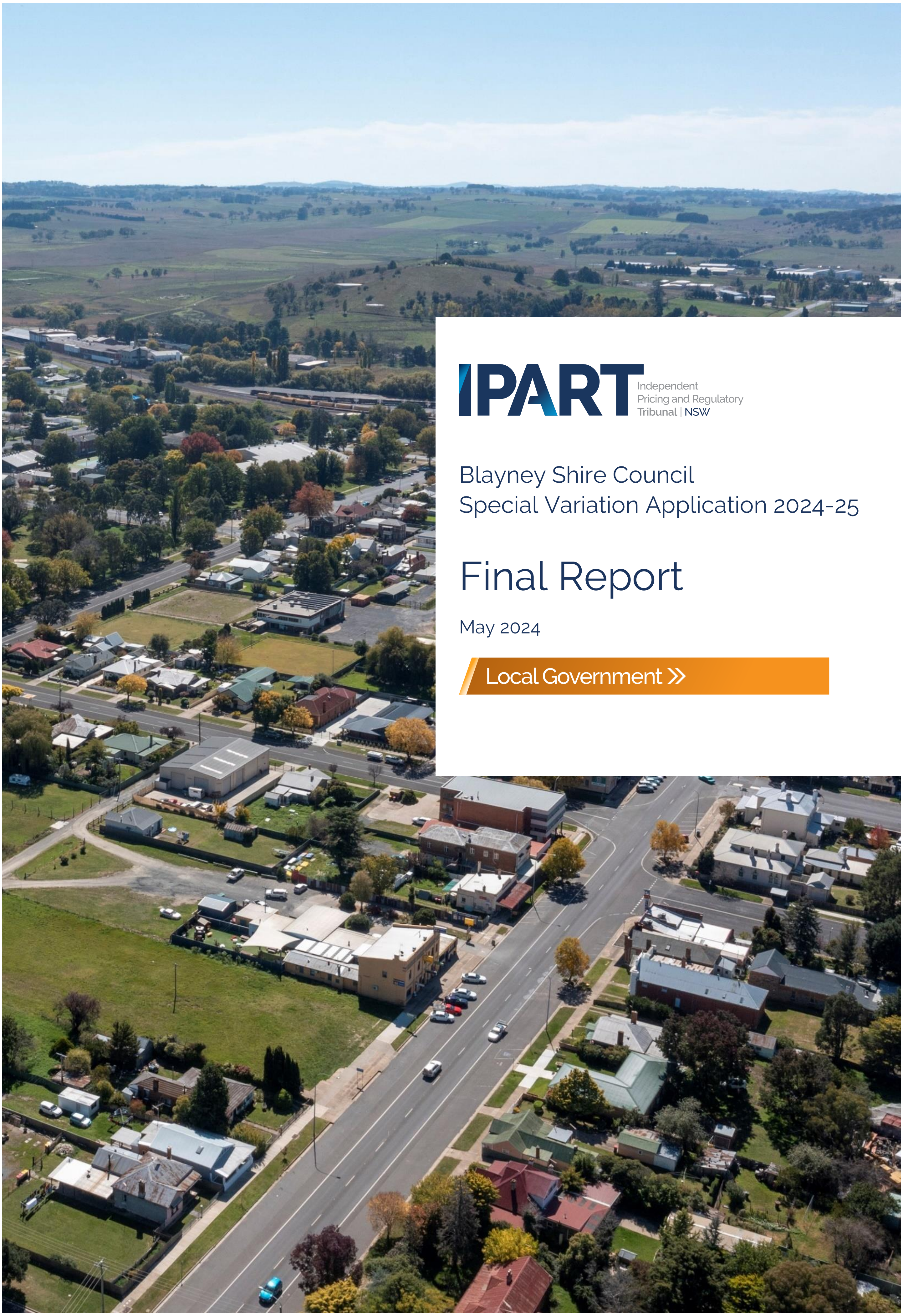

IPART Independent Pricing and Regulatory Tribunal | NSW

Blayney Shire Council Special Variation Application 2024-25

Final Report

May 2024

Local Government »

Acknowledgment of Country

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

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

Tribunal Members

The Tribunal members for this review are:

Carmel Donnelly PSM, Chair
Jonathan Coppel
Mike Smart

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The Independent Pricing and Regulatory Tribunal

IPART's independence is underpinned by an Act of Parliament. Further information on IPART can be obtained from IPART's website.

Contents

1 Executive summary

Blayney Shire Council applied to permanently increase its general income by 33.1% over the 3 years from 2024-25 to 2026-27 inclusive.

We have approved the application.

Blayney Shire Council (the council) applied to IPART[a] to increase its general income through a permanent special variation of 33.1% over 3 years from 2024-25 to 2026-27.[1] This included a proposed increase of 10.0% per year from 2024-25 to 2026-27 (Table 1.1).

The council told us that it intends to apply this increase across all rating categories.

Table 1.1 Annual increases under Blayney Shire Council's application

	2024-25	2025-26	2026-27
Annual increase (%)	10.0	10.0	10.0
Cumulative increase (%)		21.0	33.1
Additional annual income ($'000)	979.4	1,100.2	1,210.2

The council sought the SV to:

- cover rising costs, which it said are currently outpacing its revenue growth
- continue providing services at current levels
- maintain its assets' conditions and address an increased risk of a growing infrastructure backlog.[2]

[a] The Minister for Local Government has delegated the power to grant SVs to IPART. By delegation dated 6 September 2010, the then Minister for Local Government delegated to the Tribunal all her functions under sections 506, 507, 508(2), 508(6), 508(7), 508A, 548(3) and 548(8) of the Local Government Act 1993 (NSW), pursuant to section 744 of that Act.

1.1 IPART's decision

We have approved the council's application as set out in Table 1.1.

> Our approval is subject to certain conditions, including that the council:
>
> - use the additional income for the purpose outlined in its application
> - report in its annual report for 2024-25 until 2031-32 the actual program of expenditure funded by the additional income and the outcomes achieved.
>
> The full conditions are set out in Chapter 10.

Our *Instrument Under Section 508A of the Local Government Act 1993 - Special Variation Instrument - 2024-25 - Blayney Shire Council* gives legal effect to this decision and sets out the conditions of approval.

1.2 IPART's assessment of the council's application

To make our decision, we assessed the council's SV application and supporting materials against the 6 criteria set by the Office of Local Government (OLG) in its *Guidelines for the preparation of an application for an SV to general income* (OLG Guidelines). We found the council met all 6 of these criteria.

The council demonstrated that without the proposed SV, its operating expenses would continue to exceed its revenue for the next 10 years. This is unsustainable if the council is to continue to provide services at current levels and maintain its assets.

Some stakeholders told us that the SV is likely to create affordability challenges for ratepayers – particularly when combined with other cost-of-living pressures. We acknowledge that this may be the case for some ratepayers. However, the council demonstrated that the impact on ratepayers in general is reasonable, considering its current rates and the community's capacity to pay.

The council's current average residential rates are below those of neighbouring and comparable councils. With the approved SV, these average rates are still expected to be lower than the averages for neighbouring and comparable councils. Median household incomes in the Blayney Shire area are high relative to neighbouring councils. The council currently has a low level of outstanding rates.

We note that the council has a hardship policy in place to assist vulnerable ratepayers and pensioners. It includes a compassionate early-stage intervention process to assist ratepayers having difficulty paying their rates, and hardship assistance due to the impact of special rate variations.

Stakeholders also raised concerns about the council's financial management and efficiency. As part of our assessment, we considered whether the council had pursued productivity savings. We found the council has quantified productivity improvement and cost containment initiatives with a total financial benefit of $690,000 per year.[3] It has outlined strategies for further productivity improvements in the coming years.

We have attached reporting conditions to this SV approval and we expect the council to fully comply. IPART will consider whether a council has complied with its SV conditions in assessing future SV applications. The OLG is the body responsible for enforcing compliance with the conditions attached to SVs.

Summary of our assessment against OLG criteria

Our assessment against each criterion is summarised below. Chapters 4-9 provide our complete assessment, and the full criteria are set out Appendix A.

Criteria	Grading	Assessment
01	Demonstrated	**Financial need** The council demonstrated a financial need for the SV, to cover its growing costs and to enable it to continue providing services at current levels. The SV will also allow it to maintain asset conditions and address an increased risk of a growing asset backlog.
02	Demonstrated	**Community awareness** The council provided evidence that its community is aware of the need for and extent of the proposed rate increase. The information it provided for ratepayers was generally sufficient and clear. It used an appropriate range of engagement methods and provided sufficient opportunities for the community to provide feedback. It considered ratepayer feedback in preparing its application.
03	Demonstrated	**Reasonable impact on ratepayers** The council showed that the impact of the proposed SV on ratepayers is reasonable. Its capacity to pay analysis demonstrated it had adequately considered the community's capacity to pay the proposed rates. With the SV, its average rates will be comparable to neighbouring and comparable councils.
04	Demonstrated	**Integrated Planning and Reporting documentation** The council exhibited and adopted all necessary Integrated Planning and Reporting (IP&R) documents before making its SV application.
05	Demonstrated	**Productivity improvement and cost containment** The council quantified productivity improvement and cost containment initiatives of approximately $690,000 per year. Based on our assessment of the council's savings to date, we consider it has met this criterion.
06	Demonstrated	**Other matters IPART considers relevant**

Criteria	Grading	Assessment
		In the past 10 years, the council has been granted 2 SVs and 1 Additional Special Variation (ASV) and has demonstrated that it complied with the conditions attached to these.

1.3 Stakeholders' feedback

Councils are required to consult with their communities as part of the IP&R framework. The OLG criteria that we assess SV applications against requires us to look at the consultation the council has undertaken as part of our assessment.

Blayney Shire Council consulted on its proposed SV with its community using a variety of engagement methods. The council made its community aware by sending letters to 3,456 ratepayers and 8 real estate agencies (to communicate with tenants), among other methods. It received feedback through 28 written submissions, 5 meetings with a variety of ratepayer groups, and open community consultation sessions attended by 95 members of the community.[4]

The council will have a total of 4,074 rateable properties in 2024-25.[5]

As a further input to our assessment, we published the council's application on our website for a 3-week consultation period and invited stakeholders to provide feedback directly to IPART.

Through this process, we received 48 responses to our feedback form, and 10 submissions on Blayney Shire Council's proposed SV. These submissions and responses raised concerns about the:

- affordability of the proposed rate increases
- council's financial management and efficiency
- council's consultation with the community
- poor general service levels and infrastructure.
- equity of the current rating system
- need for amalgamation with a nearby council
- reliance on the Cadia Valley gold mine for rates revenue.

We consider stakeholder feedback in more detail in Chapter 3 and throughout this report as relevant to our assessment.

1.4 Next steps for the council

Our determination sets the maximum amount by which the council can increase its general income over the 3-year period from 2024-25. The council can defer rate increases up to this maximum amount for up to 10 years.[6]

The council has proposed to increase rates as set out in Table 1.2.

It retains the discretion to revise how it raises its general income across the rating categories. We encourage the council to consult with its community to decide how best to implement the increase and any changes to the rating structure.

We expect the council to continue to pursue productivity improvements, to minimise costs to ratepayers and ensure its financial stability over the long term.

Table 1.2 Average rate increases under the approved SV

	2024-25	2025-26	2026-27	Cumulative increase
Residential	10.0%	10.0%	10.0%	33.1%
Business	10.0%	10.0%	10.0%	33.1%
Farmland	10.0%	10.0%	10.0%	33.1%
Mining[a]	10.0%	10.0%	10.0%	33.1%

Note: These figures have been rounded in calculation. These are the council's proposed rate increases but it retains the discretion to determine the structure of its rates.
a. The mining rate category considers increases in the average rate for Blayney Shire Council's 2 currently existing ratepayers; the Cadia Valley Operations gold/copper mine and one Ordinary mining ratepayer.

Source: IPART calculations.

The rest of this report explains how and why we reached our decision on Blayney Shire Council's special variation application in more detail.

2 The council's special variation application

This section of our report sets out the council's proposal and summarises the information that the council provided to support its application. The full application and all non-confidential supporting documents are available on our website.

The council applied for a multi-year SV with a cumulative increase of 33.1% over the 3 years from 2024-25 to 2026-27. Table 2.1 sets out the percentage by which the council proposed to increase its general income, and the expected annual revenue this would raise.

Table 2.1 Proposed SV

	2024-25	2025-26	2026-27
Annual increase (%)	10.0	10.0	10.0
Cumulative increase		21.0	33.1
Additional annual income	979.4	1,100.2	1,210.2

Source: Blayney Shire Council, Application Part A, WS2 and WS6.

The proposed SV is permanent. This means that the increases would remain in the rate base permanently. The council's general income would not be reduced at the end of 2026-27.

The council sought the special variation to:

- cover growing costs, which are currently outpacing revenue growth
- continue providing services at their current levels
- maintain asset conditions and address an increased risk of a growing asset backlog.[7]

2.1 Impact of the proposed special variation on ratepayers

The council proposed that rates would increase for all rating categories over the 3-years the SV is in place.[8] It proposed that, on average:

- **residential rates** by 2026-27 would increase by $251.25 or 33.1%
- **business rates** by 2026-27 would increase by $437.84 or 33.1%
- **farmland rates** by 2026-27 would increase by $1099.52 or 33.1%
- **mining rates** by 2026-27 would increase by 33.1%
  - the Cadia Valley mining rate would increase by $1,612,946 or 33.1%
  - the Ordinary mining rate (1 assessment) would increase by $7,313.51 or 33.1%.

The council provided the number of rate notices that it expects to issue for 2024-25. See Table 2.2.

Table 2.2 Number of ratepayers per category in 2024-25

Ratepayer category	Number of rate notices
Residential	2,982
Business	377
Farmland	712
Mining	3
Total	**4,074**

Note: Blayney Shire Council expects 1 new mine, the McPhillamys gold mine, to commence operation in 2024-25.

