

The DPOP has been updated to include the same information on financial sustainability as the LTFP including appending the fact sheet and surveys to enhance the readers understanding. The DPOP update was not a material update and was just to ensure information continuity about the SRV across documentation. Indeed, all of the material added to the DPOP had been posted out to each ratepayer in the local government area and also discussed in detail at community forums and on the supporting videos. The DPOP appendices were therefore simply an update and not subject to a further explicit period of exhibition subsequent to its adoption in June 2022. This is noted in the document on page 2.

When did the council meet the formal requirements for all relevant IP&R documents?

The table seeks information which demonstrates that the council has met the formal requirements for the preparation, exhibition, adoption and publication of the current IP&R documents. Please complete Table 8 for all IP&R documents relevant to the council's application.

Table 8 IP&R documents

Document	Exhibition dates	Adoption date	Placed on council's website	Web link
Community strategic plan	18 May 2022 to 15 June 2022	29 June 2022	29 June 2022	Community Strategic Plan - Walcha Council - www.walcha.nsw.gov.au
Delivery Program	18 May 2022 to 15 June 2022	29 June 2022	29 June 2022	Operational Plans -Walcha Council -www.walcha.nsw.gov.au (Combined DPOP)
Long Term Financial Plan	15 December 2022 13 January 2022	13 January 2023	13 January 2023	Long Term Financial Plan -Walcha Council -www.walcha.nsw.gov.au
Asset Management Strategy / Plan(s)	15 December 2022 13 January 2022	13 January 2023	13 January 2023	Council Documents -Walcha Council -www.walcha.nsw.gov.au
Operational Plan	18 May 2022 to 15 June 2022	29 June 2022	29 June 2022	Operational Plans -Walcha Council -www.walcha.nsw.gov.au (Combined DPOP)
Walcha Council Financial Sustainability Report		This report was noted by Council on 28 September 2022 when it was also resolved to undertake community consultation including dates for community meetings. Immediately following the meeting, the report was uploaded to the Council website.	28 September 2022	Item-6.2-Attachment-1-Walcha-Financial-Sustainability-Report-22092022.pdf (nsw.gov.au)

Walcha Council Debt Report	This report was noted by Council on 28 September 2022 when it was also resolved to undertake community consultation including dates for community meetings. Immediately following the meeting, the report was uploaded to the Council website.	28 September 2022	Item-6.2-Attachment-4-Walcha-Debt-Report-22092022.pdf (nsw.gov.au)
Walcha Council Capacity to Pay Report	This report was noted by Council on 28 September 2022 where is was also resolved to undertake community consultation including dates for community meetings. Immediately following the meeting the report was uploaded to the Council website.	28 September 2022	Item-6.2-Attachment-3-Walcha-Capacity-to-Pay-Report-22092022.pdf (nsw.gov.au)
Walcha Council Efficiency Report	This report was noted by Council on 28 September 2022 where is was also resolved to undertake community consultation including dates for community meetings. Immediately following the meeting the report was uploaded to the Council website.	28 September 2022	Item-6.2-Attachment-2-Walcha-Efficiency-Report-22092022.pdf (nsw.gov.au)
Report on Community Engagement		18 January 2023	Report-on-Community-Engagement-14112022.pdf (nsw.gov.au)

What, if any, relevant issues arose in the public exhibition of the IP&R documents?

In the text box explain any issues arising from the council's IP&R processes and documentation associated with the proposed SV which you consider are relevant factors in assessing the council's application, including responses to public exhibition.

This question seeks information about issues that arose in the council's undertaking of its IP&R processes with the community by publicly exhibiting the IP&R documents, which could be relevant for IPART's assessment of the council's application.

No submissions were received for any IP&R documents that were put on public exhibition.