Source: Blayney Shire Council, Part A application Worksheet 4.

2.2 The council's assessment of affordability and capacity to pay

The council assessed the affordability of the proposed rate increases, including the community's capacity to pay.

The council's Capacity to Pay Report analysis considered the levels of social disadvantage, vulnerable groups and household expenditure in the Blayney Shire local government area (LGA) relative to other areas.[9] It acknowledges that the council has areas with significant levels of disadvantage and other areas of advantage.[10] The findings concluded that ratepayers will have capacity to pay as the more disadvantaged areas will experience lower relative rate increases due to lower land values.[11]

The council indicated in its application that it has a financial hardship policy to assist ratepayers in the case that they do have difficulty paying their rates. The policy includes a mechanism to protect those who would be significantly affected by the special variation, as well as a mechanism to protect pensioners.[12]

2.3 Impact of the proposed SV on the council's general income

The council estimated with its proposed SV, of a cumulative increase of 33.1%, would increase its permissible general income from $10.0 million to $13.3 million after the 3 years, which would remain permanently.[13]

2.4 Further information provided

Following our preliminary assessment of the council's application, we asked the council to provide further clarification on minor discrepancies in the financial figures provided in Part A of its application.

The council provided correspondence to clarify the above. We considered this additional information in our assessment.

3 Stakeholders' feedback to IPART

We expect the council to engage with its community so that ratepayers are fully aware of any proposed special variation and the full impact on them. This is one of the criteria we use to assess the council's application (see chapter 5 for our assessment, and Appendix A for the full criterion).

As a further input to our assessment, we published the council's application on our website for a 3-week consultation period from 27 February 2024 to 18 March 2024, inclusive. Stakeholders could complete a survey-style feedback form and make submissions directly to us.

The Tribunal has taken all stakeholder feedback into account in making its decision in accordance with our Submissions Policy, including the responses to our feedback form and any confidential submissions. In this section, we summarise the key issues raised in the feedback form and all published (non-confidential) submissions.

3.1 Summary of feedback we received

We received 48 responses to our feedback form, and 10 submissions from stakeholders. 6 of the 10 submissions were marked as confidential.

There will be approximately 4,074 rateable properties in the council's local government area in 2024-25.[14] There will be 2,982 residential assessments, 377 business assessments, 712 farming assessments and 3 mining assessments.[15]

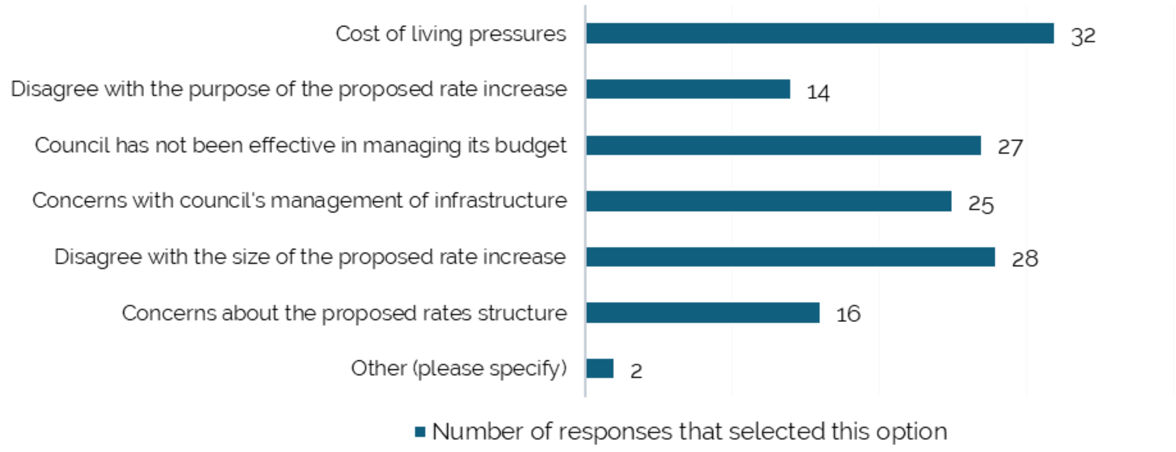
3.1.1 Response to the feedback form

We published a feedback form to assist stakeholders to provide information to IPART. This sought stakeholders' sentiments on the proposed SV generally, and specifically on the topics of affordability, the council's consultation, and council financial management. We note that while this was a survey-style feedback form, it was not a statistically representative survey and participants self-selected to provide feedback.

We received 48 responses relating to Blayney Shire Council's application. Of these, 31 respondents were opposed to the proposed SV, 10 respondents partly supported it, and 7 respondents supported it.

Figure 3.1 and Figure 3.2 show the main reasons that stakeholders said they might oppose or might support the proposed rate increase.

Figure 3.1 Reasons that respondents said they might oppose the proposed SV

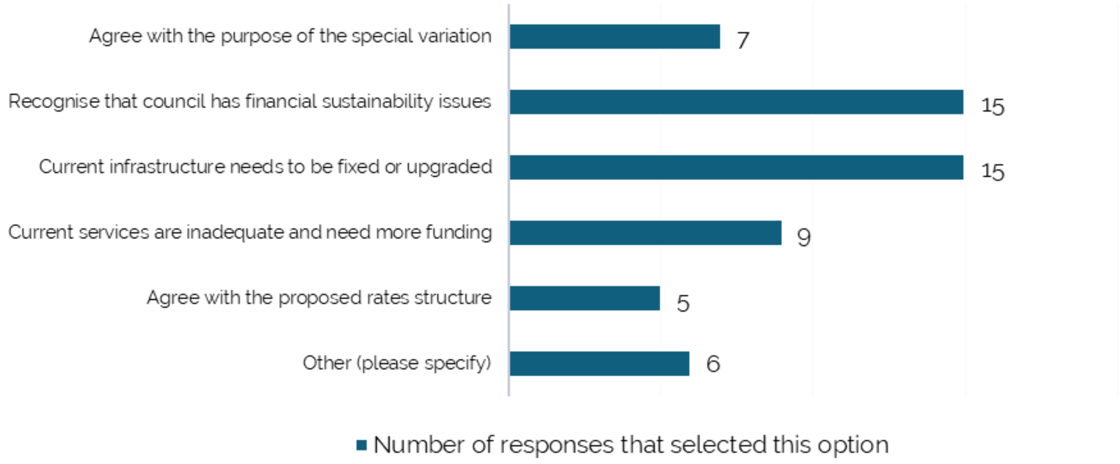


Note: We received 48 responses. For this question, respondents could select more than one option. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.

Source: IPART

Other responses included that the council already generates enough income from its investments and from the Cadia Valley gold mine.

Figure 3.2 Reasons that respondents said they might support the proposed SV



Note: We received 48 responses. For this question, respondents could select more than one option. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.

Source: IPART

The other responses to the feedback are considered in Chapters 5, 6 and 8. The full results are available in Appendix C.

3.2 Summary of issues raised

The key issues and views raised in these submissions and the feedback form and our responses to them, are summarised below.

3.2.1 Affordability of proposed rates increases

Submissions raised concerns about the impact of the council's proposed SV on the affordability of rates and suggested this would lead to financial hardship. We heard that a rise in rates would have a significant impact on the community in a cost of living crisis. One submission suggested that the increase would especially impact young families and force residents to live elsewhere.

We have considered these concerns and outlined our conclusion in Chapter 6.

3.2.2 The council's financial management and efficiency

Submissions expressed the view that the council has not used its resources efficiently. Ratepayers raised that the council's inefficiencies should be addressed before they are granted an SV. One submission noted that the council could limit the running costs of the town's swimming pool. It also questioned the council's recent purchase of new vehicles.

We heard from our feedback form that council could reduce the number of staff. Stakeholders also called for an audit to find further efficiencies in the council's spending.

As the council is responsible for managing its finances, IPART's ability to assess the council's financial decisions outside of the SV assessment is limited.

We have considered these concerns and outlined our conclusion in Chapter 8.

3.2.3 The council's current services and infrastructure

Submissions considered that services and infrastructure provided to ratepayers are unsatisfactory. For example, we heard that infrastructure was in disrepair. We heard from the community that they expect improved services from the council before the council can justify an increase in rates,

We have considered these concerns and outlined our conclusion in Chapter 8.

3.2.4 The council's consultation with the community

We heard views that the council's consultation with the community was inadequate. It was suggested that the council did not prepare a survey for ratepayers to complete. We also heard concerns that the council did not give enough notice for its community consultation sessions and ran them in an unproductive format.

We have considered these concerns and outlined our conclusion in Chapter 5.

3.2.5 Equity of the current rating system

We heard concerns that the current rating system is inequitable, with particular focus on farmers and residents in the smaller villages. A farming ratepayer argued that they were paying inequitable rates compared to residents and businesses. We heard that the council focuses on the town of Blayney while reducing services in their smaller communities.

We acknowledge stakeholders' concerns about the distribution of rates.

It is a matter for the council to determine the rating structure, including distribution of rates among ratepayers in compliance with the current regulatory framework. For example, the council cannot levy ordinary rates on exempt land[16], and must categorise land[17] according to the Local Government Act and Regulations.[b] These requirements, which are outside the scope of IPART's role assessing SVs, may contribute to some stakeholders' sense of inequity in how rates are distributed.

3.2.6 Amalgamation

We heard calls for Blayney Shire Council to amalgamate with the adjacent Orange City or Bathurst Regional Councils. We also heard that the council alone did not have enough ratepayers to support the council's activities and to remain financially viable.

We acknowledge the preference of some ratepayers for the amalgamation of Blayney Shire Council with a nearby council. Mergers are not part of IPART's consideration of the council's SV application. We base our assessment on the council as it currently stands and for the stated purpose of the SV.

3.2.7 Reliance on Cadia Valley gold mine

We heard concerns that the council over-relies on the Cadia Valley gold mine for rates revenue. It was raised in submissions that its eventual closure will cause the council to become immediately unsustainable financially. Some ratepayers that made submissions did not understand the council's need for an SV when it receives around 50% of rates revenue from the gold mine.

The council maintains decision-making power over the distribution of its rates income and this is outside of IPART's scope of assessment.

The council has indicated that; if either the Cadia Valley gold mine reduces or closes its operations, or the new mine does not receive approval or is substantially delayed, it may need to have future discussions with the community about a further special variation or service reductions in the future. The council stated this in its Long Term Financial Plan and in its application Part B.[18]

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[b] See, for example, section 556(1)(h) of the *Local Government Act 1993* (NSW) which provides land owned by public benevolent institutions or charities used for certain purposes is exempt land, and clause 122 of the *Local Government (General) Regulation 2021* (NSW) which relates to the categorisation of land used for retirement villages, serviced apartments or a time-share scheme.

4 Our assessment: OLG Criterion 1 – Financial need

We assess the council's SV application against the 6 criteria set out in the OLG Special Variations Guidelines.

For this criterion, we found that the council has demonstrated a financial need for the proposed SV.

> Criterion 1 requires the council to clearly articulate and identify the need for, and purpose of, the proposed SV in its IP&R documents. It also requires the council to demonstrate the financial need for the SV by assessing the impact of the SV on its financial performance and position, and to canvass alternatives to the SV to meet the financial need.

Note: See Appendix A for the full criterion.

To assess whether the council met this criterion, we reviewed the council's IP&R documents and the information in its application. We undertook our own analysis of the council's financial performance and position. We considered stakeholders' comments on financial need received via our feedback form and submissions. We do not audit council finances, as this is not part of our delegated authority.

The sections below discuss our assessment, and why we found that the council met this criterion.

4.1 Stakeholder comments on financial need

In their submissions to us, some stakeholders raised concerns related to the financial need criterion. In particular, they said:

- the council should seek more efficiencies before applying for an SV
- the need for rate increases results from poor financial management and oversight.

We considered these concerns, taking account of all the information available to us.

4.2 The council's IP&R documents

We found that the council's IP&R documents, including its Long-Term Financial Plan (LTFP), identify and articulate the need for and purpose of the SV.

The LTFP states that the proposed SV of 33.1% over 3 years is needed to:

- cover growing costs, which are currently outpacing revenue growth
- continue providing services at their current levels
- maintain asset conditions and address an increased risk of a growing asset backlog.[19]

The LTFP shows how the council would allocate the extra funding it receives for the purposes identified in the proposed SV application. The impact of implementing the proposed SV would allow the council to achieve an operating surplus and decrease its infrastructure backlog ratio of 5.8%. The LTFP includes the cost saving and revenue increasing initiatives that the council has undertaken to reduce the need for the SV.

The LTFP also outlines what would occur if the council did not receive the extra funding. The council would continue operating at a deficit. It would have insufficient income to maintain current service levels and have inadequate funding for infrastructure renewal.

The Delivery Program provides a broader overview of the work and funding levels required by the council to achieve the standard of service levels expected by community. The Asset Management Plan provides the future direction for the level of asset condition the council is striving for.

4.3 Our analysis of the council's financial performance and position

We used information provided by the council in its application and IP&R documents to analyse the council's financial performance and financial position and the impact the proposed SV would have on these. This involved calculating financial forecasts under 3 scenarios:

1. **Baseline Scenario** – which does not include the council's proposed SV revenue or expenditure.
2. **Proposed SV Scenario** – which includes the council's proposed SV revenue and expenditure.
3. **Baseline with SV expenditure Scenario** – which includes the council's full expenditure 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.

We then used these forecasts to examine the impact of the SV on key indicators of its financial performance and position – namely its operating performance ratio, net cash (or net debt) and infrastructure ratios.

Impact on Operating Performance Ratio

The Operating Performance Ratio (OPR) is a measure of a council's ongoing financial performance or sustainability. In general, a council with an OPR consistently greater than zero is considered to be financially sustainable because the OPR measures a council's ability to contain operating expenditure within operating revenue.[20] The OLG has set a benchmark for the OPR of greater than zero (see Box 4.1 for more information).