Criterion 5 – Productivity improvements and cost containment strategies

Criterion 5 in the SV Guidelines is:

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 has been incorporated in the council's Long Term Financial Plan

This Application Form asks four questions relating to:

1. The approach to improving productivity in operations and asset management.
2. Outcomes realised from productivity improvements and cost containment strategies in past years.
3. Productivity improvements and cost containment strategies planned for future years.
4. Evidence of productivity and efficiency.

Councils can adopt a very broad range of strategies, initiatives or activities to improve the efficiency of their operations and the productivity of their workforce, and to contain costs and increase revenue. They may arise from reviewing service priorities, levels of service, labour and capital inputs, and organisational structures or services to be delivered.

Drawing on our experience in past years, we will be placing an emphasis on councils' applications demonstrating how they satisfy criterion 5. To demonstrate that a council has met this criterion, it is not sufficient to list a series of cost-saving or revenue-raising initiatives. Councils should provide evidence of strategies and activities and robust data quantifying the efficiency gains.

What is the council's strategic approach to improving productivity in its operations and asset management?

The council's response should identify how, as an organisation, it has approached improving productivity in its operations and asset management. It could refer to approaches such as:

- comprehensive strategic-level review of council operations including service priorities, levels of service, labour and capital inputs
- targeted reviews of discrete areas of council operations encompassing all aspects of processes, procedures, procurement, scheduling and equipment use
- reviewing service standards so that the more closely align with community expectations
- organisational restructure
- redesigning processes such as financial reporting, people/performance/project management to achieve efficiencies

- reviewing procurement strategies
- pursuing opportunities for commercialisation and business improvement
- review of assets in order to rationalise and divest property.

Please provide the council's response in the text box below.

Council has maintained quite constant relative technical efficiency (TE) (no statistically significant differences to annual evaluations of TE) over the time horizon used for the data envelopment analysis of both tax efficiency and local intertemporal relative technical efficiency.

The relative technical efficiency – whilst stable over the last nine years – is consistently one of the lowest in the NSW rural local government cohort. However, as demonstrated in the sophisticated econometric analysis of relative efficiency the major determinants for the result are the low population, and also the high burden with respect to infrastructure, property, plant, & equipment (specifically roads).

Walcha Council was already a lean ship with just 79 FTE to cover the 626,102.4 hectares under its control. Moreover, as shown in the Efficiency Report, staff numbers are close to typical when compared to councils in the same OLG classification, notwithstanding that Walcha is one of the smallest councils in the state. Given the relatively fixed need for executive in a council of any size this typical staff outlay performance is quite remarkable.

However, Walcha Council executive have recently conducted a reorganisation which resulted in two positions being made redundant for a saving of \$240,000. This will be offset with the likely creation of a governance officer role that has previously posed an unmet risk for Council. This – although it should be noted that the anticipated step increase as mandated by the Local Government Award will exceed the savings.

In addition, the Efficiency Report identified additional areas for potential savings. One related to the extraordinary high outlays to rent road maintenance equipment. A business case was developed that demonstrated potential savings of \$45,000 per year from purchasing a smooth drum roller on Council's second grader crew which has hired a roller full time for a number of years. Further Council will be looking at other improvements in efficiency and cost in purchasing a Jet Patcher to perform preventative maintenance at a lower hourly rate than what is currently being contracted to Council. This additional plant will allow Council to perform more preventative maintenance and essentially replaces the current pothole maintenance costs however significant efficiency gains will see longer road life. This purchase is approved by Council and awaiting delivery. Additionally, a business case will be put to Council to increase the size of our haulage trailers that are due for renewal in 2024. This will look to increase haulage per load by 7 tonnes which will be an approximately 25% increase in tonnage per load with only an approximately 10% increase in operating cost per load. This would be both a monetary saving and/or efficiency gain. Notwithstanding the assessment in the Debt Capacity Report that this will stretch Council beyond average comfortable debt levels these savings have also been reflected in our LTFP. Further, it is important to note that whilst asset backlogs remain problematic, any potential savings will need to be invested into redressing backlogs and unmet maintenance elsewhere.