Box 4.1 Operating Performance Ratio

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

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

where expenses and revenue are exclusive of capital grants and contributions, and net of gains/losses on the sale of assets.

The OLG has set a benchmark for the ratio of greater than 0%.

The ratio measures net operating results against operating revenue and does not include capital expenditure. That is, a positive ratio indicates that an operating surplus is available for capital expenditure.

Generally, IPART considers that a council's average OPR over the next 10 years should be 0% or greater, as this represents the minimum level needed to demonstrate financial sustainability. An OPR consistently well above 0% would bring into question the financial need for an SV.

However, we recognise that other factors, such as the level of borrowings or investment in infrastructure, may affect the need for a council to have a higher or lower operating result than the OLG breakeven benchmark as set by OLG.

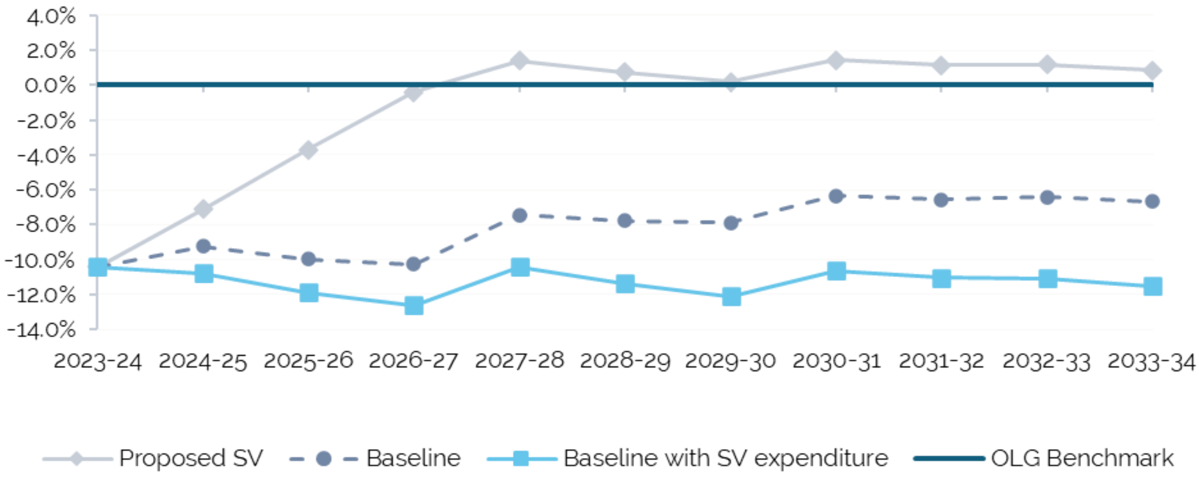
Source: Office of Local Government, *Performance Benchmarks* and *Assets*.

As set out in Figure 4.1 and Table 4.1, we found that, over the next 5 years:

- **Under the Proposed SV Scenario**, the council's OPR would improve to sit above the OLG benchmark from 2027-28. Its average OPR over the five-year period would be -1.8%.
- **Under the Baseline Scenario**, the council's OPR would remain below the 0% benchmark and improve only marginally. Its average OPR over this five-year period would be -8.9%.
- **Under the Baseline with SV Expenditure Scenario**, the council's OPR would remain below the 0% benchmark and continue to decline. Its average OPR over this five-year period would be -11.4%.[21]

This suggests that without the SV, the council's operating expenses would exceed its operating revenue and its financial performance would continue to remain below the OLG benchmark.

Figure 4.1 The council's projected OPR



Note: OPR shown excludes capital grants and contributions.

Source: Blayney Shire Council, Application Part A.

Table 4.1 The council's projected OPR under 3 scenarios (%)

	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Proposed SV	-7.1	-3.7	-0.4	1.4	0.7	0.2	1.4	1.1	1.2	0.8
Baseline	-9.3	-10.0	-10.3	-7.5	-7.8	-7.9	-6.3	-6.6	-6.4	-6.7
Baseline with SV expenditure	-10.8	-11.9	-12.6	-10.4	-11.4	-12.1	-10.7	-11.1	-11.1	-11.5

Source: Blayney Shire Council, Application Part A, WS11.

Impact on net cash

A council's net cash (or net debt) position is an indicator of its financial position. For example, it indicates whether a council has significant cash reserves that could be used to fund the purpose of the proposed SV. In this section, we consider the council's cash and investments, and its net cash (debt) to income ratio.

Box 4.2 Cash and investments and Net cash (debt) to income ratio

Cash and investments

Councils hold cash and investments for a variety of purposes, but the use of these can be restricted in one of 2 ways:

- **Externally restricted**. These funds are subject to external legislative or contractual obligations.
- **Internally restricted.** These are subject to a council resolution to cover commitments and obligations expected to arise in the future and where it is prudent to hold cash in restrictions to cover those obligations.

Unrestricted funds can be used to fund the council's day to day operations and may be able to be used for the same purpose as the SV. In some cases this may be enough to avoid, delay or reduce the magnitude of an SV. However, this metric does not account for any borrowings or payables that need to be settled.

Net cash (debt) to income ratio

The net cash (debt) to income ratio can show whether a council has sufficient cash reserves left over that could be used to fund the purpose of the proposed SV, *after* taking out its payables and borrowing obligations.

$$Net\ cash\ (debt)\ to\ income\ ratio\ = \frac{(Cash + Investments + Receivables) - (Payables + Borrowings)}{Total\ operating\ revenue\ (excluding\ capital\ grants)}$$

The cash and investments in this formula includes *external* and *internal* restrictions.

A positive ratio shows that a council may have access to cash reserves to help address its financial need. A negative ratio shows that a council may not have reserves to rely on to address financial sustainability issues.

For instance, a ratio of 10% means that an entity has 10 cents of net cash per $1 of operating revenue. Conversely, a ratio of -10% means that an organisation has 10 cents of net debt (i.e. -10 cents net cash) per $1 of operating revenue.

Cash and investments

On 30 June 2023, the council held a total of $22.9 million in cash and investments with[22]:

- **$11.6 million externally restricted funds.**[23] For Blayney Shire Council, examples include the sewer fund, developer contributions and domestic waste management fund.[24]
- **$8.8 million internally restricted funds.**[25] For Blayney Shire Council, examples include plant and vehicle replacement, employee leave entitlements and property accounts.[26]
- **$2.5 million unrestricted funds.**[27] These funds can be used to fund the council's day to day operations.

This suggests that the majority of the council's cash reserves are committed to other purposes, except for the $2.5 million that is unrestricted. The council's LTFP indicates that its unrestricted cash reserves would improve to $9.5 million by 30 June 2033 under the baseline scenario. With the proposed SV, the council's unrestricted cash reserves would increase to $12 million by 30 June 2033.[28]

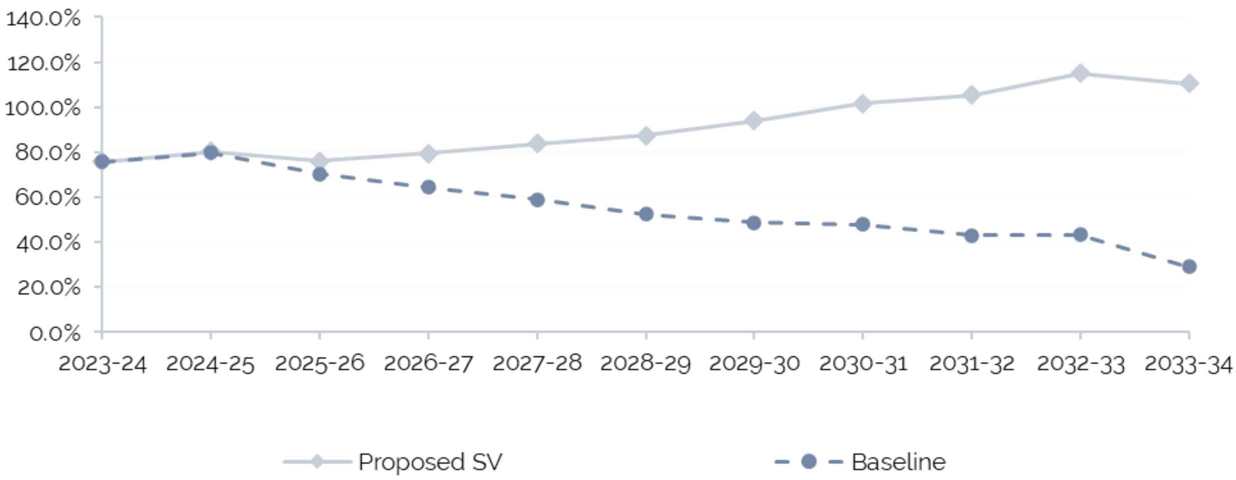
Net cash (debt) to income ratio

We calculated that as at 30 June 2024, the council would have net cash of $13.96 million. The council would have a net cash to income ratio of 75.6%.

As Figure 4.2 shows, over the next 10 years:

- **under the Baseline Scenario**, the council's net cash to income ratio would reduce substantially to 30 June 2034
- **under the Proposed SV Scenario**, the council's net cash to income ratio would gradually improve to 30 June 2034.

Figure 4.2 The council's net cash (debt) to income ratio (%)



Source: Blayney Shire Council, Application Part A, WS 9.

We found that the council satisfies the criterion for financial need as without the proposed SV, the council would continue to operate in a financially unsustainable way. Its operating performance ratio would be below the 0% benchmark, and the council's net cash to income ratio would decline. The proposed SV will increase the council's OPR so it slightly exceeds the benchmark. The council needs to raise revenue above the rate peg to ensure its operating revenues exceed its operating costs, and prevent its net cash (debt) to income ratio from declining.

Impact on infrastructure ratios

Managing infrastructure assets is an important council function. A council's ability to maintain and renew these assets as they depreciate is an indicator of its financial position, and its capacity to provide services to the community. To measure this indicator, we used information provided by the council to assess its infrastructure backlog and infrastructure renewals ratios, and compared them to OLG's benchmarks:

- **The infrastructure backlog ratio** indicates whether the council has a need for additional revenue to maintain its infrastructure assets. It shows the infrastructure backlog as a proportion of the total value of a council's infrastructure. OLG's benchmark for the infrastructure backlog ratio is less than 2%.
- **The infrastructure renewals ratio** measures the rate at which infrastructure assets are being renewed against the rate at which they are depreciating. OLG's benchmark for the infrastructure renewals ratio is greater than 100%.

See Box 4.3 for more information on these ratios.

Box 4.3 Infrastructure ratios for councils

Infrastructure backlog ratio

The infrastructure backlog ratio measures the council's backlog of assets against its the total written down value of its infrastructure, and is defined as:

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

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

OLG has set a benchmark for the ratio of less than 2%.

Infrastructure renewals ratio

Where relevant, we may also consider the council's infrastructure renewals ratio, which assesses the rate at which infrastructure assets are being renewed against the rate at which they are depreciating. It is defined as:

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

The OLG has set a benchmark for the ratio of greater than 100%.

Source: Office of Local Government, *Performance Benchmarks* and *Assets*.

Impact on infrastructure backlog ratio

As set out in Figure 4.3, we found that over the next 5 years[c], the council's infrastructure backlog ratio would be:

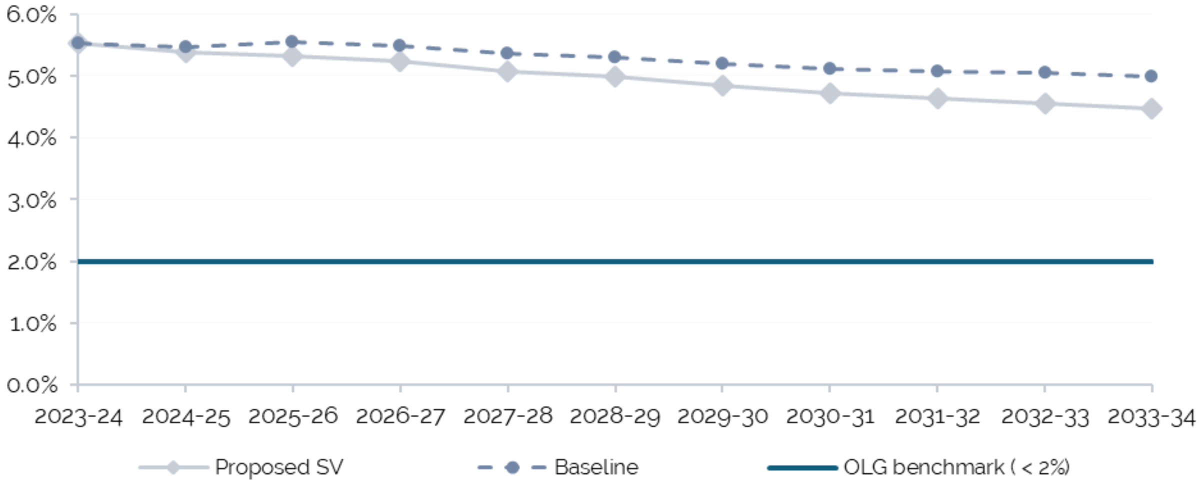
- 5.4 under the Baseline Scenario
- 5.2% under the Proposed SV Scenario.

Under the proposed SV, the infrastructure backlog ratio would fall from 5.4% in 2024-25 to 4.5% in 2033-34. Without the SV, the infrastructure backlog reduces to 5.0% in 2033-34.

Our analysis shows that both with and without the proposed SV, the council's infrastructure backlog ratio improves slightly towards the OLG benchmark (Figure 4.3) over the next 10 years. Under both scenarios, this ratio will stay above the OLG benchmark of less than 2.0%, (that is, the council will not meet the benchmark level). However, the ratio would be slightly lower (that is, better) with the proposed SV.

[c] We considered the 5-year average to smooth annual variability. Data beyond 5 years is subject to greater variability.