Shared services are already conducted with Uralla Council (45km away and nearest Council) in the areas of Animal Control, Safety & OH&S and HR. There is limited scope for additional shared services given the capacity of neighbouring councils and also the distances involved. Moreover, we are mindful of the research by Drew, McQuestin and Dollery (2019) which demonstrates that not all shared services will result in savings (see the Efficiency Report for more details). Nevertheless, we are open to the possibility of new collaborative arrangements and are in active dialogue with our neighbours to explore areas of potential mutual benefit. Extant shared service arrangements are reflected in our LTFP – however, potential new collaborative arrangements are not reflected in the LTFP due to their contingency status.

The matter of service levels was brought up frequently at the community consultations and also reflected in the various surveys. The community have indicated strongly that they cannot cope with lower service levels than are currently provided, especially in relation to our single largest cost (roads). Indeed, the community have called for improvements to the roads citing the deleterious effects that poor quality roads have on their ability to get commodities to market. However, given the damage caused by the logging activity – that we cannot currently extract rates to cover – as well as the serious financial predicament faced by Council, we have sadly had to advise the community that no improvement to services will be possible for the foreseeable future. This has no impact on the AMP and LTFP.

All Directors have been instructed to thoroughly interrogate their operations to look for potential savings. However, few savings are likely because Walcha Council has never been in the position to provide extensive discretionary services, or levels of services that exceed community needs. This is a small rural council that struggles to maintain its huge road network of 205 km of sealed surfaces, and 615km of graded thoroughfares. Savings will be delivered but will likely only be of a marginal nature. We have therefore not reflected potential savings in this area in our LTFP but will instead use any additional efficiencies to enhance our financial sustainability (which won't be fully redressed by the proposed SV).

Capital works are reviewed constantly to ensure that best value is had for each project dollar. To this end we have established the Capital Advisory Committee that harnesses local knowledge to ensure that engineering solutions are the most efficient possible. To date this process has delivered project savings and also improved the utility of works conducted over the last 19 months including no new project overruns during this time.

A reduction in the number of Councillors to five – to make the representation rate more consistent with other local government areas – was recommended in the Efficiency Report and is currently being investigated. This has not been reflected in the LTFP however if such a change occurred, it would only result in savings of approximately \$45,000 per year.

To save further money, Councillors decided not to avail themselves of the new superannuation options as recently approved by the Minister. The Councillors also do not dine out after lengthy council meetings and are very conscious of the precious nature of their scant resources in respect to every activity that they undertake. Indeed, during the community engagement – spanning some 300km – Councillors travelled in the community bus and ate simple sandwiches by the roadside to minimise costs. These are just a few of the examples which show that savage cuts have already been made at every level of the local government entity.

Council is currently engaged with a green energy company regarding the potential to build a windfarm at Walcha. There is some contention in the local government area regarding the proposal. However, if it does proceed there may be the opportunity for Council to gain some additional revenues as part of the endeavour. The fate of the project – as well as the precise revenues that might be realised – are largely outside of the control of council and dependent on the legislative landscape of both federal and state government, federal carbon policies, as well as energy prices and demand. We therefore have not included these potential additional revenues in our LTFFP – if they do materialise then the money will be used to improve the financial sustainability position of Council (which won't be redressed in full by the proposed SV).

Some investigations are currently underway regarding the development of various parcels of Council land for residential and also light industrial purposes. Whether or not these projects will go ahead is largely dictated by the demand for development as well as Council's ability to garner the required funds. If the projects, proceed then the additional monies will be used to further improve financial sustainability (which won't be redressed in full by the proposed SV).

Council has committed to a careful repricing of all discretionary fees and charges with particular emphasis placed on (i) sending better price signals especially with respect to the size of implicit subsidies, (ii) reviewing the level of subsidies provided for merit goods, and (iii) pricing to long run marginal cost. This project is an imposing task and stage one will be delivered prior to May 2023 and reflected in the forthcoming Operational Plan. Notably, because of the low volume of services supplied we are only expecting marginal improvements to our bottom line from this aggressive review of fees, charges and subsidies.

What outcomes has the council achieved from productivity improvements and cost containment strategies in past years?

In responding to the questions that address this point, wherever possible the council should:

- provide information about productivity improvements and cost containment strategies implemented during at least the past two years
- quantify in dollar terms the gains past initiatives have realised
- present these gains as a percentage of operating expenditure.

You may in this question provide evidence of overall improvements in the council's financial situation from productivity and operational improvements and provide specific examples of initiatives or activities such as:

- introducing environmental and energy efficiency initiatives
- adopting more efficient information and communications technology for a range of activities such as communications, document processing, financial transactions, outdoor staff operations, e-recruitment
- shared purchasing through joint organisations of councils
- improved management of workers compensation insurance claims and safety audit

- seeking private contract works for road maintenance
- contracting to provide services to other councils
- reviewing community venue management to increase the utilisation of venues and associated revenues
- reviewing charges to ensure greater cost-recovery for council-provided services
- review of and refinancing loan borrowings
- adopting waste management strategies to reduce landfill waste and associated costs.

Please provide the council's responses to the questions in in the text boxes below.

a. Explain initiatives undertaken in the past few years to improve productivity and contain costs.

1. Increase in private works charge rates – Plant rates for private works have been significantly below commercial rates and in some instances, costs have not been recovered. Since December 2022 Council is now quoting private works jobs at commercial rates as comparable to local contractors. This recognises the expectation that Council ensure strong returns on investment where Council resources are used outside normal operations. Further, Council should only provide the market with additional capacity and not undercut local contractors especially with asset backlogs ever present.

2. Reduction in printing costs from approximately \$90,000 per year to \$30,000 per year including new printing lease agreement, reduction in the number of copiers used and a move to electronic documentation for accounts payable and other similar functions.

3. Capital Advisory Committee – Introduction of committee has improved project accountability and cost control oversight with no overruns for new projects started after 1 July 2021.

4. Relocate engineering team to depot reducing overall staff movements for team meetings and deployment to jobs. Enhance accountability and improve communication. Not costed however there will be a significant improvement in efficiency with less movements between the depot and administration offices.

5. Moved customer service counter and service NSW counters together via a fully externally funded project which reduced staff movements between counters and offered greater synergy and functionality between both functions. Productivity improvement.

6. Reduction in external audit fees – Improve processes for year-end audit with a reduction from \$85,000 to \$65,000 in 2022.

b. Outline the outcomes which have been achieved.

1. Increase in plant rates for private works have seen revenue double so the plant charging is now generating a profit. These additional revenues will be set aside in the plant fund each year and thus go some way to mitigating its significant current shortfall. Overall private works have reduced due to resourcing issues.

2. Printing cost reductions have been realised and there is a shift toward use of technology which will further improve efficiency over time.

3. Capital advisory committee – Has been going for over 14 months with no cost overruns for projects started since 1 July 2021.

4. Relocation of engineering team – Completed with positive feedback.

5. Relocation of customer service and service NSW counters – Completed with improvement in efficiency and staff morale.

6. Reduction in audit fees – A result of improved planning and engagement.

c. Where possible, quantify the gains these past initiatives have realised.

Some of the initiatives are difficult to quantify in numerical terms, however we would suggest that a nett reduction to operational cost of approximately \$100,000 per year has occurred. Most of the savings have been redirected to attempt to meet some of the significant unmet need elsewhere in Council operations or to satisfy new regulatory burdens. For instance, there have been significant increases to contractor costs associated with the requirements to use contract planners and inspectors. Furthermore, the forecast increases to ARIC costs alone will likely fully consume the savings that we have worked so hard to amass.

What productivity improvements and cost containment strategies are planned for future years?

The council should provide information that details initiatives planned for the next two years when requesting a one-year section 508(2) SV, or to match the duration of the proposed SV.