Figure 4.3 The council's infrastructure backlog ratio



Source: Blayney Shire Council, Application Part A, WS11.

Impact on infrastructure renewal ratio

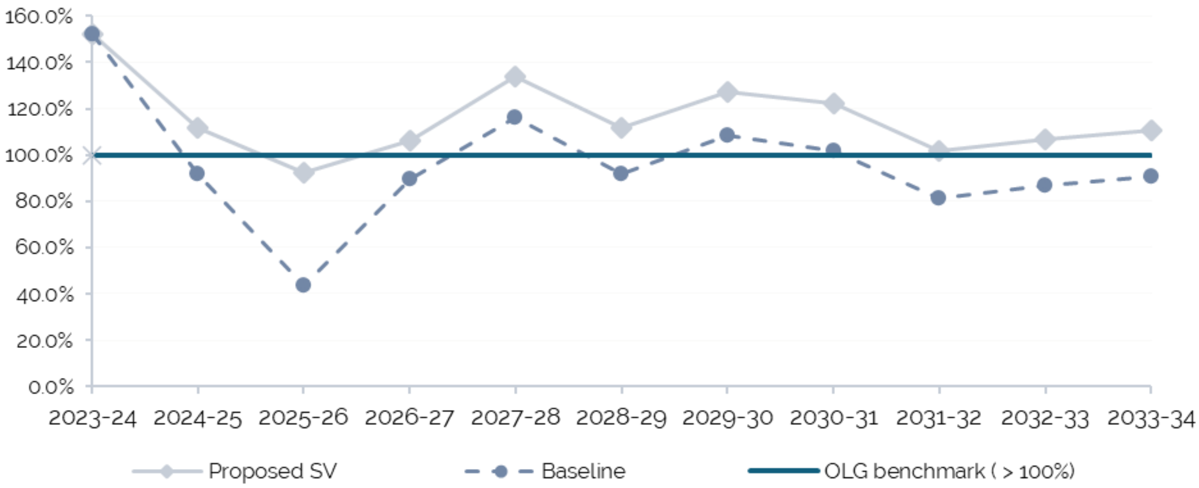
As set out in Figure 4.4, we found that over the next 5 years[d], the council's infrastructure renewal ratio would be:

- 86.5% under the Baseline Scenario
- 111.2% under the Proposed SV Scenario.

As Figure 4.4 shows, the council's infrastructure renewals ratio would be slightly above the OLG benchmark of greater than 100% under the Proposed SV Scenario. In comparison, the council's infrastructure renewal ratio does not meet the OLG benchmark under the Baseline Scenario.

[d] We considered the 5-year average to smooth annual variability. Data beyond 5 years is subject to greater variability.

Figure 4.4 The council's infrastructure renewal ratio (%)



Source: Blayney Shire Council, Application Part A, WS11.

4.4 Alternatives to the rate rise

We assessed whether, in establishing the need for the SV, the council's relevant IP&R documents canvassed alternatives to the rate rise to meet the financial need.

In its revised Delivery Program, the council stated that it was determining whether to review and reduce service levels as an alternative to the rate rise[e].[29]

We found that the LTFP canvasses alternatives to the rate rise. It has identified and shown the council's implementation of past and ongoing improvement opportunities. These opportunities have contained costs and increased revenue for the council. We found that the council provided sufficient information on this to its ratepayers through the LTFP, the council website and its consultation materials. As a result, we have assessed that the council has adequately sought alternatives to the SV.

The council produced an Organisational Sustainability Improvement Plan to identify and evaluate its past and ongoing improvements. In the revised LTFP, the council has proposed to implement these improvements in conjunction with the SV. These include:

- 36 past improvements which provided $690,000 per year of ongoing savings and $1 million in one-off savings
- 26 proposed present improvements which would provide annual net operating savings of $203,000 over the LTFP period
- 13 potential future improvements.[30]

We have discussed these improvements in depth in Chapter 8.

[e] The council has not since conducted a service level review.

The council noted that it expects revenue from the new McPhillamys gold mine in 2024-25.[31] The proposed SV seeks to maintain the council's financial sustainability after factoring in the new mine and the currently operating mines.

We also investigated whether and to what extent the council has any available deferred rate increases. We found that it does not have any available deferred rate increases.

5 Our assessment: OLG Criterion 2 - Community awareness

We assess the council's SV application against the 6 criteria set out in the OLG Special Variations Guidelines.

For this criterion, we found that the council demonstrated it had engaged with ratepayers on its SV application and that its community is aware of the need for and purpose of the SV.

Criterion 2 requires the council to provide evidence that the community is aware of the need for and extent of the proposed rate increase. It requires the council to:

- communicate the full cumulative increase of the proposed SV in percentage terms and in dollar terms for the average ratepayer, by rating category
- outline its ongoing efficiency measures and performance
- use a variety of engagement methods to ensure community awareness and provide opportunities for community input.

The criterion does not require the council to demonstrate community support for the SV application.

Note: See Appendix A for the full criterion.

To assess this criterion, we considered stakeholder comments about community awareness that we received through our feedback form and submissions and we analysed the council's community engagement on the proposed SV.

The sections below discuss our assessment, and why we found that the council met this criterion.

5.1 Stakeholder comments on community awareness

In submissions to IPART and responses to our feedback form, stakeholders raised concerns related to the council's community consultation, including that the council:

- did not prepare a survey for ratepayers to complete
- did not give enough notice for its community consultation sessions
- ran its community consultation sessions in an unproductive format.

Further, in our feedback form, we asked respondents how much they agree or disagree with 4 statements about the community's awareness and understanding of the rate increase proposed by the council.

We received 48 responses. There were mixed views about whether the council had adequately communicated and provided opportunity for feedback. The majority of respondents either disagreed, or strongly disagreed that the council considered the community feedback in its decision making. The full results are presented in Figure C.2 in Appendix C.

We considered these concerns, taking account of all the information available to us. Our assessment is discussed below.

5.2 Our assessment of council's engagement and consultation

To assess the effectiveness of the council's community engagement and consultation on the proposed SV, we considered whether:

- the information provided to ratepayers was generally sufficient and clear
- the variety of engagement methods used were effective
- the process used to consult the community provided timely opportunities for ratepayers to provide input and feedback on the proposed SV
- the outcomes from the consultation were considered in preparing the SV application.

Information provided to ratepayers

We found that the materials that the council provided to ratepayers about the proposed SV were clear and contained the relevant information to make the community aware of the need for the rate increases.

The council's consultation materials set out:

- the financial need for the SV, the council's financial position and the impact of the SV
- the full cumulative percentage increase of the proposed SV and the projected average rates in dollar terms for residential, business and farming rating categories
- the full cumulative percentage increase of the proposed SV and the projected rates for the Cadia Valley gold mine
- an updated Long Term Financial Plan (LTFP) detailing what would occur under 3 possible SV scenarios and a base-case scenario without the SV
- the council's implemented improvements and efficiencies
- what the additional income from the proposed SV would fund
- a Pensioner and Hardship Policy for vulnerable ratepayers
- how to find out more information.

However, the council's Delivery Program did not set out the extent of the rate rise. Despite this, we found that the council provided sufficient information to its community about its SV application.

Engagement methods used

We found that the council used an appropriate variety of engagement methods. We note that we received some feedback in submissions to us that the council failed to give enough notice for its community consultation sessions and that they ran them in an unproductive format. However, we consider there is sufficient evidence that the council promoted awareness of its proposed rate increase and provided sufficient opportunity for ratepayers to provide feedback. For example, its engagement activities throughout the consultation period included:

- a letter from the mayor and a 2-page information sheet sent to 3,456 ratepayers
- an email to all tenants through reaching out to 8 real estate agencies
- a total of 6 weekly newspaper advertisements in the Blayney Chronicle, including updates to the community on some of the key questions and topics of discussion in that particular week
- information in 2 editions of the monthly e-newsletter, sent to the council's 627 subscribers
- 12 Facebook posts that were posted to 5,010 followers, with a total reach of 10,281
- a dedicated SV website that received 803 page visits
- an online submission form that received 28 written or emailed submissions
- 11 community drop-in sessions held at diverse times, which allowed residents to ask tailored and individual questions. These were attended by 95 members of the community.
- face-to-face forums with a variety of community groups
- a meeting with 2 representatives from Cadia Valley gold mine
- a meeting with a representative of the new McPhillamys gold mine
- a meeting with the Lyndhurst Village Committee attended by 10 community members
- 2 meetings with the Blayney branch of the NSW Farmers Association attended by a total of 89 farmers
- a media release resulting in 3 news articles and 4 interviews.[32]

We note that the LGA has a total population of approximately 7,500 and just over 4,000 rate assessments.[33]

Process for community consultation

We found the process the council used to engage with and consult the community about the proposed SV was effective. The council took considerable effort throughout its engagement period, and consulted with the community from 10 November to 15 December 2023. The consultation period provided enough opportunity for ratepayers to be informed and provide feedback on the proposal.

The drop-in sessions reached 95 ratepayers, and the council received 28 submissions. A total of 89 farmers attended 2 meetings with the Blayney branch of the NSW Farmers Association.

Outcomes of community consultation

As noted above, Criterion 2 does not require the council to demonstrate community support for the proposed special variation. However, it does require the council to consider the results of community consultation in preparing its application.

We found that Blayney Shire Council did consider these results at its ordinary meeting on 23 January 2024.[34]

The council prepared a Community Engagement Outcomes Report. The report aggregated feedback from stakeholders at community consultation sessions, meetings and the online submissions that the council received. The council found that the community's response to the proposed SV was generally negative, with the majority of stakeholders opposing the SV. However, it noted that responses were generally more positive when the council had the opportunity to fully articulate the background and need for the SV.

The council did not conduct a survey of ratepayers. It offered the opportunity for stakeholders to submit directly to the SV webpage. Of the 28 submissions it received:

- 25 opposed the SV proposal
- 1 neutral
- 2 were supportive of the SV proposal.[35]

Of those who opposed the SV, feedback included:

- concerns that the SV increase would be too high and unaffordable (particularly for pensioners and retirees), especially in the current economic conditions of inflation, interest rate rises and general cost of living pressures
- concerns that the SV increase would cause large rate increases for farmers, who pay the highest average rate (excluding mining) in the LGA
- the council should achieve further operational efficiencies, productivity improvements and cost savings prior to seeking the SV
- the proposed increase was too high and not feasible for ratepayers to afford. Some respondents understood the need for an increase in rates but believed the increase proposed was too significant
- dissatisfaction with the council's current service levels, summarised by:
  - local infrastructure, including roads, not being effectively maintained
  - not getting value-for-money from rates
  - the SV will not improve service delivery
  - discussion about what services should be delivered by the council
  - discussion regarding grant funded built assets and their ongoing maintenance.[36]

The council stated that residents that indicated their support for the SV suggested that they did so because they understood the council's need for the rate increase. The council heard that these people wanted Blayney Shire to 'continue to be a progressive community'.[37]

The council addressed the concerns of stakeholders by providing a response to each in its community engagement report.[38] At the council's Ordinary Meeting on 23 January 2024, councillors were presented with the outcomes of the report before resolving to proceed with the SV application.[39]

6 Our assessment: OLG Criterion 3 - Impact on ratepayers

We assess the council's SV application against the 6 criteria set out in the OLG Special Variations Guidelines.

For this criterion, we found that the council has demonstrated that the impact of its proposed special variation on ratepayers is reasonable.

> Criterion 3 requires the council to show that the impact on ratepayers is reasonable considering current rates, the community's capacity to pay and the proposed purpose of the special variation.

Note: See Appendix A for the full criterion.

To assess this criterion, we considered stakeholder comments on the SV's impact on ratepayers received through the feedback form and submissions and analysed the council's assessment of the impact of its proposed SV on ratepayers.

We then compared the current and proposed rate levels to similar councils along with the community socio-economic indicators, and balanced this with any measures the council has in place to mitigate impacts.

The sections below discuss our assessment, and why we found that the council met this criterion.

6.1 Impact of the proposed SV on average rates

The council calculated the average impact on ratepayers. Table 6.1 sets out its expected increase in average rates in each main ratepayer category under the proposed 3-year permanent SV. It shows that from 2024-25 to 2026-27:

- the average residential rate would increase by $251.25 or 33.1% in total
- the average business rate would increase by $437.84 or 33.1% in total
- the average farmland rate would increase by $1099.52 or 33.1% in total
- the average mining rate would increase by 33.1%
  - the Cadia Valley mining rate would increase by $1,612,946 or 33.1%
  - the Ordinary mining rate (includes 1 rateable assessment) would increase by $7313.51 or 33.1%.

Table 6.1 Impact of the proposed special variation on average rates

	2023-24	2024-25	2025-26	2026-27	Cumulative increase
Residential average rates ($)	759	835	918	1,010	
$ increase		76	83	92	251
% increase		10.0	10.0	10.0	33.1
Business average rates ($)	1,323	1,455	1,601	1,761	
$ increase		132	146	160	438
% increase		10.0	10.0	10.0	33.1
Farmland average rates ($)	3,322	3,654	4,019	4,421	
$ increase		332	365	402	1,100
% increase		10.0	10.0	10.0	33.1
Cadia Valley mining rate ($)	4,872,950	5,360,245	5,896,269	6,485,896	
$ increase		487,295	536,024	589,627	1,612,946
% increase		0.10	0.10	0.10	33.1
Ordinary mining rate ($) (1 rateable assessment)	22,095	24,305	26,735	29,409	
$ increase		2,210	2,430	2,674	7,314
% increase		0.10	0.10	0.10	33.1

Note: These figures have been rounded in calculation and therefore summations on a whole may not appear to be correct.
a. The mining rate category considers increases in the average rate for Blayney Shire Council's 2 currently existing ratepayers; the Cadia Valley Operations gold/copper mine and one Ordinary mining ratepayer.

Source: Blayney Shire Council, Application Part, WS7 and IPART calculations.

6.2 Stakeholder comments on impact on ratepayers

In our feedback form, we asked respondents how much they agree or disagree with 4 statements about the affordability of the rate increase proposed by council. We received 48 responses. Over 3 quarters of responses did not agree that the rate increase was affordable (disagreed or strongly disagreed). A similar proportion did not agree that the application considers financial constraints of ratepayers, different options to reduce the financial impact on ratepayers, or balances the community's need for services and its impact on ratepayers. The results are presented in Figure C.3 in Appendix C.

In our submissions, we heard that:

- a rise in rates would have a significant impact on the community in a cost-of-living crisis
- a rates increase would especially impact young families and force residents to live elsewhere.

We have considered these concerns as part of our assessment of this criterion, alongside other available information. We acknowledge that ratepayers are experiencing cost-of-living pressures, and the rate increases associated with the SV will add to those.

However, on balance, we consider the impact of the increases is reasonable, given the council's Pensioner and hardship policy (see section 6.5) and that its average rates would be in line with comparable councils, even with the SV (see section 6.4).

6.3 The council's assessment of the proposed SV's impact on ratepayers

The criterion requires that the Delivery Program and LTFP 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.

The council's IP&R documents

We found that the council's LTFP clearly communicates the average rates per category if the proposed SV of 33.1% (10.0% each year) was implemented.[40] The LTFP also clearly shows the total (cumulative) dollar increase per rating category, after the SV.[41] We found that the council has considered the impact of the proposed SV on ratepayers.

The council's consideration of capacity to pay

The council's Capacity to Pay Report evaluated relative wealth and financial capacity to pay the proposed rate increase within the Blayney Shire local government area (LGA). It also examines the financial vulnerability and exposure of different community groups within the LGA.[42]

The report concluded:

- The impact of the proposed SV should be proportionate to an area's disadvantage, as average land values tend to be higher in the more advantages areas of the LGA.[43] For instance:
  - The 'Rural North-East and North-West' area has the highest weekly dollar increase. This area has a significant level of advantage, as demonstrated by high levels of equivalised income, high socioeconomic scores and high levels of home ownership.
  - The 'Blayney and Carcoar' area has 49% of the LGA's residential ratepayers. The ratepayers will receive a lower increase in average rates.
  - Farmland ratepayers in the 'Rural South' area will see the largest increase in farming rates due to higher average land values. This area has 288 farmland ratepayers, and only 5 farmland ratepayers have been assessed as pensioners.
  - The 'Rural North-East and North-West' area will see the next largest increase in farming rates, due to slightly lower land values. This area has the most farmland ratepayers at 371.
- The council should provide appropriate support for vulnerable ratepayers.[44]
- The council had a very low level of outstanding rates of 1.24% for 2022-23. This is significantly below the NSW benchmark for rural councils of 10% and the OLG Group 10 Councils average for 2021-22 of 6.8%.[f,45]

[f] In its report, the council stated that low levels of outstanding rates indicated willingness to pay. While it is an important indicator for capacity to pay we consider that it is not a reflection of willingness to pay.

6.4 Our analysis of the SV's impact on ratepayers

To assess the reasonableness of the impact on ratepayers, we considered:

- how the council's rates have changed over time
- how current and proposed rates compare to councils in similar circumstances
- the community's capacity to pay based on census data and hardship data from the council
- what hardship provisions the council has in place to mitigate the impact.

We note that residential, farming and business rates contributed around 50% of rates income in 2023-24, The remaining 50% was attributed to the 2 mining ratepayers. In other words, the rating burden for Blayney Shire Council falls largely on mining ratepayers. The impact of rate changes on the other ratepayers depends on the valuation of the mine. The council indicated in Part B of its application that if the Cadia Valley gold mine reduces or closes its operations, or the new McPhillamys mine does not receive approval or is delayed, then the council may need to have future discussions with the community about a further special variation or service reductions.

How the council's rates have changed over time

Over the past 5 years, the average annual growth in the council's residential rates has been higher than the rate peg. This may be due to the Additional Special Variation and supplementary valuations. As Table 6.2 shows, residential rates have increased at an annual average rate of 3.18%, compared to the average rate peg of 2.44% over the same period.

Table 6.2 Historical average rates in Blayney Shire Council ($nominal)

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Average annual growth (%)
Residential	649	672	689	711	732	759	3.2
Business	1,080	1,175	1,184	1,211	1,218	1,323	4.1
Farmland	2,881	2,948	3,019	3,086	3,170	3,322	2.9
Mining	2,144,519	2,202,195	2,261,043	2,303,259	2,359,620	2,447,522	2.7

Note: The 22-23 rates are an estimate based on 2021-22 rates escalated by the rate peg or the council's SV.

Source: Blayney Shire Council, email to IPART on 3 April 2024.

How the council's rates compare to other councils

We compared the council's average rates currently, and what they would be with the SV, with those of similar and nearby councils. We have considered this together with the socio-economic data comparisons set out below to help us assess the reasonableness of the proposed rate increase.

Box 6.1 provides more information about how we compared councils.

Box 6.1 Comparable councils

In our analysis of rate level and capacity to pay indicators, we have compared Blayney Shire Council to other councils in several ways.

Other councils with similar Socio-Economic Indexes for Areas (SEIFA) rank

SEIFA ranks areas in Australia according to relative socio-economic factors. It is developed by the Australian Bureau of Statistics using 2021 census results. We considered the 'Index of Relative Socio-economic Advantage and Disadvantage' which includes 23 variables covering income, household make-up, housing, education levels and employment.

Blayney Shire Council has a SEIFA rank of 73 out of 128 NSW councils. A lower number means more relative disadvantage.

We have compared the council's average rates with those of other regional councils with a similar SEIFA rank to help us assess how reasonable they are: the 4 rural councils with the closest SEIFA rank are Uralla, Greater Hume, Bellingen and Bland.

Office of Local Government (OLG) groups

The OLG groups similar councils together for comparison purposes. This is based on broad measures such as level of development, typical land use and population.

Councils in each group may have some similarities in service levels and costs, although there can be some broad differences within each OLG Group.

Blayney Shire Council is in OLG Group 10 which is considered a 'large rural' area with population of 5,001-10,000. OLG group 10 has 23 councils in total, including Forbes, Narromine, Oberon and Upper Lachlan Councils.[46]

Neighbouring councils

Comparing to neighbouring and nearby council areas can help ratepayers assess the level of rates they pay as they may be better able to also see differing service levels across councils.

The councils we have used for this comparison are Bathurst Regional, Cabonne, Cowra, and Orange City Council's. These are the 4 councils that share a common border with Blayney Shire Council.

As Table 6.3 and Table 6.4 show, in 2023-24 the council's:

- average residential rates are lower than the average of comparable councils based on both SEIFA and the OLG Group. By the final year of the SV, the average residential rates would be $1,010, still below the average of all neighbouring, comparable SEIFA councils and OLG Group 10 councils.
- average business rates are currently lower than most neighbouring councils and the average of other Group 10 councils. The business rates are more variable amongst the comparator councils than residential rates.
- average farmland rates are currently higher than neighbouring councils but similar to comparable councils based on both SEIFA and the OLG Group 10. By the final year of the SV, the average farmland rate will be higher than most comparable councils by geography, SEIFA or OLG group.

Mining rates are very difficult to compare across councils, as there is a range of factors that can determine the level of these rates.

Table 6.3 Comparison of the council's average residential rates under the proposed SV

Council	Average residential rate ($)			
	Current	2024-25	2025-26	2026-27
Blayney Shire Council	759	835	918	1,010
Neighbouring councils				
Bathurst Regional	1,248	1,308	1,341	1,374
Cabonne	806	843	864	885
Cowra	539	563	577	591
Orange City	1,587	1,661	1,703	1,745
Average	**1,255**	**1,314**	**1,347**	**1,381**
Comparable councils (SEIFA)				
Uralla	759	794	814	834
Greater Hume Shire	924	972	997	1,022
Bellingen	1,489	1,608	1,705	1,807
Bland	1,420	1,484	1,521	1,559
Average	**1,153**	**1,231**	**1,288**	**1,347**
Group 10 average (excl. Blayney Shire Council)	**932**	**986**	**1,017**	**1,043**

a. The average rate is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category.
b. To derive the 2023-24 average rates for comparable councils, we used OLG's time series data as at 2021-22 (latest available) and escalated this by its 2022-23 and 2023-24 rate peg, or if applicable, its approved SV.
c. To derive the 2024-25 average rates for comparable councils, we used OLG's time series data as at 2021-22 (latest available) and escalated this by its 2022-23, 2023-24, 2024-25 rate peg, or if applicable, its approved SV.
d. To derive the average rates beyond 2024-25 for comparable councils, we used OLG's time series data as at 2021-22 (latest available) and escalated this by its 2022-23, 2023-24, 2024-25 rate peg then an assumed rate peg of 2.5%, or if applicable, its approved SV.

Source: OLG, Time Series Data 2021-22; ABS, 2021 Census DataPacks, General Community Profile, Local Government Areas, NSW and IPART calculations.

Table 6.4 Comparison of the council's average business and farmland rates under the proposed SV

Council	Average business rate ($)				Average farming rate ($)			
	Current	2024-25	2025-26	2026-27	Current	2024-25	2025-26	2026-27
Blayney Shire Council (OLG Group 10)	**1,323**	**1,455**	**1,601**	**1,761**	**3,322**	**3,654**	**4,019**	**4,421**
Neighbouring councils								
Bathurst Regional	4,677	4,902	5,025	5,150	1,636	1,714	1,757	1,801
Cabonne	653	683	700	717	2,880	3,010	3,085	3,162
Cowra	3,613	3,776	3,870	3,967	2,128	2,224	2,279	2,336
Orange City	6,516	6,823	6,993	7,168	2,075	2,173	2,227	2,283
Average	**4,720**	**4,943**	**5,067**	**5,193**	**2,272**	**2,376**	**2,435**	**2,496**
Comparable councils (SEIFA)								
Uralla	723	755	774	793	4,281	4,473	4,585	4,700
Greater Hume Shire	570	599	614	630	2,487	2,616	2,681	2,748
Bellingen	1,490	1,610	1,706	1,809	3,239	3,498	3,708	3,930
Bland	1,284	1,341	1,375	1,409	3,300	3,448	3,534	3,623
Average	**944**	**1,008**	**1,055**	**1,104**	**2,892**	**3,049**	**3,140**	**3,234**
Group 10 average (excl. Blayney Shire Council)	**1,835**	**1,944**	**2,003**	**2,053**	**3,401**	**3,610**	**3,734**	**3,827**

a. The average rate is calculated by dividing total Ordinary Rates revenue by the number of assessments in the category.
b. To derive the 2023-24 average rates for comparable councils, we used OLG's time series data as at 2021-22 (latest available) and escalated this by its 2022-23 and 2023-24 rate peg, or if applicable, its approved SV.
c. To derive the 2024-25 average rates for comparable councils, we used OLG's time series data as at 2021-22 (latest available) and escalated this by its 2022-23, 2023-24, 2024-25 rate peg, or if applicable, its approved SV.
d. To derive the average rates beyond 2024-25 for comparable councils, we used OLG's time series data as at 2021-22 (latest available) and escalated this by its 2022-23, 2023-24, 2024-25 rate peg then an assumed rate peg of 2.5%, or if applicable, its approved SV.

Source: OLG, Time Series Data 2021-22; ABS, 2021 Census DataPacks, General Community Profile, Local Government Areas, NSW and IPART calculations.

Socio-economic indicators, hardship, and outstanding rates data

We considered some socio-economic indicators to understand the community's capacity to pay and levels of vulnerability in the community. We considered these together with the average rate levels set out above, and the hardship assistance available to vulnerable ratepayers.

This assessment focusses on residential rates. Residential ratepayers represent the majority of ratepayers in the Blayney LGA.[g] However we note that they do not contribute the largest proportion of rates income for the council. Mining rates account for approximately half of rates income for Blayney Shire council.[47] Farmland rates account for around 24% and residential rates account for around 23%.[48]

Our approach is explained in Box 6.2 and our analysis is presented below.

[g] Note that our assessment looks at the community as a whole and does not distinguish between those that directly pay rates and those that may indirectly be impacted.

Box 6.2 How we assessed capacity to pay

To help us understand the impact on residential ratepayers, we have considered select socio-economic indicators and compared these to the councils outlined in Box 6.1. We also collected historical hardship and outstanding rates data from the council. These provide an indication of the ability to pay additional increases and are useful to consider together with the rate comparison.

Socio-economic indicators from 2021 census

We considered:

- The median income levels, and the ratio of average residential rates to median household income, which are indicators of capacity to absorb cost increases
- the proportion of people on select Government payments[h], which could be an indicator of levels of vulnerability as recipients may generally be on lower and fixed incomes
- the level of outright home ownership, where higher home ownership may indicate that a household may have more capacity to pay, as mortgage or rent payments do not need to be covered
- the proportion of occupied private dwellings where 30% or more of the household's imputed income is put towards housing costs can be an indicator of cost-of-living pressures. However, putting 30% or more of a household's imputed income towards housing may not always be a sign of financial stress. A household may choose to make more mortgage repayments or reside in a more expensive area and have a sufficiently high income.

We also note that interest rates and cost of living have increased since this data was collected in the 2021 census.

Table 6.5 below shows that, socio-economically, the residents of Blayney Shire Council are in a better position than the comparable councils, with some indicators suggesting a better ability to pay rates and some suggesting less hardship. In particular:

- Median income is above its neighbouring areas, noting that the neighbouring LGA's of Bathurst and Orange are regional centres. It is also higher than in comparable councils by SEIFA, and higher than the Group 10 average.
- The typical household in Blayney Shire Council would spend around 0.9% of the household income towards residential rates. This is less than the average that all neighbouring councils would spend (1.3%), and less than that of comparable councils by SEIFA (1.7%) and OLG Group 10 councils (1.5%).