The response should, wherever possible:

- estimate the financial impact of strategies intended to be implemented in the future
- present these as a percentage of operating expenditure
- indicate whether the proposed initiatives have been factored into the council's Long Term Financial Plan.

Please see our answers on page 47 and 48 regarding what has been imputed into the LTFP.

a. Explain the initiatives which the council intends to implement.

1. Ongoing work to reduce Council's workers compensation insurance which is currently on the maximum payable. There is significant scope to reduce through improvement in return to work programs and various related practices. This is hard to quantify however Council is paying significantly more than similar organisations with scope to reduce costs with improvement in return to work practices.

2. Plant & Equipment purchases – Hire vs own the grader crew roller with \$45,000 per year savings expected, replace current pig trailers with tri-dog trailers increasing the capacity by 7 tonnes per load, purchase of Jet Patcher to improve road life and slow road degradation.

b. Estimate their financial impact.

It is estimated that the savings would be around \$50,000 to \$60,000 per year and would be mainly the replacement of the hired roller and the trailers. These have not yet been approved for purchase and are difficult decisions to make in view of the financial predicament of Council and limited debt capacity.

The Jet Patcher operational costs will replace the existing pothole patching costs however efficiency gains are expected. In particular, staff will be able to respond more quickly to emerging road maintenance issues and thus hopefully improve both the efficiency and standard of roads moving forward. This item will also complete capital works including heavy patching. It will assist in reducing the backlog of works. The Jet Patcher is expected to recover its cost in the Plant Fund however improvement in cashflow will only come from private works and work on funded projects which is expected to occur.

c. Indicate whether these have been incorporated in the council's Long Term Financial Plan.

All items are incorporated however the predicted savings are being offset by expected increases in contractor and employee costs. This will further be impacted when Council moves off its fixed price electricity contract in 2025 which is not included in the LTFP due to because the future state of the energy market is completely unpredictable

How have the council's levels of productivity and efficiency changed over time, and compare with those of similar councils?

To demonstrate how efficiency has changed over time, councils could use data based on studies of the council itself, or measures against the performance of comparable councils, and also rely on comparative data produced by OLG data such as:

- number of full-time employees (FTE)
- ratio of FTE to population
- average cost per FTE
- employee and on-costs as percentage of ordinary expenditure
- consultancy/contractor expenses over time.

In the text box summarise data which demonstrates how the council has improved productivity and indicate its performance against that of comparable councils.

As we indicated earlier, Council had sophisticated data envelopment done of both tax efficiency and intertemporal relative technical efficiency. Moreover, as we noted earlier, we also had second-stage econometric analysis conducted on these quite stable relative TE scores which demonstrated that the relevant determinants (population and infrastructure burden) were largely outside of Council control. These DEA are the most sophisticated empirical tools for evaluating efficiency and were performed by world-leading scholars in this field.

As noted earlier, we also examined the ratio of FTE to number of assessments (population would be misleading because it is negatively correlated to some major expenditure items such as roads), and materials and expenditure data per assessment (with a particular focus on consulting and rental costs derived directly from the notes of the financial statements for Walcha and the peer group specified in the report under reference).

There has been no statistically significant change to efficiency at Walcha going back nine years (through the intertemporal data envelopment analysis). We expect that the aforementioned efficiency measures detailed in earlier questions will improve matters marginally in future years. However, given the high statistical significance of the major determinants of efficiency – as well as the lack of control exercised by Council with respect to population numbers and length of roads – large improvements are unlikely to be possible. This is especially the case given the evidence that we presented earlier regarding the lean business currently run at Walcha.

Table 9 Criterion 5 attachments

Council- assigned number	Name of document	Page references ^a
3	Walcha Council Efficiency Report	

a. If document only relevant in part.

Criterion 6 – Other relevant matters

Criterion 6 in the SV Guidelines is:

Any other matter that IPART considers relevant.