[h] These are the Age Pension, Disability Support Pension and JobSeeker Payment.

- 1.4% of the council's rates were outstanding, which is considerably lower than every comparable council and under the OLG benchmark of below 10%.
- 40.1% of dwellings in the council are owned outright, which is above the average of neighbouring councils and in line with other comparable councils.

Table 6.5 Comparison of the council's socio-economic indicators

	Median annual household income ($)[a]	Current average residential rates to median household income ratio (%)[b]	Outstanding rates and annual charges ratio (%)[c]	Proportion of population in receipt of select Government payments (%)[d]	Proportion of households that pay more than 30% of income towards housing costs[e]	Dwelling owned outright (%)[f]
Blayney Shire Council (OLG Group 10)	80,444	0.9	1.4	17.0	9.5%	40.1
Neighbouring councils						
Bathurst	82,420	1.5	7.9	17.5	12.6%	34.0
Cabonne	79,976	1.0	5.2	16.8	7.9%	44.5
Cowra	57,824	0.9	12.5	27.2	10.1%	43.8
Orange	86,580	1.8	12.1	17.9	12.9%	30.8
Average	**76,700**	**1.3**	**9.4**	**18.7**	**11.9%**	**38.3**
Comparable councils (SEIFA)						
Uralla	69,992	1.1	9.3	20.7	8.7%	42.5
Greater Hume Shire	73,840	1.3	5.5	17.3	7.5%	43.0
Bellingen	62,244	2.4	3.1	25.5	14.8%	48.0
Bland	68,952	2.1	5.5	19.3	5.2%	47.1
Average	68,757	1.7	5.9	21.2	10.1%	45.2
Group 10 average (excl. Blayney Shire Council)	**64,286**	**1.5**	**8.7**	**24.2**	**9.3%**	**44.1**

a. Median annual household income is based on 2021 ABS Census data.
b. The 2023-24 average rates for comparable councils are calculated based on the OLG's time series data as at 2021-22 (latest available data) escalated by a Council's 2022-23 and 2023-24 rate pe or approved SV, as relevant.
c. The Outstanding rates ratio (%) is derived from the OLG's Rates & Annual Charges Outstanding Percentage for the General Fund as at 2021-22 (latest available data). The formula is 'rates and annual charges outstanding ($) *divided by* 'rates and annual charges collectible' ($).
d. Proportion of population in receipt of select Government payments (%) is based on the total number of Age Pension, Disability Support Pension and the JobSeeker Payments *divided by* the estimated regional population from the 2021 ABS Data by Region.
e. Proportion of occupied private dwellings where 30% or more of the household's imputed income is put towards housing costs payments is calculated by the following formula = [households where mortgage repayments are more than 30% of the imputed household income (no.) + households where rent repayments are more than 30% of the imputed household income (no.)] / total occupied private dwellings (no.). These measures are from the 2021 ABS Data by Region.
f. Dwelling owned outright (%) is from the 2021 ABS Data by Region.

Source: OLG, Time Series Data 221-22; ABS, Socio-economic Indexes for Areas (SEIFA) 2021, March 2023; ABS, 2021 Data by Region, Local Government Areas, NSW, Median Weekly Household Income and IPART calculations.

Impact on farmland rates

We heard from responses to our feedback form that farmland ratepayers are paying inequitable rates compared to residents and businesses. They raised that farmers should not be required to pay 3 to 4 times more than residents given that the level of service they receive from council is often less than residents and businesses. One community member stated that the council focuses on the town of Blayney while reducing services in their smaller communities.

The council met with the Blayney branch of the NSW Farmers Association on 2 occasions. These meetings were attended by a total of 89 farmers. The council heard that the farming rate category has the highest average rate (excl. mining) and therefore farmers will be impacted the most by an SV. It was implied that farmers subsidise residential ratepayers with their high average rates.[49]

The council responded by acknowledging the sensitivity of the farming sector to cost of production increases. The council mentioned that they have prioritised recent expenditure in rural areas, particularly on roads, bridges and culverts.

6.5 The council's hardship policy and availability of concessions

A hardship policy can play an important role in mitigating the impact of an SV on vulnerable ratepayers. We are satisfied that the council has a Pensioner and Hardship Assistance Policy in place to assist vulnerable ratepayers, and it has appropriate strategies to make its community aware about how to access this.

The hardship policy provides assistances, such as:

- Periodical payment arrangements for overdue rates and charges
- Writing off or reducing interest accrued on rates and charges
- Waiving, reducing or deferring the payment of the increase in the amount of rate payable because of hardship resulting from general revaluation of land in the LGA
- Waiving, or reducing rates, charges and interest of eligible pensioners
- Back dating pensioner rebate claims.[50]

The council also has a debt recovery process focussed on early-stage intervention. When a rates payment is missed and contact cannot be made, a compassionate visit is organised by the council to assist with a payment plan to avoid rates becoming unmanageable.[51]

The council has told us that the policy is available on the council's website and the policy is communicated to ratepayers with the issue of rate notices each year.[52]

7 Our assessment: OLG Criterion 4 - IP&R documents

We assess the council's SV application against the 6 criteria set out in the OLG Special Variations Guidelines.

For this criterion, we found that the council exhibited (where required), approved and adopted its Integrated Planning & Reporting (IP&R) documentation appropriately.

Criterion 4 requires the council to exhibit (where required), approve and adopt the relevant Integrated Planning and Reporting (IP&R) documents before applying for the proposed SV.

Note: See Appendix A for the full criterion.

To assess whether the council met this criterion, we checked the information provided by the council. We found that it met the criterion.

The relevant IP&R documents are described in Box 7.1.

The adopted LTFP is available on the council's website.

The council:

- exhibited its current Community Strategic Plan from 22 April to 19 May 2023 and adopted it on 7 June 2023[53]
- exhibited its current Delivery Program from 10 November to 15 December 2023 and adopted it on 23 January 2024[54]
- exhibited its current LTFP from 10 November to 15 December 2023 and adopted it on 23 January 2024[55]
- adopted its Asset Management Strategy on 23 January 2024[56]
- submitted its SV application on 2 February 2024.[57]

Box 7.1 Integrated Planning & Reporting (IP&R) documents

The Integrated Planning and Reporting (IP&R) framework allows councils and the community to engage in important discussions about service levels and funding priorities and to plan for a sustainable future. This framework underpins decisions on the revenue required by each council to meet the community's needs.

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

Source: Office of Local Government Integrated Planning and Reporting Guidelines

8 Our assessment: OLG Criterion 5 - Productivity and cost containment strategies

We assess the council's SV application against the 6 criteria set out in the OLG Special Variations Guidelines.

For this criterion, we found that the council explained and quantified the productivity improvements and cost containment strategies it has realised and plans to realise from 2024-25 to 2026-27.

> Criterion 5 requires councils to explain and quantify the productivity improvements and cost containment strategies that have been realised in past years and are expected to be realised over the years of the proposed SV.
>
> Councils should present their productivity improvements and cost containing strategies in the context of ongoing efficiency measures and indicate if the estimated financial impact of those measures have been incorporated in the council's Long Term Financial Plan.

Note: See Appendix A for the full criterion.

To assess this criterion, we considered stakeholders' comments on the council's productivity and cost containment strategies that we received through the feedback form and submissions, analysed the information provided by the council, and examined some key indicators of the council's efficiency.

The sections below discuss our assessment, and why we found that the council met this criterion.

8.1 Stakeholder comments on productivity and cost containment

We heard from submissions that the council has not used its resources efficiently. Some ratepayers raised that the council's inefficiencies should be addressed before it is granted an SV. One submission questioned the council's recent purchase of new vehicles, and suggested that it could limit the running costs of the town's swimming pool. We heard that the council could reduce the number of staff. We heard calls for an audit to find further efficiencies in the council's spending.

Further, in our feedback form, we asked respondents how much they agree or disagree with 3 statements about the council's efficiency and communication of cost-saving strategies.

We received 48 responses. Of these, around 2 thirds either disagreed or strongly disagreed that the council has explained to the community its past cost-saving strategies and future cost-saving strategies. One quarter (12) of respondents either agreed or strongly agreed that the council is effective in providing infrastructure and services for the community. The full results are presented in Figure C.4 in Appendix C.

We have considered these concerns as part of our assessment of this criterion.

8.2 The council's realised and proposed savings

The council produced an Organisation Sustainability Review and Improvement Plan, which evaluates the councils past, present and future cost saving and revenue increasing initiatives. These include:

- 36 past improvements that have been enacted
  - Totalling $690,000 per year of ongoing savings and $1 million in one-off savings
- 26 proposed present improvements to be enacted now and in the near future
  - New annual net operating savings of $203,000
- 13 potential future improvements.[58]

8.3 Our analysis of the council's information on productivity and cost containment strategies

We consider the council:

- demonstrated it has achieved past achievements in delivering productivity improvements and cost containment
- outlined strategies and activities for further improving its productivity and efficiency,
- has clearly quantified its annual cost saving and revenue initiatives in its LTFP

We have assessed that the council has demonstrated this criterion.

Productivity and cost containment strategies to date

In its SV application, the council estimates the delivery of past improvements has totalled $690,000 per year in financial benefits to the council. These have produced a one-off benefit of $1 million and a cashflow benefit of some $4 million in grant funds for asset renewal projects previously allocated in the LTFP to be funded from general fund revenue.[59]

The application and the consultant report indicated that the savings are the result of the following key initiatives:

- introduction of LED street and facility lighting
- standardising the type of, and reducing the number of, public litter bins
- using material from the council's quarries rather than external purchasing
- a transfer pricing review to ensure costs in the General Fund are accurately attributed to Sewer Fund and Domestic Waste Management Service
- review of cemetery mowing and weed management
- review of the council's digital services contract
- review of communication lines and associated rental costs

- review of sanitation bin services
- joint procurement initiative with neighbouring councils
- savings on electricity due to solar implementation on council buildings including the community centre, council works depot and sewer treatment plant
- sale of Inala self-care units to an affordable housing provider
- utilisation of drones in waste and quarry operations to undertake quarterly volumetric surveys
- verge maintenance review
- CentrePoint Sport and Leisure Centre Stage 2 Upgrades including insulated roof panel, stormwater harvesting and solar PV panels.[60]

Planned productivity and cost containment strategies

We found that the council outlined strategies and activities for further improving its productivity and efficiency in its application. These are:

- Further review of CentrePoint sport and leisure centre management model and future with current provider.
- Review into additional solar and battery storage facilities at current and new sites.
- Investigate expansion of the council's quarry.
- Ongoing review and assessment of workforce needs.
- Review plant utilisation and dispose of underutilised plant.
- Review how future capital grants are assessed and taken up.[61]

A further 13 future improvements are incorporated within the improvement plan that require further evaluation.

The council provides this information in its LTFP. We note that the council provided the Organisation Sustainability Review and Improvement Plan as supporting material for this criterion. This document provides detail on its ongoing and future improvement initiatives.

8.4 Indicators of the council's efficiency

We examined indicators of the efficiency of the council's operations and asset management processes, including how its efficiency has changed over time and how its performance compares with that of similar councils. This data is presented in Table 8.1 and Table 8.2 below.

We found that between 2017-18 and 2021-22, the council's:

- number of full time equivalent (FTE) staff, on average, has decreased by -1.1% nominal each year
- average annual cost per FTE increased by 3.6% nominal each year
- employee costs as a percentage of operating expenditure have decreased steadily at approximately -0.8%.

We also found that the council has:

- less staff per population than the OLG Group 10 average – it has one FTE for every 85.3 residents, whereas the Group 10 average is one FTE for every 60 residents
- operating expenditure per capita is significantly lower than the Group 10 average.

These performance indicators only provide a high-level overview of the council's productivity at a point in time. Additional information would be required to accurately assess the council's efficiency and its scope for future productivity gains and cost savings.

Table 8.1 Trends in selected indicators for Blayney Shire Council

Performance indicator	2017-18	2018-19	2019-20	2020-21	2021-22	Average annual change (%)
FTE staff (number)	92	95	95	93	88	-1.1
Ratio of population to FTE	79.8	77.3	77.7	79.4	85.3	1.7
Average cost per FTE ($)	70,663	75,137	74,021	76,602	81,443	3.6
Employee costs as % of operating expenditure (General Fund only) (%)	39.7	39.8	37.7	37.5	38.4	-0.8

Source: OLG, Time Series Data 2021-22, IPART calculations.

Table 8.2 Select comparator indicators

	Blayney Shire Council	OLG Group 10 Average	NSW Average
General profile			
Area (km2)	1,525	9,403	5,560
Population	7,508	7,107	63,664
General Fund operating expenditure ($m)	18.0	26	95.5
General Fund operating revenue per capita ($)	3,652	5,009	N/A
Rates revenue as % of General Fund income (%)	38.0	22	44.4
Own-source revenue ratio (%)	45.7	41	64.4
Productivity (labour input) indicators			
FTE staff	88.0	118.5	386.6
Ratio of population to FTE	85.3	60.0	164.7
Average cost per FTE ($)	81,443	82,717	98,015
Employee costs as % of operating expenditure (General Fund only) (%)	38.4	34	37.5
General Fund operating expenditure per capita ($)	2,396	3,718	1,500

Source: OLG, Time Series Data 2021-22 and IPART calculations.

9 Our assessment: OLG Criterion 6 - Any other matter that IPART considers relevant

Criterion 6 provides that IPART may take into account any other matter that it considers relevant.

We consider that a relevant matter is whether the council has been granted an SV in recent years, and if so, whether the council has complied with any conditions attached to that SV.

IPART has approved 3 previous permanent special variations for Blayney Shire Council:

- In 2022-23 IPART approved a permanent Additional Special Variation (ASV) for the council of 2.5%.
- In 2014-15 IPART approved a permanent SV of 10.04% to improve financial sustainability whilst maintaining assets and service levels.
- In 2012-13 IPART approved a permanent SV of 40.7% to account for a land revaluation resulting in a large increase in the land value of the Cadia Valley Operations gold and copper mine site.