The Guidelines provide further that we will assess each application based on its merits against the assessment criteria. In doing so, the following may be considered:

- size of the council
- resources of a council
- size (both actual \$ and %) of increase requested
- current rate levels and previous rate rises
- purpose of the SV
- compliance with this or any other applicable guideline
- compliance with the conditions of any previous SVs, and
- any other matter considered relevant in the assessment of a SV application.

In assessing applications for SVs for 2023-24, IPART will continue its approach of assessing each of the five criteria, then making an overall assessment taking into account these other relevant factors.

The council should only respond to this question if it wishes to provide information in addition to that provided elsewhere in the Application which it would like IPART to consider when assessing its proposed SV. It is not necessary to specifically deal with several of the factors listed in OLG's Guidelines such as the size of increase requested, current rate levels and previous rate rises, and purpose of the SV.

The response may refer to any other matters the council considers relevant to IPART's deliberations. In the text box the council may provide information in addition to that provided elsewhere in the Application Form which it would like us to consider when assessing its proposed SV.

Walcha is one of the smallest councils in the state in terms of population size (3,018) but has a remarkably large road network burden (some 820 km long). Moreover, the demands placed on our roads are significant – especially with respect to heavy vehicle traffic related to the logging and agricultural industries. Added to this challenge is the fact that 28.37 percent of the 626,102 hectares is nature conservation area that can't be rated, and a further 9.72 percent (68,865 hectares) is used for forestry purposes (which also escapes local government taxation) (see the Capacity to Pay Report for more details). Indeed, the urban centre covers just 0.23 percent of the local government area which is problematic in terms of revenue capacity relative to expenditure need.

Walcha Council is not financially sustainable and hasn't been for some time. Moreover, we have recorded sizeable negative unrestricted cash of over \$2 million in successive years. This SV is desperately needed, in full, for Walcha to continue to be able to provide the services that its residents and industries rely upon.

The community is strongly behind the SV with a remarkably high proportion of people – some 93 percent – agreeing with Council's proposal. Indeed, the majority of the surveys returned expressed pleas to IPART to 'please approve of the SRV in full', or the equivalent.

As detailed, Walcha Council hopes to realise further savings and revenue opportunities in the future. However, many of these possibilities are uncertain because of the need to secure the co-operation of business, state government, federal government, or the grants commission. Moreover, any additional savings or revenue that we do manage to secure will need to be put towards closing the gap between what this substantial SV can achieve, and what is necessary to demonstrate financial sustainability into the future. Given the significant fiscal challenges facing Council we will need both the SV in full, as well as many of these savings, to become sustainable again.

Walcha Council has a very small staff and very limited resources as attested to by our financial statements. We apologise for the fact that investigations into matters such as improving distributive justice, and the review of fees to supply-side methodology have not yet been completed. Please rest assured that these matters will be dealt with thoroughly as soon as our skeleton staff have time to do so. We also note that Professor Drew has promised his continued support and advice on these outstanding matters at no further costs to the community.

Reporting requirements SV compliance

In the text box propose SV compliance requirements in addition to those in the IP&R documentation that the council feels are appropriate for this application (if relevant).

Not applicable.

Table 10 Criterion 6 attachments

Council- assigned number	Name of document	Page references ^a

a. If document is only relevant in part.

Council certification and contact information

Councils must submit a declaration in the specified form. It should be completed by the General Manager and the Responsible Accounting Officer.

Certification of application

Prepare a document in the form indicated below, sign, scan and attach as a public supporting document.

Application for a Special Rate Variation

To be completed by General Manager and Responsible Accounting Office

Name of council:

Walcha Council

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

General Manager (name):

[Redacted]

Signature and Date:

[Redacted]

Responsible Accounting Officer (name):

[Redacted]

Signature and Date:

[Redacted]

Note: These signatures will be redacted before publication of the application.

Council contact information

IPART's formal contact with the council will be with the General Manager.