The council indicated in its current SV application that it has complied with the conditions outlined in its previous SVs. It provided extracts from its annual reports in the relevant periods to help demonstrate its compliance. We also assessed compliance from its published annual reports where necessary. Our assessment of the council's compliance with previous SVs is provided in Table 9.1

Table 9.1 Blayney Shire Council's compliance with previous SVs

Year	Approval condition	Our assessment of compliance
2022-23	That the Council reports, in its annual report for the Year 2022-23, on the following for that Year: • the Council's actual revenues, expenses and operating balance against the projected adjusted revenues, expenses and operating balance specified in its application. • any significant differences between the Council's actual revenues, expenses and operating balance and the projected adjusted revenues, expenses and operating balance specified in its application, and the reasons for those differences; and • the Additional Income raised by this additional special variation.	We have reviewed the council's annual reports from 2022-23 and have assessed that the council has complied with these conditions.
2014-15	That the council reports in its annual report for each rating year over the period from 2014-15 to 2023-24 on: • The program of expenditure that was actually funded by the special variation and the reasons for any significant differences from the program listed in Appendix A of IPART's determination, and • The outcomes achieved as a result of the special variation.	We have reviewed the council's annual reports from 2014-15 o 2022-23 (the latest available) and have assessed that the council has complied with these conditions.
2012-13	That the council reports in its annual report for each rating year over the period from 2012-13 to 2021-22 on: • expenditure on the program on infrastructure • the outcomes achieved as a result of the special variation • its asset renewal and maintenance expenditure • its actual productivity savings achieved, and • any significant variations from its financial results as forecast in its LTFP and any corrective action taken or not be taken	We have reviewed the council's annual reports from 2012-13 to 2021-22 and have assessed that the council has complied with these conditions.

10 IPART's decision on the special variation

Based on our assessment of the council's application against the 6 OLG criteria and consideration of stakeholder feedback, we have approved the council's proposed permanent SV to general income from 2024-25 to 2026-27.

The approved increase to general income is set out in Table 10.1 below.

Table 10.1 IPART's decision on the special variation to general income (%)

	2024-25	2025-26	2026-27
Annual percentage increase (%)	10.0	10.0	10.0
Cumulative increase (%)		21.0	33.1

Source: IPART calculations.

Our *Instrument Under Section 508A of the Local Government Act 1993 - Special Variation Instrument - 2024-25 - Blayney Shire Council* gives legal effect to this decision and sets out the conditions of approval.

10.1 Reasons for our decision

We found that the council met each of the OLG criterion, as set out in chapters 4-9.

Without the SV, its operating expenses would continue to exceed its revenue from 2023-24 for the next 10 years. This is unsustainable if the council is to continue to provide services at current levels and maintain its assets.

Some stakeholders have told us that the SV is likely to create affordability challenges – particularly when combined with other cost-of-living pressures. The council demonstrated that the impact on ratepayers is reasonable, considering its current rates and the community's capacity to pay.

The council's current average rates are on par or below those of similar and neighbouring councils. With the approved SV, its average rates are still expected to be in line with the average of similar and neighbouring councils. Median household incomes in the Blayney Shire area are high compared to those of similar and neighbouring councils. The council currently has a low level of outstanding rates.

The council has mechanisms in place to protect vulnerable ratepayers, in its Pensioner and Hardship Assistance Policy.[62] It has a compassionate early-stage intervention process which assists ratepayers who have difficulty paying their rates, and the policy includes hardship assistance due to the impact of special variations.

We also heard concerns around the council's financial management and efficiency. As part of our assessment, we considered whether the council had pursued productivity savings. We found the council has quantified productivity improvement and cost containment initiatives of approximately $690,000 per year.[63]

10.2 We have put conditions on the special variation.

The approved special variation is subject to the following conditions:

- The council use the additional income for the purpose of funding the proposed program.
- The council report in its annual report for each Year from 2024-25 to 2031-32 (inclusive):
  - the program of expenditure that was actually funded by the additional income, and any differences between this program and the proposed program;
  - any significant differences between the council's actual revenues, expenses and operating balance and the projected revenues, expenses and operating balance as outlined in the Long-Term Financial Plan, and the reasons for those differences;
  - the outcomes achieved as a result of the additional income;
  - whether or not the council has implemented the productivity improvements, and
    - i if so, the annual savings achieved through these measures, and what these equate to as a proportion of the council's total annual expenditure; and
    - ii if not, the rationale for not implementing them; and
  - any other productivity and cost containment measures the council has in place, the annual savings achieved through these measures, and what these savings equate to as a proportion of the council's total annual expenditure.

10.3 Impact on ratepayers

IPART sets the maximum allowable increase in the council's general income, but the council determines how it allocates any increase across different categories of ratepayer. Based on what the council has told us in its application, the expected impacts on ratepayers under the approved SV are shown in Table 10.2 below.

This shows that from 2024-25 to 2026-27 if the council chooses to increase rates so as to recover the maximum permitted general income under the approved SV:

- the average residential rate would increase by $251 or 33.1%
- the average business rate would increase by $438 or 33.1%
- the average farmland rate would increase by $1,100 or 33.1%
- the average mining rate would increase by 33.1%
  - the Cadia Valley mining rate would increase by $1,612,946 or 33.1%
  - the Ordinary mining rate (1 assessment) would increase by $7,313.51 or 33.1%.

Table 10.2 Indicative annual increases in average rates under the approved SV (2023-24 to 2026-27)

	2023-24	2024-25	2025-26	2026-27	Cumulative increase
Residential average rates ($)	759	835	918	1,010	

	2023-24	2024-25	2025-26	2026-27	Cumulative increase
$ increase		76	83	92	251
% increase		10.0	10.0	10.0	33.1%
Business average rates ($)	1,323	1,455	1,601	1,761	
$ increase		132	146	160	438
% increase		10.0	10.0	10.0	33.1
Farmland average rates ($)	3,322	3,654	4,019	4,421	
$ increase		332	365	402	1,100
% increase		10.0	10.0	10.0	33.1
Cadia Valley mining rate ($)	4,872,950	5,360,245	5,896,269	6,485,896	
$ increase		487,295	536,024	589,627	1,612,946
% increase		10.0	10.0	10.0	33.1
Ordinary mining rate ($) (1 rateable assessment)	22,095	24,305	26,735	29,409	
$ increase		2,210	2,430	2,674	7,314
% increase		10.0	10.0	10.0	33.1

Note: These figures have been rounded in calculation and therefore summations on a whole may not appear to be correct.
a. The mining rate category considers increases in the average rate for Blayney Shire Council's 2 currently existing ratepayers; the Cadia Valley Operations gold/copper mine and one Ordinary mining ratepayer.

Source: Blayney Shire Council, Application Part A, WS7 and IPART calculations.

10.4 Impact on the council

Our decision means that the council may increase its general income by $979,360 in 2024-25, $1.1 million in 2025-26, and $1.21 million in 2026-27. These increases can remain in the rate base permanently.

Table 10.3 shows the percentage increases we have approved and estimates of the annual increases in the council's permissible general income.

Table 10.3 Permissible general income of council from 2024-25 to final year from the approved SV

	2024-25	2025-26	2026-27
Increase approved (%)	10.00	10.00	10.00
Cumulative increase approved (%)		21.00	33.10
Increase in PGI ($'000)	979.36	1,100.18	1,210.20
Cumulative increase in PGI ($'000)		2,079.54	3,289.74
PGI ($'000)	11,001.80	12,101.98	13,312.17

Source: IPART calculations.

This extra income will enable the council to:

- cover growing costs, which are currently outpacing revenue growth
- continue providing services at their current levels
- maintain asset conditions and address an increased risk of a growing asset backlog.

With the SV, the council's projected:

- OPR will improve and reach around 0% in 2026-27, in line with OLG benchmark– as shown in Figure 4.1 in Chapter 4
- net cash to income ratio, which is currently projected to decline, will stabilise and then increase to around 110% in 2032-33 – as shown in Figure 4.2 in Chapter 4.

Appendices

A Assessment criteria

A.1 Special Variations assessment materials

The Office of Local Government (OLG) sets the criteria for assessing special variation applications in its special variation guidelines. The guidelines help councils prepare an application to increase general income by means of a special variation.

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

IPART applies the criteria in the guidelines to assess councils' applications. In brief, the 6 criteria for a special variation include:

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

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

Criterion 1: Financial need

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

In establishing need for the special variation, the relevant IP&R documents should 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[i]:

- **Baseline scenario –** General Fund revenue and expenditure forecasts which reflect the business as usual model, and exclude the special variation, and

[i] OLG, IP&R Manual for Local Government "Planning a Sustainable Future", March 2013, p 71.

- **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 the community need/desire for service levels/project and limited council resourcing alternatives. Evidence could also include analysis of council's financial sustainability conducted by Government agencies.

In assessing this criterion, IPART will also consider 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.

Criterion 2: Community awareness

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

Criterion 3: Impact on ratepayers is reasonable

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

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

In assessing the impact, IPART may also consider:

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

Criterion 4: IP&R documents are exhibited

The relevant IP&R documents[j] **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. We expect that councils will hold an extraordinary meeting if required to adopt the relevant IP&R documents before the deadline for special variation applications.

Criterion 5: Productivity improvements and cost containment strategies

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

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

Criterion 6: Any other matter that IPART considers relevant

Any other matter that IPART considers relevant.

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

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

B Blayney Shire Council projected revenue, expenses and operating balance

Our analysis of the council's productivity and cost containment can be found in Chapter 8 of this report.

As a condition of IPART's approval, the council is to report until 2031-32 against its proposed SV expenditure and projected revenue, expenses and operating balance as set out in its LTFP (see Table B.1 and Table B.2) It also needs to report on its progress against productivity improvements and cost containment strategies that it set out in its application and are set out below.

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

Productivity improvements and cost containment strategies

As set out in the council's response in section 7.3(a) of its SV Part B application to us, it included:

- 26 present improvements
  - New annual net operating savings of $203,000 over the LTFP period
- 13 potential future improvements.

Table B.1 Long-Term Financial Plan - Summary of projected operating statement for Blayney Shire Council under its proposed SV application ($'000)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
Total revenue	27,280	22,956	25,566	28,747	27,531	28,841	30,149	32,294	31,114
Total expenses	21,527	22,366	23,191	24,136	25,054	25,943	26,752	27,698	28,554
Operating result from continuing operations	5,753	590	2,375	4,611	2,477	2,898	3,397	4,596	2,560
Net operating result before capital grants and contributions	-763	-147	564	1,058	855	548	864	1,253	956
Cumulative net operating result before capital grants and contributions	-763	-910	-346	712	1,567	2,115	2,979	4,232	5,188

Note: These figures have been rounded in calculation and therefore summations on a whole may not appear to be correct.

Source: Blayney Shire Council, Application Part A, Worksheet 10 and IPART calculations.

Table B.2 Proposed Program - Summary of projected expenditure plan for Blayney Shire Council under its proposed SV application ($'000)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34
Operating Expenses										
Fund required maintenance on existing assets	180,965	531,967	926,393	949,553	973,292	997,624	1,022,565	1,048,129	1,074,332	1,101,190
Capital expenses										
Fund required renewal on existing assets	250,000	734,906	1,279,800	1,311,795	1,344,590	1,378,205	1,412,660	1,447,976	1,484,176	1,521,280

Note: These figures have been rounded in calculation and therefore summations on a whole may not appear to be correct.

Source: Blayney Shire Council, Application Part A, WS8 and IPART calculations.

C Results of IPART's public consultation feedback form

As part of our stakeholder engagement, we published a survey that asked respondents 15 questions relating to:

- their support or opposition to the council's SV application
- their views on the affordability of the proposed SV
- their awareness of the proposed SV, and
- their views on council's past and proposed cost management strategies.

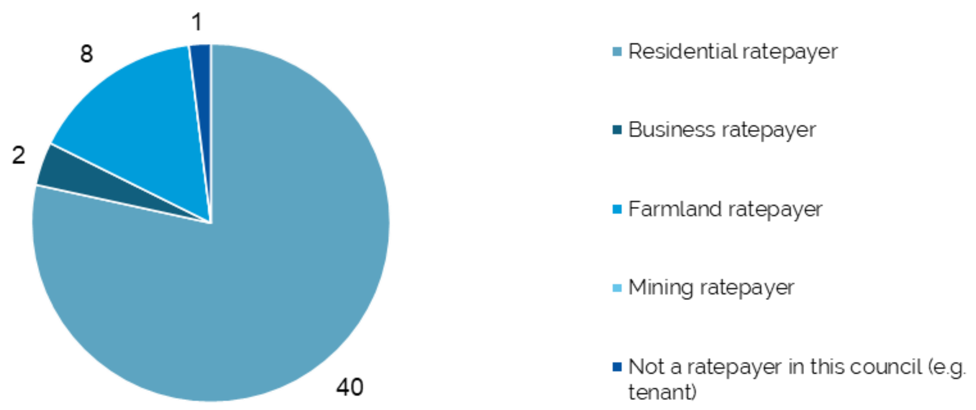
This survey was open for 3 weeks from 27 February 2024 to 18 March 2024.

We received 48 survey responses on Blayney Shire Council's SV application.

Some results are presented in Chapter 3 of this report and throughout our assessment in chapters 3 – 8, as relevant. This appendix provides the results for questions about affordability, awareness of the SV, and council's past and proposed cost management strategies. It also provides the breakdown of ratepayer type the responded.

We note that respondents were able to self-select for the survey and the results may not be representative of the whole community's views.

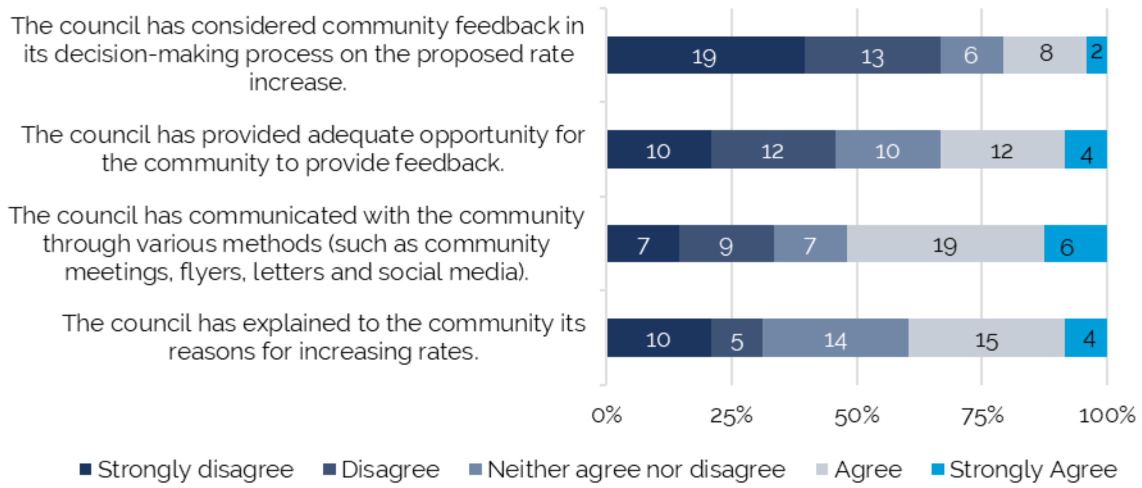
Figure C.1 Respondent ratepayer types



a. The total number of responses for each question was 48. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not represent the distribution of ratepayer types in the council area.

Source: IPART

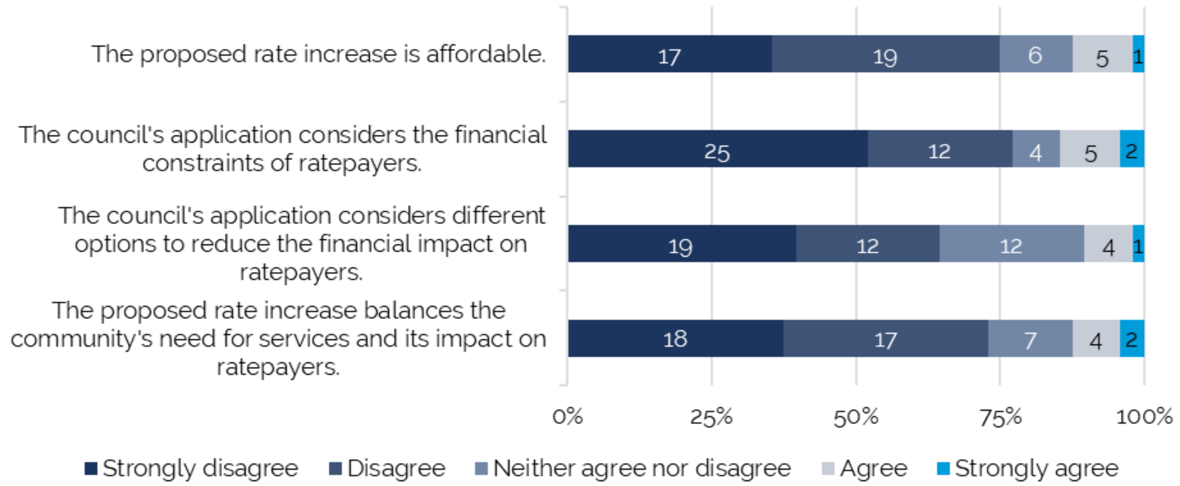
Figure C.2 Responses to questions about awareness and understanding of the proposal



a. The total number of responses for each question was 48. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.

Source: IPART

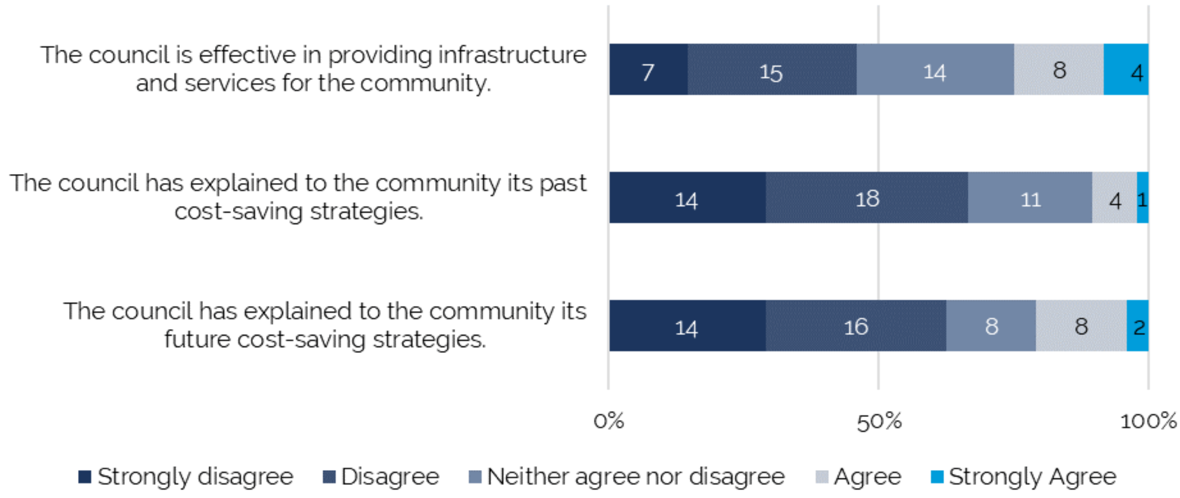
Figure C.3 Responses to questions about affordability



a. The total number of responses for each question was 48. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.

Source: IPART

Figure C.4 Responses to questions about the council's cost-saving strategies



a. The total number of responses for each question was 48. This was a self-selected survey and we cannot guarantee that each response was a unique user. These results may not be representative of the whole community's views.

Source: IPART

D Glossary

Term	Meaning
ABS	Australian Bureau of Statistics
ASV	Additional Special Variation. This was a one-off round of special variations available to councils in 2022-23 allowing a modest increase in response to a rate peg that was lower than councils expected. Applications were assessed against a special set of criteria developed by the OLG.
Baseline Scenario	Shows the impact on the council's operating and infrastructure assets' performance without the proposed SV revenue and expenditure.
Baseline with SV expenditure Scenario	Includes the council's full expenses from its proposed SV, without the additional revenue from the proposed SV. This scenario is a guide to the council's financial sustainability if it still went ahead with its full expenditure program included in its application, but could only increase general income by the rate peg percentage.
General income	Income from ordinary rates, special rates and annual charges, other than income from other sources such as special rates and charges for water supply services, sewerage services, waste management services, annual charges for stormwater management services, and annual charges for coastal protection services.
IPART	The Independent Pricing and Regulatory Tribunal of NSW
IP&R	Integrated Planning & Reporting
Local Government Act	*Local Government Act 1993* (NSW)
OLG	Office of Local Government
OLG SV Guidelines	Guidelines for the preparation of an application for a special variation to general income.
OPR	The Operating Performance Ratio (OPR) measures whether a council's income will fund its costs, where expenses and revenue are exclusive of capital grants and contributions, and net of gains/losses on the sale of assets.
PGI	Permissible General Income is the notional general income of a council for the previous year as varied by the percentage (if any) applicable to the council. A council must make rates and charges for a year so as to produce general income of an amount that is lower that the PGI.
Proposed SV Scenario	Includes the council's proposed SV revenue and expenditure.
Rate peg	The term 'rate peg' refers to the annual order published by IPART (under delegation from the Minister) in the gazette under s 506 of the *Local Government Act 1993*.
SEIFA	Socio-Economic Indexes for Areas (SEIFA) is a product developed by the ABS that ranks areas in Australia according to relative socio-economic advantage and disadvantage. The indexes are based on information from the five-yearly Census. It consists of four indexes, the Index of Relative Socio-economic Disadvantage (IRSD), the Index of Relative Socio-economic Advantage and Disadvantage (IRSAD), the Index of Economic Resources (IER), and the Index of Education and Occupation (IEO).
SV or SRV	Special Variation is the percentage by which a council's general income for a specified year may be varied as determined by IPART under delegation from the Minister.

[1] Blayney Shire Council, Application Part B, p 3.
[2] Blayney Shire Council, Application Part B, pp 4-5.
[3] Blayney Shire Council, Application Part B, p 30.
[4] Blayney Shire Council, Community Awareness and Engagement Report, January 2024, pp 10-12.
[5] Blayney Shire Council, Application Part A, WS4 – Yr 1 Yield, cell D87.
[6] *Local Government Act 1993* (NSW), Section 511.
[7] Blayney Shire Council, Application Part B, pp 4-5.
[8] Blayney Shire Council, Application Part A, WS7 – Impact on Rates.
[9] Blayney Shire Council, Capacity to Pay Report, October 2023, p 1.
[10] Blayney Shire Council, Capacity to Pay Report, October 2023, p 2.
[11] Blayney Shire Council, Capacity to Pay Report, October 2023, p 35.
[12] Blayney Shire Council, Application Part B, p 24.
[13] Blayney Shire Council, Application Part A, WS6 – PGI Summary, cell M98.
[14] Blayney Shire Council, Application Part A, WS4 – Yr 1 Yield, cell D87.
[15] Blayney Shire Council, Application Part A, WS3 – Notional General Income.
[16] *Local Government Act 1993* (NSW), section 556(1).
[17] *Local Government Act 1993* (NSW), section 514.
[18] Blayney Shire Council, 2024/25 - 2033/34 Long Term Financial Plan, p 2, Blayney Shire Council, Application Part B, p 14.
[19] Blayney Shire Council, Application Part B, p 3.
[20] Office of Local Government, Performance Benchmarks, May 2020.
[21] Blayney Shire Council, Application Part A, WS11 – Ratios.
[22] Blayney Shire Council, Application Part A,, WS9 – Financials, cell I94.
[23] Blayney Shire Council, Application Part AWS9 – Financials, cell I91.
[24] Blayney Shire Council, Annual report 2022-23, p 33.
[25] Blayney Shire Council, Application Part A, WS9 – Financials, cell I92.
[26] Blayney Shire Council, Annual report 2022-23, p 34.
[27] Blayney Shire Council, Application Part A, WS9 – Financials, cell I93.
[28] Blayney Shire Council, Application Part A, WS10 – LTFP, cell T160..
[29] Blayney Shire Council, 2023/24 – 2026/27 Delivery Program & 2023/2024 Operational Plan, November 2023, p8.
[30] Blayney Shire Council, 2024/25 - 2033/34 Long Term Financial Plan, pp 22-23.
[31] Blayney Shire Council, 2024/25 - 2033/34 Long Term Financial Plan, p 2.
[32] Blayney Shire Council, Community Awareness and Engagement Report, January 2024, pp 10-12..
[33] Blayney Shire Council, Application Part A, WS4 – Yr 1 Yield, cell D87.
[34] Blayney Shire Council, 23 January 2024 - Ordinary Minutes, January 2024, p 3
[35] Blayney Shire Council, Community Awareness and Engagement Report, January 2024, p 3
[36] Blayney Shire Council, Community Awareness and Engagement Report, January 2024, pp 13-19.
[37] Blayney Shire Council, Community Awareness and Engagement Report, January 2024, p 20.
[38] Blayney Shire Council, Community Awareness and Engagement Report, January 2024, pp 13-20.
[39] Blayney Shire Council, 23 January 2024 - Ordinary Minutes, January 2024, p 3.
[40] Blayney Shire Council, 2024/25 - 2033/34 Long Term Financial Plan, p 13.
[41] Blayney Shire Council, 2024/25 - 2033/34 Long Term Financial Plan, p 13-14.
[42] Blayney Shire Council, Capacity to Pay Report, October 2023, p 35.
[43] Blayney Shire Council, Capacity to Pay Report, October 2023, p 35.
[44] Blayney Shire Council, Capacity to Pay Report, October 2023, p 35.
[45] Blayney Shire Council, Capacity to Pay Report, October 2023, p 34.
[46] Office of Local Government, Australian Classification of Local Governments and OLG group numbers, 2020, p 1-3.
[47] Blayney Shire Council, Application Part A, WS3 – Notional General Income, cell L89.
[48] Blayney Shire Council, Application Part A, WS3 – Notional General Income, cell L41, Blayney Shire Council, Application Part A, WS3 – Notional General Income, cell L78.
[49] Blayney Shire Council, Community Awareness and Engagement Report, January 2024, pp 14-15.
[50] Blayney Shire Council, Application Part B, p24.
[51] Blayney Shire Council, Application Part B, p25.
[52] Blayney Shire Council, Application Part B, p24.
[53] Blayney Shire Council, 07 June 2022 - Extraordinary Minutes, June 2022, p 1.
[54] Blayney Shire Council, 23 January 2024 - Ordinary Minutes, January 2024, p 3.
[55] Blayney Shire Council, 23 January 2024 - Ordinary Minutes, January 2024, p 3.
[56] Blayney Shire Council, 23 January 2024 - Ordinary Minutes, January 2024, p 3.
[57] Blayney Shire Council, Application Part B, p1.
[58] Blayney Shire Council, Organisational Sustainability Review Plan, October 2023, pp 8-10.
[59] Blayney Shire Council, Organisational Sustainability Review Plan, October 2023, p 8.
[60] Blayney Shire Council, Organisational Sustainability Review Plan, October 2023, pp 11-12.
[61] Blayney Shire Council, Organisational Sustainability Review Plan, October 2023, p 13.
[62] Blayney Shire Council, Pensioner and Hardship Assistance Policy, November 2022.
[63] Blayney Shire Council, Application Part B, p 30.

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