During the assessment period, IPART officers are likely to contact the council with detailed queries about the application and supporting documents. Councils should provide details of the primary contact for such inquiries where this person is a council officer who is not the General Manager. Council officer contact details will be redacted before publication of this application.

General Manager

General Manager contact phone [REDACTED]

General Manager contact email [REDACTED]

Note: These contact details will be redacted before publication of the application.

Primary council contact

Council contact phone [REDACTED]

Council contact email [REDACTED]

Council email for inquiries about the SV application [REDACTED]

Note: These contact details will be redacted before publication of the application.

Secondary council contact

Council contact phone [REDACTED]

Council contact email [REDACTED]

Council email for inquiries about the SV application [REDACTED]

Note: These contact details will be redacted before publication of the application.

List of attachments

To complete (adding rows as necessary):

- Assign an identifying number and/or letter to each document.
- Name each document.
- Check the box to indicate that it is being submitted with the application.

List of attachments to the council's application

Council- assigned number	Name of attachment	Is the document included in the application as submitted?
Mandatory forms/attachments		
	Application Form Part A (Excel spreadsheet)	<input checked="" type="checkbox"/>
	Application Form Part B (this Word document)	<input checked="" type="checkbox"/>
	Council resolution to apply for the for the minimum rate increase variation	<input type="checkbox"/>
	Certification	<input type="checkbox"/>
If applicable for Description and Context Question 4		
	Instrument for expiring special variation	<input type="checkbox"/>
	OLG advice confirming calculation of amount to be removed from the council's general income	<input type="checkbox"/>
If applicable for Description and Context Questions 5 and 6		
	Declaration of compliance with conditions in past instruments (if applicable)	<input type="checkbox"/>
	Relevant instrument(s) for past special variations (if applicable)	<input type="checkbox"/>
	Evidence of compliance with conditions in past instruments (if applicable)	<input type="checkbox"/>
Mandatory public supporting material (i.e. to be published on IPART's website)		
	Community Strategic Plan – Relevant extracts	<input checked="" type="checkbox"/>
	Delivery Program – Relevant extracts	<input checked="" type="checkbox"/>
	Long Term Financial Plan with projected (General Fund) financial statements (Income, Cash Flow and Financial Position) in Excel format	<input checked="" type="checkbox"/>
	Consultation material, e.g. copies of media releases, notices of public meetings, newspaper articles, fact sheets used to consult on rate increase and proposed special variation	<input checked="" type="checkbox"/>
	Community feedback (including surveys and results if applicable)	<input checked="" type="checkbox"/>
	Willingness to pay study (if applicable)	<input checked="" type="checkbox"/>
	Hardship Policy	<input checked="" type="checkbox"/>
Other public supporting material		
	Asset Management Strategy / Plan(s) (if applicable)	<input type="checkbox"/>
	Operational Plan for 2021-22 (i.e. not for 2022-23) (if applicable)	<input type="checkbox"/>
	NSW Treasury Corporation report on financial sustainability (if applicable)	<input type="checkbox"/>

Council- assigned number	Name of attachment	Is the document included in the application as submitted?
	6.10.22 Community Meeting SRV Presentation	YES
	Walcha Apsley Advocate – Media for SRV	YES
Confidential supporting material (i.e. not to be published on IPART's website)		

Important information

Submitting online

Applications must be submitted through the Council portal by close of business on Friday, 3 February 2023.

- A file size limit of 10MB applies to the Part B Application Form.
- For supporting documents (Attachments) a file size limit of 400MB applies to public documents, and another 200MB to confidential documents.

Confidential content

We will publish all applications (excluding confidential content) on our website. Examples of confidential content are those parts of a document which disclose the personal identity or other personal information pertaining to a member of the public, a document such as a council working document that does not have formal status, or document which includes commercial-in-confidence content.

Councils should ensure supporting documents are redacted to remove confidential content where possible, or clearly marked as CONFIDENTAL.

Publishing the council's application

Councils should also publish their application on their own website for the community to access.